

Power Corporation of Canada

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This document contains management's discussion and analysis of the financial condition, financial performance and cash flows of Power Corporation of Canada (the Corporation) for the three months and six months ended June 30, 2022 and the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months and six months ended June 30, 2022. This document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada and is available under the Corporation's profile on SEDAR at www.sedar.com.

Power Corporation of Canada

PART A

Great-West Lifeco Inc.

PART B

IGM Financial Inc.

PART C

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Power Corporation of Canada

PART A

Management's Discussion and Analysis

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Financial Statements and Notes

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Management's Discussion and Analysis

AUGUST 5, 2022

ALL TABULAR AMOUNTS ARE IN MILLIONS OF CANADIAN DOLLARS, UNLESS OTHERWISE NOTED.

The following presents Management's Discussion and Analysis (MD&A) of the financial condition and financial performance of Power Corporation of Canada (Power Corporation or the Corporation) (TSX: POW; POW.PR.E), a public corporation, for the six-month and three-month periods ended June 30, 2022. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Power Corporation and notes thereto for the six-month and three-month periods ended June 30, 2022 (the Interim Consolidated Financial Statements), the MD&A for the year ended December 31, 2021 (the 2021 Annual MD&A), and the audited consolidated financial statements and notes thereto for the year ended December 31, 2021 (the 2021 Consolidated Financial Statements). Additional information relating to Power Corporation, including its Annual Information Form, may be found on the Corporation's website at www.powercorporation.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS › Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' current expectations as disclosed in their respective MD&A. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries including the fintech strategy, the expected impact of the COVID-19 pandemic on the Corporation and its subsidiaries' operations, results and dividends, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the Corporation's NCIB (as defined herein) commenced in 2022, the Corporation's sale of its interest in ChinaAMC (as defined herein) to IGM, and IGM's sale of a portion of its interest in Lifeco, and related impacts and timing thereof, statements concerning deferred taxes, statements concerning the expected impact of IFRS 17 on shareholders' equity, management of standalone businesses to realize value over time, fundraising activities by investment platforms, capital commitments by the Power group and third parties, the intended acquisition opportunity of Portage Fintech Acquisition Corporation, the objective to maintain a minimum level of cash and cash equivalents relative to fixed charges, and the Corporation's subsidiaries' disclosed expectations, including the expectations as a result of the acquisitions of the Prudential full-service retirement business (as defined herein), the retirement services business of MassMutual (as defined herein) and Personal Capital (as defined herein) and related synergies, impacts and timing thereof as well as the impacts of the acquisitions of Affidea (as defined herein) and Sanoptis (as defined herein). Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts (such as the invasion of Ukraine), or an outbreak of a public health pandemic or other public health crises (such as COVID-19), the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors and with respect to forward-looking statements of the Corporation's subsidiaries disclosed in this MD&A, the factors identified by such subsidiaries in their respective MD&A.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, that any required approvals (including regulatory approvals) for strategic transactions, acquisitions, divestitures or other growth or optimization strategies will be received when and on such terms as are expected, as well as other considerations that are believed to be appropriate in the circumstances, including the availability of cash to complete purchases under the NCIB, that the list of risks and uncertainties in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries and with respect to forward-looking statements of the Corporation's subsidiaries disclosed in this MD&A, the risks identified by such subsidiaries in their respective MD&A and Annual Information Form most recently filed with the securities regulatory authorities in Canada and available at www.sedar.com. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this MD&A and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

NON-IFRS FINANCIAL MEASURES › This MD&A contains financial measures (including ratios) that do not have a standard meaning under International Financial Reporting Standards (IFRS). Terms by which non-IFRS financial measures are identified include, but are not limited to, "adjusted net earnings", "adjusted net earnings per share", "adjusted net asset value", "adjusted net asset value per share", "consolidated assets and assets under management" and "consolidated assets and assets under administration". Management uses these financial measures in its presentation and analysis of the financial performance, financial condition and cash flows of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. These non-IFRS financial measures may not be comparable to similar measures used by other entities. Refer to the section "Non-IFRS Financial Measures" in this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure. Reconciliations of the adjusted net asset value and the holding company balance sheet are included in the section "Adjusted Net Asset Value".

This MD&A also includes other measures used to discuss activities of the Corporation's consolidated publicly traded operating companies and alternative asset investment platforms including, but not limited to, "assets under management", "assets under administration", "assets under management and advisement", "book value per participating share", "carried interest", "fee-bearing capital", "market capitalization", "net asset value", "net carried interest" and "unfunded commitments". As well, a non-consolidated basis of presentation is used to present and analyze the financial position and cash flows of Power Corporation as a holding company. Refer to the section "Other Measures" in this MD&A for a definition of each measure.

Organization of the Interim MD&A

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The following abbreviations are used throughout this report:

Acofi	Acofi Gestion	Northleaf	Northleaf Capital Group Ltd.
adidas	adidas AG	NYSE	New York Stock Exchange
Affidea	Affidea Group B.V.	Ontex	Ontex Group NV
AIM	AIM sub-market of the London Stock Exchange	OSE	Oslo Stock Exchange
Alternative asset investment platforms or Investment platforms	Alternative Asset Investment Platforms	PanAgora	PanAgora Asset Management, Inc.
Canada Life	The Canada Life Assurance Company	Pargesa	Pargesa Holding SA or Pargesa SA
Canyon	Canyon Bicycles GmbH	Parjointco	Parjointco SA
ChinaAMC	China Asset Management Co., Ltd.	Parques or Parques Reunidos	Parques Reunidos Servicios Centrales, S.A.
EBITDA	Earnings before interest, taxes, depreciation and amortization	Peak	Peak Achievement Athletics Inc.
EBR	Euronext Brussels	Pernod Ricard	Pernod Ricard SA
Empower	Empower Insurance Company of America (formerly Great-West Life & Annuity Insurance Company)	Personal Capital	Personal Capital Corporation
EPA	Euronext Paris	PFTA	Portage Fintech Acquisition Corporation
European private equity	Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen	Portage I or Portage I LP	Portag3 Ventures Limited Partnership
EverWest	EverWest Real Estate Investors, LLC and EverWest Advisors, LLC	Portage II or Portage II LP	Portag3 Ventures II Limited Partnership
GBL	Groupe Bruxelles Lambert	Portage III or Portage III LP	Portage Ventures III Limited Partnership
GEA	GEA Group AG	Potentia or Potentia Renewables	Potentia Renewables Inc.
Grayhawk	Grayhawk Investment Strategies Inc.	Power Financial	Power Financial Corporation
Holcim	Holcim Ltd.	Power Sustainable	Power Sustainable Capital Inc.
IFRS	International Financial Reporting Standards	Power Sustainable China	Power Sustainable Investment Management Inc.
IGM or IGM Financial	IGM Financial Inc.	Power Sustainable Energy	Power Sustainable Energy Infrastructure
IG Wealth Management	Investors Group Inc.	Power Sustainable Lios	Power Sustainable Lios Inc.
Imerys	Imerys SA	Prudential	Prudential Financial, Inc.
Investment Planning Counsel or IPC	Investment Planning Counsel Inc.	PSEIP	Power Sustainable Energy Infrastructure Partnership
Irish Life	Irish Life Group Limited	Putnam	Putnam Investments, LLC
Koho	KOHO Financial Inc.	Sagard	Sagard Holdings Inc.
Lifeco	Great-West Lifeco Inc.	Sagard Credit I	Sagard Credit Partners, LP
Lion or Lion Electric	The Lion Electric Company	Sagard Credit II	Sagard Credit Partners II, LP
LMPG	LMPG Inc.	Sagard Healthcare	Sagard Healthcare Royalty Partners, LP
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation	Sagard Holdings Management or SHMI	Sagard Holdings Management Inc.
MassMutual	Massachusetts Mutual Life Insurance Company	Sanoptis	Sanoptis AG
MOWI	Mowi ASA	SGS	SGS SA
Nautilus or Nautilus Solar	Nautilus Solar Energy, LLC	Sienna	Sienna Capital and Sienna Investment Managers
NCREIF	National Council of Real Estate Investment Fiduciaries	SIX	Swiss Stock Exchange
		SPEC	Sagard Private Equity Canada LP
		TotalEnergies	TotalEnergies SA
		TSX	Toronto Stock Exchange
		Umicore	Umicore, NV/SA
		USPF	GWL U.S. Property Fund L.P.
		Wealthsimple	Wealthsimple Financial Corp.
		Webhelp	Webhelp Group
		XETR	XETRA Stock Exchange

Overview

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation (TSX: POW; POW.PR.E) is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms. Through Power Financial, it controls Lifeco and IGM and in recent years has implemented an active fintech strategy. It also holds, jointly with the Frère Group of Belgium, a controlling interest in GBL.

Power Corporation conducts its investment activities, built upon a network of deep and long-standing relationships, to provide superior returns. Investment activities include investments in alternative asset managers and investment funds, including Sagard and Power Sustainable, and interests in China resulting from more than 40 years of engagement. The Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

Power Corporation adheres to four overriding investing principles to pursue its objective of achieving sustainable long-term value creation in the best interests of the Corporation:

- Long-term perspective
- Leading franchises with attractive growth profiles
- Strong governance oversight
- Prudent approach to risk management

Power Corporation's value creation strategy is focused on financial services, designed to generate long-term sustainable growth in earnings and dividends, and is based upon three key levers:

- Operating company organic levers: organic growth strategies at the publicly traded operating companies;
- Operating company inorganic levers: deployment and redeployment of capital; and
- Holding company levers: actions that can be taken at the Corporation and between the Corporation and its publicly traded operating companies and investments.

Power Corporation, through its alternative asset investment platforms, is developing alternative asset management businesses which build upon the investment capabilities that have been created over many years in several high-growth asset classes. The alternative asset investment platforms are focused on growing their asset management businesses through raising third-party capital and the Corporation intends to continue to provide seed capital to the different investment products managed by each of the alternative asset investment platforms:

- Sagard, since its inception in 2005, has evolved into a multi-strategy alternative asset manager. Sagard looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard invests across five asset classes: private credit, healthcare royalties, venture capital, private equity and real estate, and also offers wealth management services. Sagard also sponsored a special purpose acquisition company, which is listed on the Nasdaq exchange.
- Power Sustainable is a sustainability-led global alternative asset manager with a long-term investment approach. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. Power Sustainable currently manages three main platforms:
 - Power Sustainable China selects a high-conviction portfolio based on fundamental research and takes an active approach to investing in China's public equity markets, selecting companies and business models that have significant alignment with the following goals: innovation and technology, decarbonization and quality growth.
 - Power Sustainable Energy Infrastructure invests in the development, construction, and operation of renewable energy infrastructure assets across North America.
 - Power Sustainable Lios will invest in mid-market companies across the food value chain in North America that support the sustainability transformation occurring within the food system.

The alternative asset investment platforms also have significant influence and controlling interests in several standalone businesses, which are managed to create and realize value over time.

The Corporation's multi-generational relationships have been foundational in creating investment opportunities in China. ChinaAMC, one of the largest asset managers in China, diversifies the Corporation's interests by creating strategic opportunities with other asset managers within the Power group of companies.

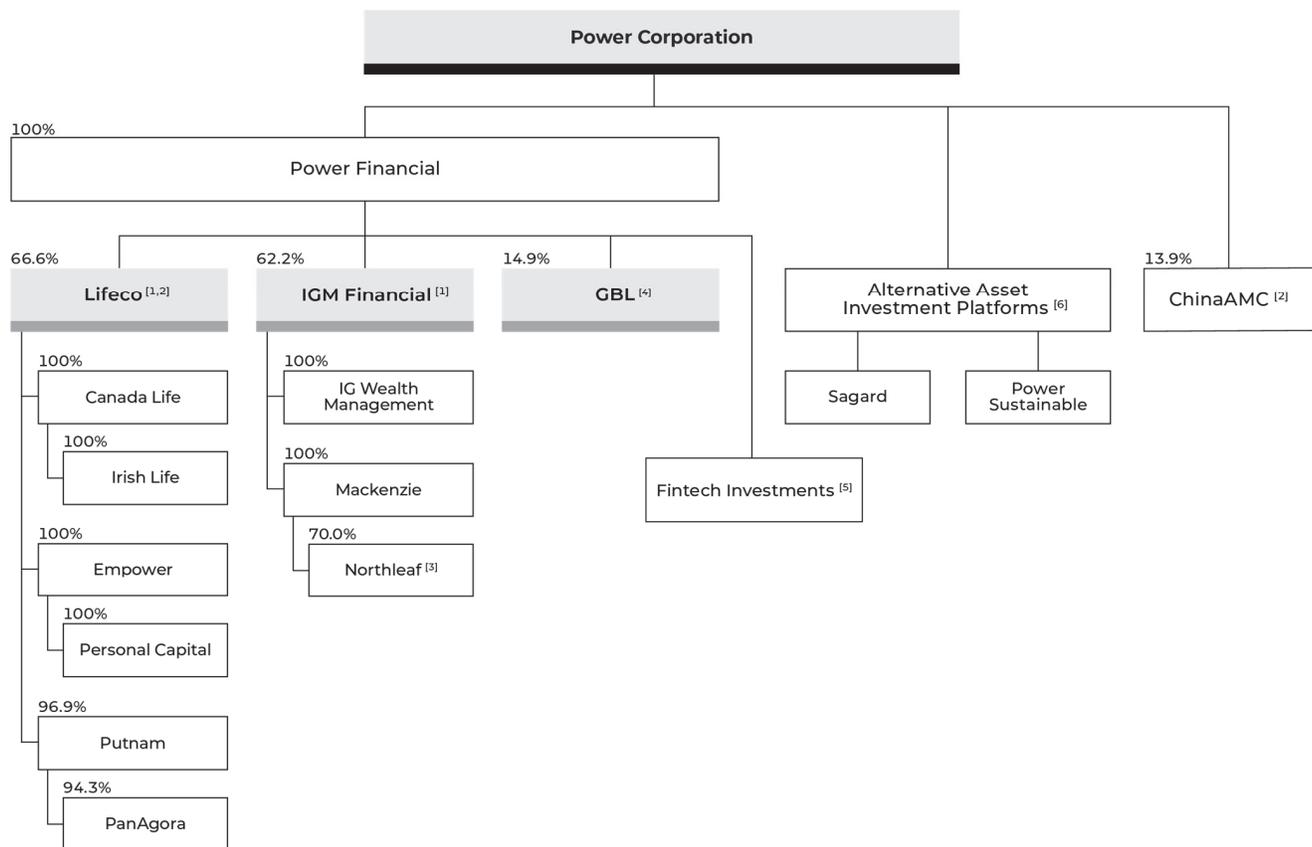
ORGANIZATION OF THE MD&A

The Corporation's MD&A consists of three parts:

- Part A – Power Corporation, presented on a consolidated and non-consolidated basis;
- Part B – Lifeco's interim MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part C – IGM's interim MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from IGM's website (www.igmfinc.com).

Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. GBL is a public company listed on the Brussels Stock Exchange (EBR: GBLB). Market capitalizations reported in the following sections are at June 30, 2022 (refer to the section "Other Measures").

The following chart reflects the economic interests held by the Corporation at June 30, 2022, which include the operating subsidiaries (Lifeco and IGM) and its interest in GBL, held through Power Financial, interests held through the Corporation's alternative asset investment platforms, and an interest in ChinaAMC.



In bold: Publicly listed holdings

[1] Lifeco, through Canada Life, holds a 3.9% interest in IGM, and IGM holds a 4.0% interest in Lifeco.

[2] IGM also holds a 13.9% interest in ChinaAMC. On January 5, 2022, the Corporation and IGM entered into an agreement under which the interest in ChinaAMC will be consolidated at IGM. In a separate agreement, IGM will sell approximately 15.2 million common shares of Lifeco, representing a 1.6% interest in Lifeco, to Power Financial. Refer to the section "ChinaAMC".

[3] Represents a 49.9% non-controlling voting interest. The interest in Northleaf is held through an acquisition vehicle in which IGM holds an 80% equity interest and Lifeco holds a 20% equity interest.

[4] Held through Parjointco, a jointly controlled corporation (50%). Parjointco has a 44.3% voting interest in GBL. Refer to the section "GBL" for a list of investments.

[5] Includes a controlling interest in Portage I, Portage II, Portage III and Wealthsimple, held through Power Financial, Lifeco and IGM.

[6] Refer to the section "Alternative Asset Investment Platforms" for a list of investments held by each investment platform.

PUBLICLY TRADED OPERATING COMPANIES

The Corporation holds controlling interests, through Power Financial, in Lifeco and IGM. It also has significant holdings in a portfolio of European-based global companies through its investment in GBL.

Lifeco

Great-West Lifeco Inc. (TSX: GWO), market capitalization of \$29.3 billion at June 30, 2022, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States and Europe under the brands Canada Life, Empower, Putnam Investments and Irish Life. For reporting purposes, Lifeco has five reportable segments: Canada, the United States, Europe, Capital and Risk Solutions, and Corporate, which reflect geographic lines as well as the management and corporate structure of the companies.

The Canada segment is operated by Canada Life primarily through the Individual Customer and Group Customer business units. Through the Individual Customer business unit, Lifeco provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, Lifeco provides life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada.

The United States segment operates two primary business units, Financial Services and Asset Management. The Financial Services business unit, and specifically the Empower brand, provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management as well as investment and advisory services. Financial Services also includes a retained block of life insurance, predominately participating policies, which are now administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance. Empower's products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. The Asset Management business unit, and specifically the Putnam brand, provides investment management services and related administrative functions and distribution services through a broad range of investment products, including the Putnam funds, its own family of mutual funds which are offered to individual and institutional investors. PanAgora, a Putnam subsidiary, offers a broad range of investment solutions using sophisticated quantitative techniques.

As a result of the acquisition of Personal Capital in the third quarter of 2020, Lifeco expects to incur total integration expenses of US\$57 million pre-tax, of which US\$35 million pre-tax have been incurred as of June 30, 2022. The integration is expected to be completed in the second half of 2022.

At June 30, 2022, US\$88 million of pre-tax run-rate cost synergies have been achieved related to Lifeco's acquisition of MassMutual's retirement services business on December 31, 2020. Lifeco remains on track to achieve run-rate cost synergies of US\$160 million pre-tax at the end of integration in 2022 and to achieve run-rate revenue synergies of US\$30 million in 2023 and continue to grow beyond 2023. Lifeco expects to incur restructuring and integration expenses of US\$125 million pre-tax related to the MassMutual transaction, of which US\$91 million pre-tax have been incurred at June 30, 2022. The integration remains on track to be completed in the second half of 2022.

On April 1, 2022, Empower completed the previously announced acquisition of the full-service retirement business of Prudential. With the completion of the acquisition, Empower's reach in the U.S. has expanded to more than 17.4 million retirement plan participants and assets under administration to US\$1.3 trillion on behalf of approximately 71,000 workplace savings plans as of June 30, 2022. Lifeco funded the total transaction value of US\$3,480 million with US\$1,193 million of Limited Recourse Capital Notes (LRCN Series 1) and US\$823 million of short-term debt, in addition to its existing resources.

Lifeco anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's record-keeping platform. Estimated run-rate cost synergies are expected to be US\$180 million and to be phased in over 24 months primarily when systems migrations are completed. At June 30, 2022, US\$25 million of pre-tax run-rate cost synergies have been achieved. Revenue synergies of US\$20 million are expected by Lifeco on a run-rate basis by the end of 2024 and Lifeco expects them to grow to US\$50 million by 2026. Lifeco expects to incur one-time integration and restructuring expenses of US\$170 million pre-tax, of which US\$35 million pre-tax have been incurred at June 30, 2022. Lifeco expects the integration to be completed in the first half of 2024.

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany. The U.K. and Germany business units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand. The core products offered by the U.K. business unit are bulk and individual payout annuities, equity-release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. The core products offered by the Ireland business unit are savings and investments, individual and group life insurance, health insurance and pension products. Irish Life Investment Managers (ILIM) is one of Lifeco's fund management operations in Ireland. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional clients across Europe and North America. The core products offered by the Germany business unit are individual and group pensions and life insurance products.

The Capital and Risk Solutions segment includes the operating results of the Reinsurance business unit which operates primarily in the U.S., Barbados, Bermuda and Ireland.

At June 30, 2022, Power Financial and IGM held interests of 66.6% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%. On January 5, 2022, the Corporation and IGM entered into an agreement under which IGM will sell approximately 15.2 million common shares of Lifeco, representing a 1.6% interest in Lifeco, to Power Financial. Refer to the section "ChinaAMC".

See Part B of this MD&A for additional information on Lifeco.

IGM Financial

IGM Financial Inc. (TSX: IGM), market capitalization of \$8.2 billion at June 30, 2022, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments and IGM also holds a number of strategic investments that provide benefits to the operating subsidiaries while furthering IGM's growth prospects. IGM has three reportable segments: Wealth Management, Asset Management, and Strategic Investments and Other.

The Wealth Management segment reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households and represents the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations that serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. The Wealth Management segment provides a comprehensive planning approach through IG Wealth Management and IPC advisors by offering a broad range of financial products and services including a broad selection of mutual funds, managed portfolios, advisory accounts and unique portfolio management programs as well as insurance products and mortgage and banking solutions. IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. Investment Planning Counsel is an independent distributor of financial products, services and advice in Canada.

The Asset Management segment reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third-party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors. Mackenzie Investments is a diversified asset management solutions provider and provides investment management and related services with a wide range of investment mandates through a boutique structure and uses multiple distribution channels. Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

The Strategic Investments and Other segment primarily represents the key strategic investments made by IGM, including ChinaAMC (refer to the section "ChinaAMC"), Lifeco, Northleaf, Wealthsimple, and the Portage Ventures funds (refer to the section "Alternative Asset Investment Platforms"), as well as unallocated capital.

On January 5, 2022, IGM entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from the Corporation, which will increase IGM's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM will sell approximately 15.2 million common shares of Lifeco to the Corporation for cash consideration of \$575 million, which will reduce IGM's equity interest in Lifeco from 4.0% to 2.4%. Refer to the section "ChinaAMC".

At June 30, 2022, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 62.2% and 3.9%, respectively, in IGM's common shares.

See Part C of this MD&A for additional information on IGM.

GBL

Power Financial Europe SA, a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. At June 30, 2022, Parjointco held a 29.8% indirect (44.3% of the voting rights) controlling interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

GBL (EBR: GBLB), market capitalization of €12.2 billion at June 30, 2022, is one of the largest listed holding companies in Europe. Focused on long-term value creation, GBL relies on a stable and supportive family shareholder base. GBL strives to maintain a diversified high-quality portfolio composed of global industrial and services companies, leaders in their sectors, in which GBL can contribute to value creation by being an active professional investor.

At June 30, 2022, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

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|---|---|
| <ul style="list-style-type: none"> ▪ Imerys (EPA: NK) – mineral-based specialty solutions for industry ▪ SGS (SIX: SGSN) – inspection, verification, testing and certification solutions ▪ adidas (XETR: ADS) – design, development, production and distribution of sporting goods ▪ Pernod Ricard (EPA: RI) – wines and spirits ▪ Holcim (SIX: HOLN and EPA: HOLN) – construction materials and solutions including cement, aggregates and concrete | <ul style="list-style-type: none"> ▪ Umicore (EBR: UMI) – materials technology and recycling of precious metals ▪ GEA (XETR: GIA) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors ▪ Ontex (EBR: ONTEX) – personal hygiene solutions provider ▪ MOWI (OSE: MOWI) – producer of Atlantic salmon |
|---|---|

PRIVATELY HELD

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Webhelp – business process outsourcer, specializing in customer experience, sales and marketing services and payment services ▪ Canyon – direct-to-consumer distributor of premium bicycles | <ul style="list-style-type: none"> ▪ Voodoo – developer and publisher of mobile games ▪ Parques Reunidos – operator of regional leisure parks |
|--|---|

In addition, through Sienna, GBL is developing an alternative investment portfolio including private equity, debt and thematic funds and is expanding its activities into alternative asset management. In 2021, Sienna Investment Managers acquired L'Etoile Properties (now Sienna Real Estate), a pan-European real estate investment manager, marking the launch of Sienna Investment Managers' third-party asset management platform. In March 2022, Sienna Investment Managers completed its previously announced acquisitions of a majority interest in Malakoff Humanis and Acofi Gestion, which have been rebranded as Sienna Gestion and Sienna Private Credit, respectively.

On July 1, 2022, subsequent to quarter-end, GBL completed its previously announced acquisition of a majority stake in Sanoptis, a leading network of ophthalmology clinics across Germany and Switzerland, its first private investment in the healthcare sector in 2022. GBL invested €728 million of equity in Sanoptis. As part of the transaction, the incumbent management increased its stake in the company through a significant reinvestment. GBL and Sanoptis management plan to continue Sanoptis' growth organically and through acquisitions in both Sanoptis' current markets and in attractive new European countries.

On July 22, 2022, subsequent to quarter-end, GBL completed its previously announced acquisition of a majority stake in Affidea, a leading European provider of healthcare diagnostic services, with 320 centres operating in 15 countries. GBL invested €1.0 billion of equity into the transaction alongside management of Affidea. Together with Affidea management, GBL will work to accelerate organic growth, external growth transactions and digital health programs.

During the second quarter of 2022, GBL reduced its holdings in MOWI from 7.0% at the end of 2021 to 3.5% at June 30, 2022, generating proceeds of €386 million. This sale generated a gain for GBL of €86 million.

During the first and second quarters of 2022, GBL repurchased €378 million of its own capital. In May 2022, GBL's Board of Directors approved a fifth allocation of €500 million, in which GBL has started to execute in June 2022. During the second quarter of 2022, GBL cancelled 3.4 million of its treasury shares.

On July 29, 2022, subsequent to quarter-end, Imerys announced that it has entered into exclusive negotiations with the Platinum Equity investment firm, to dispose of its High Temperature Solution Business, for an amount of approximately €930 million. The transaction, which is subject to the fulfillment of customary closing conditions, including the information and consultation of works councils and other regulatory approvals, is expected to be completed by the end of 2022.

GBL reported a net asset value (refer to the section "Other Measures") at June 30, 2022 of €17,828 million, compared with €22,501 million at December 31, 2021.

GBL's financial results and other disclosures are derived from publicly disclosed information, as issued by GBL in its half-year report at June 30, 2022. Further information on GBL's results is available on its website (www.gbl.be).

ALTERNATIVE ASSET INVESTMENT PLATFORMS

Since the launch of the first Sagard fund in Europe in 2002, Power Corporation has continued to develop alternative asset investment platforms (investment platforms) that manage portfolios on behalf of the Corporation and third-party investors in several alternative asset classes in three principal geographies: Europe, North America, and China. The investment platforms Sagard and Power Sustainable are managed locally by experienced investment professionals who have an in-depth knowledge of the local markets and benefit from collaboration within the Power group of companies. Power Corporation's investment platforms seek to generate attractive returns for their investors by: (i) attracting experienced investment teams to execute on investment strategies where the investment platforms' ecosystem gives them a competitive advantage; (ii) leveraging the global network created over decades by the Power group to drive the commercial success of their investment strategies and underlying investments; and (iii) providing flexible capital solutions to solve a range of business and financing needs.

The investment platforms comprise asset management and investing activities. Earnings from asset management activities include income earned from management fees and carried interest, net of investment platform expenses. Earnings from investing activities comprise income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms.

Power Corporation invests proprietary capital in the strategies of its investment platforms to support their growth and development as asset managers. The investment platforms' growth strategy is focused primarily on raising third-party capital, and the Corporation expects that its proprietary capital will represent an increasingly smaller proportion of future funds. The Corporation seeks to earn attractive returns on its proprietary capital investments commensurate with the risk profile of the underlying investments in each strategy. Returns are expected to be realized over differing time horizons:

- Income-related strategies such as Private Credit, Healthcare Royalties and Power Sustainable Energy Infrastructure Partnership are expected to generate returns on a regular basis; and
- Capital appreciation strategies such as Private Equity, Venture Capital and Power Sustainable China are expected to generate returns as investments are monetized.

Sagard

Sagard was founded as a complement to the Corporation's global investment activities. Today, Sagard is a multi-strategy alternative asset manager with professionals principally located in Canada, the U.S. and Europe. Sagard seeks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard develops long-term partnerships and empowers the growth of its investments through a unique global network of portfolio companies, limited partners, advisors and other valued relationships.

The operations of Sagard are comprised of asset management and investing activities.

ASSET MANAGEMENT ACTIVITIES

At June 30, 2022, Sagard had US\$13.9 billion of assets under management (US\$14.0 billion at December 31, 2021), including unfunded commitments (refer to the section "Other Measures"), across five asset classes: private credit, healthcare royalties, venture capital, private equity and real estate, including US\$0.9 billion through its wealth management business (US\$1.0 billion at December 31, 2021). Assets under management includes US\$147 million related to equity interests in standalone businesses (US\$164 million at December 31, 2021) (refer to the section "Standalone Businesses").

Assets under management, excluding equity interests of standalone businesses, are as follows:

(In billions of U.S. dollars)	June 30, 2022	December 31, 2021
Funds	8.1	9.4
Separately managed agreements and co-investment vehicles	0.8	0.4
Real estate - separate accounts	3.9	3.0
Other ^[1]	0.9	1.0
Assets under management	13.7	13.8
Fee-bearing capital ^[1,2]	10.1	8.4

[1] Includes assets managed through its wealth management business.

[2] Refer to the section "Other Measures".

The following table summarizes the funds managed by Sagard and the Corporation's interests in each of the funds:

June 30, 2022				Interest held			Manager compensation		
(in millions; except as otherwise noted)	Currency	Vintage	Capital commitment (\$)	Power Corporation (%)	Associated companies ^[1] (%)	Third parties (%)	Fees ^[2] (%)		Carried interest (%)
Private Credit									
Sagard Credit I	US\$	2017	557	18.0	1.0	81.0	1.50	Invested capital	15.0
Sagard Credit II	US\$	2020	1,167	4.3	5.2	90.5	1.50	Invested capital	20.0
Healthcare Royalties									
Sagard Healthcare	US\$	2019	726	10.3	0.5	89.2	1.75	Committed capital	20.0
Venture Capital									
Portage I ^[3, 4]	C\$	2016	452	38.0	62.0	-	2.00	Invested capital	10.0
Portage II ^[3, 5]	C\$	2018	427	12.4	16.8	70.8	2.00	Invested capital	20.0
Portage III	US\$	2021	655	2.4	15.3	82.3	2.25	Committed capital	20.0
Private Equity									
Sagard Europe II ^[5]	€	2006	728	22.4	18.5	59.1	1.75	Invested capital	20.0
Sagard Europe 3 ^[5]	€	2013	729	0.2	26.4	73.4	2.00	Invested capital	20.0
Sagard Europe 4	€	2020	781	19.4	26.3	54.3	1.75	Committed capital	20.0
Sagard NewGen ^[6]	€	2020	161	37.6	35.9	26.5	2.00	Committed capital	20.0
Sagard Private Equity Canada ^[6]	C\$	2021	396	3.8	12.6	83.6	2.00	Committed capital	20.0
Real Estate									
USPF ^[7]	US\$	2002	1,098	1.8	23.5	74.7	0.98	Net asset value	-

[1] Associated companies includes commitments from management as well as commitments from Lifeco (US\$50 million in Sagard Credit Partners II, \$33 million in Portage II, US\$59 million in Portage III, \$50 million in SPEC, €50 million in Sagard Europe 4, and US\$258 million in USPF), IGM (\$33 million in Portage II and US\$26 million in Portage III), Pargesa (€33 million in Sagard Europe II), and GBL (€102 million in Sagard Europe II, €192 million in Sagard Europe 3, €150 million in Sagard Europe 4 and €50 million in Sagard NewGen). Lifeco and IGM have invested \$26 million and \$255 million, respectively, in Portage I.

[2] Represents the base management fees of each fund.

[3] Includes an interest in Portage I and Portage II of 38.0% and 7.7%, respectively, held through Power Financial.

[4] Includes investments held by Portage I, Power Financial and IGM, through limited partnerships controlled by Power Financial, in Wealthsimple.

[5] During the investment period, management fees were based on committed capital. Since the close of the investment period, management fees are based on invested capital, which may include a reserve for follow-on investments.

[6] Fundraising activities continue for Sagard NewGen and SPEC.

[7] USPF is managed by EverWest through a management service agreement. USPF is an open-end real estate fund and generally invests all committed capital; as such the capital commitment of the fund is representative of the net asset value (refer to the section "Other Measures").

The following table summarizes the activities of each of the funds managed by Sagard:

June 30, 2022		Commitment				
(in millions; except as otherwise noted)	Currency	Total funded	Unfunded	Unfunded	Distributions to date ^[1]	NAV ^[2]
		(\$)	(\$)	(%)	(\$)	(\$)
Private Credit						
Sagard Credit I ^[3]	US\$	513	316	56.7	495	128
Sagard Credit II	US\$	119	1,048	89.8	5	116
Healthcare Royalties						
Sagard Healthcare ^[3]	US\$	324	402	55.4	5	313
Venture Capital						
Portage I ^[4]	C\$	452	-	-	614	1,021
Portage II	C\$	336	91	21.3	8	800
Portage III	US\$	157	498	76.1	-	132
Private Equity						
Sagard Europe II ^[5]	€	722	6	0.9	1,163	26
Sagard Europe 3	€	661	68	9.3	895	557
Sagard Europe 4	€	201	580	74.3	-	193
Sagard NewGen	€	148	13	8.3	-	162
Sagard Private Equity Canada	C\$	32	364	91.9	-	24

[1] Excludes distributions which have been recalled by the fund for reinvestment, as well as distributions made by the fund due to rebalancing from increases in fund size.

[2] Net asset value (NAV) of the fund represents the fair value of investments held within the fund, net of any liabilities, and includes the controlled and consolidated investments held through the fund presented at fair value. Refer to the section "Adjusted Net Asset Value" for a description of the Corporation's fair value adjustments to controlled and consolidated investments.

[3] Total funded commitment represents the net cash funded for portfolio investments and fund expenses since inception, excluding amounts that have been recalled by the fund. The unfunded commitment of Sagard Credit I includes amounts distributed of \$272 million which are recallable by the fund.

[4] Includes investments held by Portage I, Power Financial and IGM, through limited partnerships controlled by Power Financial, in Wealthsimple, which represents a fair value of \$0.9 billion at June 30, 2022 (\$2.1 billion at December 31, 2021).

[5] On April 21, 2022, Sagard Europe II disposed of its last investment.

Private Credit

- Sagard Credit Partners had assets under management of US\$1.8 billion, including unfunded commitments, at June 30, 2022 (US\$1.9 billion at December 31, 2021).
- Sagard Credit I, a fund launched in 2017, provides credit capital directly to public and private middle-market companies across the U.S. and Canada. Sagard Credit I has total capital commitments of US\$557 million, of which Sagard has committed US\$100 million. Sagard Credit I closed its investment period in December 2021.
- Sagard Credit II is a successor fund to Sagard Credit I, deploying the same strategy, and was launched in 2020. At June 30, 2022, Sagard Credit II had commitments totalling US\$1,167 million, of which Sagard and Lifeco have each committed US\$50 million.

Sagard also manages, through a separately managed agreement with Lifeco, an additional investment of up to US\$200 million.

- In October 2021, Sagard Credit Partners announced the launch of a new senior loans fund, Sagard Senior Loan Partners, which will focus on first-lien lending to non-sponsor-owned North American companies with \$50 million or less in EBITDA. Sagard commenced external fundraising efforts in the first quarter of 2022.

Healthcare Royalties

- Sagard Healthcare Partners had assets under management of US\$908 million, including unfunded commitments and assets managed on behalf of a co-investor, at June 30, 2022 (US\$823 million at December 31, 2021). Sagard Healthcare had total capital commitments of US\$726 million, of which Sagard has committed US\$75 million. Sagard Healthcare, a fund launched in 2019, invests in the life sciences sector with a focus on investments in approved and commercialized biopharmaceuticals, diagnostics, and medical devices that are protected by strong intellectual property. Sagard Healthcare invests in various structures, including traditional healthcare royalties, royalty securitizations and royalty-related credit.

Venture Capital (Fintech Investments)

- Portage Ventures, the venture capital arm of Sagard, had assets under management of US\$2.2 billion (C\$2.8 billion) at June 30, 2022 (US\$3.3 billion (C\$4.2 billion) at December 31, 2021), including unfunded commitments and an investment in Wealthsimple, a consolidated subsidiary. The Corporation, through investments held by Power Financial, together with Lifeco, IGM and Sagard, are anchor investors in the Portage I, Portage II and Portage III funds. Portage Ventures is a global fintech investor that aims to support the world's most innovative financial technology companies through their growth evolution. Its global focus enables the leveraging of market insights from one region to another. Through its funds, Portage Ventures has invested in more than 80 fintech companies and investment funds.
- Portage I held investments of \$127 million at June 30, 2022 (\$164 million at December 31, 2021), excluding the investment in Wealthsimple, a consolidated subsidiary discussed below.
- Portage II had total capital commitments of \$427 million at June 30, 2022, of which Sagard has committed \$20 million and Power Financial, Lifeco and IGM have each committed \$33 million, for a total of \$119 million. At June 30, 2022, the fair value of Portage II's investment portfolio was \$813 million (\$874 million at December 31, 2021).
- Portage III, Portage Ventures' third fintech venture fund is focused on early-stage investments in the global financial technology sector. At June 30, 2022, total capital commitments amounted to US\$655 million, of which Sagard committed US\$16 million and Lifeco and IGM have committed US\$59 million and US\$26 million, respectively. At June 30, 2022, the fair value of Portage III's investment portfolio was \$194 million (US\$150 million), (\$137 million (US\$108 million) at December 31, 2021).
- In July 2022, subsequent to quarter-end, Portage Ventures announced the launch of a late-stage fintech-focused fund, Portage Capital Solutions, which will focus on structured opportunities in fintech and financial services companies globally and target investments over \$50 million. Portage Ventures will commence fundraising efforts in the second half of 2022.

Private Equity**SAGARD EUROPE**

- Sagard, through its subsidiary Sagard SAS, a French management company headquartered in Paris, had assets under management of US\$2.1 billion (€2.0 billion), including unfunded commitments, at June 30, 2022 (US\$2.3 billion (€2.0 billion) at December 31, 2021). Sagard SAS manages investment funds dedicated to investing in small and middle market opportunities focused on transformational growth companies in Europe. Sagard SAS currently has four private equity funds including Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen.
- Sagard Europe 3, a fund launched in 2013, had total committed capital of €729 million at June 30, 2022.
In March 2022, Sagard SAS established a special purpose co-investment vehicle, Sagard Minority Extended Participation Fund 1 S.L.P. (Sagard MEP). At June 30, 2022, Sagard MEP has total commitments of €207 million and is a continuation fund which has invested in certain portfolio companies, alongside new financial investors, formerly held by Sagard 3.
- Sagard Europe 4, a fund launched in 2020, had total committed capital of €781 million at June 30, 2022, of which the Corporation and Lifeco have committed an amount of €150 million and €50 million, respectively.
- Sagard NewGen, a fund launched in 2020, is a European small cap fund focused on the healthcare and technology sectors; it invests in majority and minority holdings with deal sizes typically between €10 million and €50 million. Sagard NewGen seeks to invest in companies aiming to become leaders in their respective market that share a commitment to innovation and sustainability. At June 30, 2022, Sagard NewGen had total committed capital of €161 million, of which the Corporation has committed an amount of €60 million. At June 30, 2022, the fair value of Sagard NewGen's investment portfolio, excluding an investment in a controlled subsidiary, was \$180 million (€133 million), (\$139 million (€97 million) at December 31, 2021).
In July 2022, subsequent to quarter-end, Sagard NewGen completed an additional close, raising capital of €25 million. Total commitments of the fund increased to €186 million.
Sagard SAS continues its fundraising activities for Sagard NewGen.

CANADIAN PRIVATE EQUITY

- In January 2021, Sagard announced the launch of its Canadian Private Equity platform, SPEC, a strategy focused on Canadian mid-market opportunities to help companies and their management teams accelerate their growth trajectory. At June 30, 2022, SPEC had total capital commitments of \$396 million, of which Sagard and Lifeco have committed \$15 million and \$50 million, respectively. At June 30, 2022, the fair value of investments held by SPEC was \$40 million (\$25 million at December 31, 2021).

Real Estate

- In November 2021, Sagard completed the acquisition of EverWest, a vertically integrated, full-service real estate investment advisor with capabilities in investment management, development, and property management. EverWest is based in Denver, Colorado and has four regional investment offices as well as four additional property management offices across the United States. EverWest manages assets with a fair value at June 30, 2022 of US\$5.5 billion (US\$4.3 billion at December 31, 2021), representing more than 110 properties.

EverWest offers a variety of investment strategies including separate accounts and funds. EverWest manages, through its separate account segment, real estate assets with a fair value at June 30, 2022 of US\$3.8 billion, which includes US\$1.2 billion of assets managed on behalf of Lifeco (US\$2.9 billion and US\$800 million, respectively, at December 31, 2021). EverWest's flagship fund, USPF, is a core open-end real estate investment fund, and is included in the NCREIF Fund Index – Open-End Diversified Core Equity Index (NFI-ODCE). At June 30, 2022, USPF managed assets with a fair value of US\$1.6 billion (US\$1.4 billion at December 31, 2021).

Wealth Management

- Sagard holds a 64.2% controlling interest in Grayhawk, a registered portfolio manager, investment manager and exempt market dealer for high-net-worth Canadian families. Grayhawk had \$1.2 billion in assets under management at June 30, 2022 (\$1.3 billion at December 31, 2021).

Portage Fintech Acquisition Corporation

- In the second quarter of 2021, Sagard launched Portage Fintech Acquisition Corporation (PFTA), a newly organized U.S. "blank check company" sponsored by PFTA I LP, an affiliate of Sagard. On July 21, 2021, PFTA successfully completed an initial public offering of 25.9 million units at a price of US\$10.00 per unit, raising gross proceeds of US\$259 million, including the exercise of the over-allotment option granted to underwriters of the offering. Since July 21, 2021, the units have been listed on the Nasdaq exchange and trade under the ticker symbol "PFTAU". Each unit consists of one Class A ordinary share of PFTA and one-third of one redeemable warrant. The offering closed on July 23, 2021 and the over-allotment was completed on August 5, 2021.

Sagard, through PFTA I LP, holds a 6% economic interest in PFTA through Class B shares and private warrants. Sagard has determined that it has significant influence over PFTA through PFTA I LP, and accounts for its interest as an associate using the equity method.

PFTA intends to focus on an acquisition opportunity in industries that complement the platform's industry knowledge and capitalize on its ability to source and acquire a business in the fintech or financial services ecosystem.

INVESTING ACTIVITIES

The Corporation holds the following investments in funds, including the investments held through Power Financial, which are managed by Sagard:

(in millions of Canadian dollars)	June 30, 2022			December 31, 2021		
	Investments to date ^[1]	Share of distributions to date ^[1]	Fair value of the investment	Investments to date ^[1]	Share of distributions to date ^[1]	Fair value of the investment
Private Credit						
Sagard Credit I	158	150	32	157	100	79
Sagard Credit II	7	-	6	-	-	-
Healthcare Royalties						
Sagard Healthcare	86	45	42	54	43	10
Venture Capital						
Portage I ^[2]	177	222	388	158	159	854
Portage II	50	10	87	50	10	93
Portage III	5	-	4	4	-	3
Private Equity						
Sagard Europe II ^[3]	221	329	6	221	289	49
Sagard Europe 3	525	775	32	525	762	46
Sagard Europe 4	163	109	52	163	102	63
Sagard NewGen	101	20	81	72	3	71
Sagard Canadian Private Equity	2	1	1	2	-	2
Real Estate						
USPF	22	-	25	-	-	-

[1] Includes distributions which have been recalled by the fund and distributions due to rebalancing.

[2] Includes investment in the controlled and consolidated subsidiary, Wealthsimple, at fair value.

[3] In the second quarter, Sagard Europe II completed the sale of its last investment, and the Corporation received its share of proceeds of \$41 million (€30 million) which excludes a deferred payment as part of the sale agreement.

Fintech Investments

Fintech investments are comprised of the Corporation's investments, primarily held through Power Financial, in the Portage I, Portage II and Portage III funds and Wealthsimple.

WEALTHSIMPLE

At June 30, 2022, Portage I, Power Financial and IGM collectively held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 54.5% (54.8% at December 31, 2021), representing a voting interest of 56.5% and a fully diluted equity interest of 42.5%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple offers a suite of investment and savings products, which include Wealthsimple Cash, Wealthsimple Crypto, Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade and Wealthsimple Work. At June 30, 2022, Wealthsimple had 1.7 million clients, excluding tax clients, across the Canadian market with assets under administration of \$16.9 billion, compared with \$14.9 billion (excluding the assets under administration of U.S. and U.K. clients) at June 30, 2021, representing a year-over-year growth of 14%.

In the first quarter of 2022, Wealthsimple completed the sale of its U.K. book of business and the transfer of the U.K.-based customer accounts. This disposal is in line with Wealthsimple's strategy to focus on the Canadian market.

The fair value of the Power group's interest in Wealthsimple was \$0.9 billion at June 30, 2022, compared with a fair value of \$2.1 billion at December 31, 2021. The fair value of the Power group's interest decreased in the first and second quarters of 2022 by \$0.4 billion and \$0.8 billion, respectively. The change in fair value is consistent with the continued decline in stock markets and public market peer valuations, and Wealthsimple focusing on its core business lines and revising revenue expectations. The fair value of the Corporation's 15.9% equity interest in Wealthsimple, including its indirect interest held through Portage I, on a fully diluted basis, was \$333 million at June 30, 2022 (\$796 million at December 31, 2021).

At June 30, 2022, the Power group had invested \$315 million in Wealthsimple (same as at December 31, 2021).

Power Sustainable

Power Sustainable is a pure-play sustainable investment manager with offices in Canada, China, and the U.S. Power Sustainable invests in companies and projects that contribute to decarbonization, social progress and quality growth which are priorities shared by its global network of clients, asset owners, partners and employees. Power Sustainable is currently comprised of three platforms: Power Sustainable China, Power Sustainable Energy Infrastructure and Power Sustainable Lios.

ASSET MANAGEMENT ACTIVITIES

At June 30, 2022, Power Sustainable had \$3.5 billion of assets under management (\$4.2 billion at December 31, 2021), including unfunded commitments, of which \$0.8 billion relates to equity interests in standalone businesses (\$1.3 billion at December 31, 2021) (refer to the section "Standalone Businesses"). Assets under management reflects the fair value of assets, net of liabilities and project debt, and includes unfunded commitments.

Assets under management, excluding equity interests of standalone businesses, are as follows:

(in millions)	June 30, 2022	December 31, 2021
Power Sustainable China		
Funds	164	194
Separate investment management agreements	960	1,162
Power Sustainable Energy Infrastructure		
Funds	1,134	1,132
Direct Investments	410	461
Power Sustainable Lios		
Funds	115	-
Assets under management	2,783	2,949
Fee-bearing capital ^[1, 2]	2,267	1,904

[1] Refer to the section "Other Measures".

[2] Includes NAV of direct investments in energy assets as of the second quarter of 2022.

The following table summarizes the platforms managed by Power Sustainable and the Corporation's interests in each of the platforms:

June 30, 2022			Commitments		Interest held			
(in millions; except as otherwise noted)	Currency	Vintage	Total commitments	Total funded	Power Corporation	Associated companies ^[1]	Third parties	NAV
			(\$)	(\$)	(%)	(%)	(%)	(\$)
Power Sustainable China ^[2]	C\$	2005	1,124	n.a.	70.4	-	29.6	1,124
Power Sustainable Energy Infrastructure								
Energy Infrastructure Partnership ^[3, 4]	C\$	2021	1,000	484	40.0	15.0	45.0	618
Power Sustainable Lios ^[5]	C\$	2022	115	-	-	18.9	81.1	-

[1] Associated companies includes commitments from management as well as commitments from Lifeco of \$150 million in PSEIP and \$19 million in Power Sustainable Lios.

[2] Power Sustainable China manages open-end funds and assets on behalf of clients through separate investment management agreements; as such, the capital commitment is representative of the NAV.

[3] NAV of the fund represents the fair value of investments held within the fund, net of any liabilities and project debt, and includes the controlled and consolidated investments held through the fund presented at fair value. Refer to the section "Adjusted Net Asset Value" for a description of the Corporation's fair value adjustments to controlled and consolidated investments.

[4] Excludes direct investments in energy assets, which have a net asset value of \$410 million.

[5] Fund commitments of up to \$210 million, of which \$115 million is currently callable.

Power Sustainable China

Power Sustainable China invests in mainland China's public equity markets and is focused on providing returns with low levels of volatility. Power Sustainable China selects a high-conviction portfolio based on fundamental research and seeks to invest in well-led, high-quality companies that have a competitive edge versus their peers and are aligned with sustainable, long-term trends.

Power Sustainable China manages China-based equity investment funds and holds a Private Fund Manager (PFM) licence for domestic Chinese investors. At June 30, 2022, Power Sustainable China had \$1.1 billion of assets under management (\$1.4 billion at December 31, 2021), of which \$0.3 billion of assets under management are on behalf of third-party investors (\$0.4 billion at December 31, 2021). Power Sustainable China continues fundraising activities across all investment vehicles. Power Sustainable China also manages the Corporation's capital which is invested in mainland China's public equity markets through a Qualified Foreign Institutional Investor (QFII) licence as well as through the Hong Kong Stock Connect program.

Power Sustainable China earns management fees ranging between 0.75% to 1.50% which are charged on the net asset value of funds and investments managed, as well as fees associated with meeting investor objectives on an absolute or relative, to the MSCI China Index, basis of 15% to 20%.

Power Sustainable Energy Infrastructure

At June 30, 2022, Power Sustainable Energy Infrastructure (Power Sustainable Energy) had \$1,544 million of assets under management (\$1,592 million at December 31, 2021), including unfunded commitments and direct energy infrastructure investments, and operated a leading North American-focused renewable energy platform with 1.7 GW of utility-scale and distributed energy assets, including 309 MW of assets under construction, and 642 MW of assets in advanced development projects. Through its wholly owned operating companies, Nautilus Solar and Potentia Renewables, Power Sustainable Energy has a dedicated team of over 100 in-house professionals to oversee the development, construction, financing and operation of renewable energy assets across North America.

- Potentia Renewables: Power Sustainable holds a 100% interest in Potentia, a renewable energy generation company, which is a fully integrated developer, operator and manager of solar and wind energy assets, active in North America.
- Nautilus Solar: Power Sustainable holds a 100% interest in Nautilus, a company headquartered in New Jersey, U.S. that acquires, develops, finances and manages distributed solar projects across community, municipal/utility-scale, commercial and industrial markets.

Power Sustainable Energy actively manages investments through PSEIP and through direct investments. Power Sustainable Energy earns management fees of 0.85% to 1.00% charged on the net asset value of PSEIP as well as a carried interest of 15%.

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP

At June 30, 2022, PSEIP had \$1.1 billion of assets under management (same as at December 31, 2021), including unfunded commitments, throughout North America. PSEIP is a partnership with committed capital of \$1.0 billion dedicated to the renewable energy sector and includes a commitment of \$400 million from Power Sustainable and \$150 million from Lifeco.

In the first and second quarters of 2022, PSEIP invested \$88 million in multiple solar and wind portfolios and distributed \$5 million. At June 30, 2022, the NAV of PSEIP was \$618 million.

On March 31, 2022, a wind project in construction representing approximately 200 MW, Golden South Wind Project, reached commercial operation. In August 2022, subsequent to quarter-end, the project was transferred from Potentia to PSEIP in exchange for a total consideration in cash and units in the fund of \$92 million.

DIRECT ENERGY INFRASTRUCTURE INVESTMENTS

Power Sustainable Energy had \$410 million of assets under management through direct investments in projects under development and in operation in North America at June 30, 2022 (\$461 million at December 31, 2021). These direct investments have a combined 793 MW of solar and wind energy assets, which includes 425 MW of assets in advanced development projects.

In the second quarter of 2022, Potentia disposed of its interest in a solar project, representing approximately 32 MW, in the Dominican Republic. The Corporation recognized a net gain on the disposition of \$17 million. The revenues and net earnings of the project were not significant to the results of the Corporation.

At June 30, 2022, the total assets on a consolidated basis of PSEIP and direct investments were \$2.9 billion (\$2.5 billion at December 31, 2021).

Power Sustainable Lios

On March 30, 2022, Power Sustainable announced the launch of its North American agri-food private equity platform, Power Sustainable Lios, and its inaugural Lios Fund I. Power Sustainable Lios is a specialized agri-food private equity investment platform supporting the sustainability transformation occurring within our food system. Lios Fund I will invest in growth-oriented, mid-market companies across the food value chain in North America to drive positive and sustainable change. At June 30, 2022, Lios Fund I had total capital commitments of up to \$210 million, of which \$115 million is currently callable by the fund and includes a commitment from Lifeco of \$19 million.

INVESTING ACTIVITIES

The Corporation holds the following investments in each of the platforms managed by Power Sustainable:

(in millions of Canadian dollars)	June 30, 2022			December 31, 2021		
	Investments to date	Share of distributions to date	Fair value of the investment	Investments to date	Share of distributions to date	Fair value of the investment
Power Sustainable China ^[1, 2]	380	336	792	366	318	962
Power Sustainable Energy Infrastructure						
PSEIP ^[3]	194	4	239	167	2	211
Direct investments ^[4]	883	392	410	834	310	460

[1] The fair value of the investments at June 30, 2022 includes \$101 million held in cash (\$227 million at December 31, 2021) and the portfolio has unrealized gains of \$37 million (unrealized gains of \$57 million at December 31, 2021). As well, the fair value of the investments excludes the Corporation's performance fee payable of \$21 million (\$38 million at December 31, 2021). In the first quarter of 2022, the Corporation received distributions of \$18 million.

[2] Investments to date includes \$143 million invested in the Power Sustainable China platform since 2005 to fund expenses (\$129 million at December 31, 2021).

[3] Includes the Corporation's share of investments in controlled and consolidated subsidiaries held through PSEIP at fair value. Investments to date include amounts previously held through direct investments which were transferred to PSEIP in 2021.

[4] Includes the direct energy infrastructure investments at fair value. Investments to date include funding related to the acquisitions of Potentia and Nautilus and related platform expenses prior to the establishment of Power Sustainable Energy Infrastructure.

Standalone Businesses

The Corporation also has the following equity investments in standalone businesses which are managed to create and realize value over time:

SAGARD

- Peak: Sagard held a 42.6% equity interest and a 50% voting interest in Peak at June 30, 2022. Peak designs, develops and commercializes sports equipment and apparel for ice hockey and lacrosse under iconic brands including Bauer. The Corporation's investment is accounted for using the equity method.

POWER SUSTAINABLE

- LMPG: Power Sustainable, through Power Sustainable Energy, held a controlling interest of 54.4% at June 30, 2022 (same as at December 31, 2021) in LMPG, an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments.
- Lion Electric (NYSE: LEV) (TSX: LEV): Power Sustainable, through Power Sustainable Energy, held a 35.4% equity interest at June 30, 2022 (same as at December 31, 2021) in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion Electric creates, designs and manufactures all-electric Class 5 to Class 8 commercial urban trucks and all-electric buses and minibuses for the school, paratransit and mass transit segments. Lion is a North American leader in electric transportation and designs, builds and assembles many of its vehicles' components, including chassis, battery packs, truck cabins and bus bodies.

Power Sustainable also holds call rights to acquire up to 2,270,895 shares from certain existing shareholders of Lion. The fair value of the call rights was estimated to be nil at June 30, 2022 (\$8 million at December 31, 2021). In the first and second quarters of 2022, the Corporation recognized a loss on revaluation of the call rights of \$3 million and \$5 million, respectively, recorded in net investment income on the consolidated statement of earnings.

CHINAAMC

Founded in 1998 as one of the first fund management companies in China, ChinaAMC has developed and maintained its position among the market leaders in China's asset management industry. ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,740 billion (C\$335 billion) at June 30, 2022.

The Corporation and IGM each hold interests of 13.9% in ChinaAMC, representing a combined 27.8% interest. Together they have significant influence and account for their respective interests as an associate using the equity method.

On January 5, 2022, the Corporation announced its intention to consolidate the group's interest in ChinaAMC under IGM. Under the agreement, the Corporation will sell its 13.9% interest to Mackenzie, a wholly owned subsidiary of IGM, for aggregate consideration of \$1.15 billion in cash. The Corporation's shareholders will continue to participate in ChinaAMC through the Corporation's interest in IGM.

To partially fund the transaction, IGM has agreed to sell approximately 15.2 million Lifeco common shares to Power Financial, for aggregate consideration of \$575 million, representing a price of \$37.83 per share which is equivalent to the 5-day volume-weighted average price of the Lifeco common shares as at the close of business on January 5, 2022 (Lifeco Share Transfer).

The Corporation expects to return a portion of the net cash proceeds from the transaction to its shareholders, after factoring in the purchase of Lifeco common shares, through share repurchases over time pursuant to a normal course issuer bid. The transaction is expected to be accretive to the Corporation's adjusted net asset value.

On closing of the Lifeco Share Transfer, Power Financial will acquire an additional interest of approximately 1.6%, increasing its total interest to approximately 68.2%. The Lifeco Share Transfer will not impact Power Financial's aggregate beneficial ownership of Lifeco common shares, which will remain at 70.6% of the issued and outstanding Lifeco common shares (including indirect beneficial ownership through its controlling interest in IGM). Power Financial's economic interest will increase to 69.7%. Power Financial and its subsidiaries will continue to own, in the aggregate, voting securities representing approximately 65% of the votes attached to all voting securities of Lifeco.

The transactions are expected to close in 2022. The closing of the sale of the ChinaAMC shares is subject to the approval of the China Securities Regulatory Commission and of certain other Chinese regulatory authorities. The acquisition by the Corporation of Lifeco's common shares is conditional on the closing of the sale of the ChinaAMC shares. The transactions were reviewed and approved by the relevant related party and conduct review committees and will not have a significant impact on the statements of earnings and balance sheets.

The investment in ChinaAMC leverages the group's global experience in wealth management and distribution. The Power group of companies benefits from the strategic relationship with ChinaAMC which provides opportunities to work together, developing products and subadvisory relationships.

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The Interim Consolidated Financial Statements of the Corporation have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) and are presented in Canadian dollars.

Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its subsidiaries. The consolidated financial statements present the financial results of Power Corporation (parent) and its subsidiaries after the elimination of intercompany balances and transactions.

The financial statements of the Corporation include the consolidated results of Power Financial which include the results of Lifeco, IGM, Wealthsimple and the Portage I, Portage II and Portage III funds, which are controlled by Power Financial.

Power Financial's investment in GBL is held through Parjointco. Parjointco is a holding company jointly controlled by Power Financial and the Frère Group, and is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and adjusted thereafter for changes in the share of net earnings (loss) and other comprehensive income (loss). The investment is reduced by the amount of dividends received.

The investment platforms manage and operate alternative asset investment funds in which third-party investors, the Corporation and associated companies can participate. The Corporation controls a fund when it is exposed, or has rights, to variable returns from its involvement with the fund and has the ability to affect those returns through its power to direct the relevant activities of the fund.

The following table summarizes the accounting presentation for the Corporation's holdings:

Control	Accounting Method	Earnings and Other comprehensive Income	Impairment Testing	Impairment Reversal
Controlling interest in the entity	Consolidation	Consolidated with non-controlling interests	Goodwill and indefinite life intangible assets are tested at least annually for impairment	Impairment of goodwill cannot be reversed Impairment of intangible assets is reversed if there is evidence of recovery of value
Significant influence or joint control	Equity method	Corporation's share of earnings and other comprehensive income	Entire investment is tested for impairment	Reversed if there is evidence the investment has recovered its value
Investment	Available for sale (AFS)	Earnings consist of dividends received and gains or losses on disposals The investments are marked to market through other comprehensive income Earnings are reduced by impairment charges, if any	Impairment testing is done at the individual investment level A significant or prolonged decline in the value of the investment results in an impairment charge A share price decrease subsequent to an impairment charge leads to a further impairment	A subsequent recovery of value does not result in a reversal
	Fair value through profit or loss (FVPL)	Investments are marked to market through earnings and earnings include dividends received	n.a.	n.a.

At June 30, 2022, the Corporation's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Publicly traded operating companies^[1]			
Lifeco ^[2]	66.6	Controlling interest	Consolidation
IGM ^[3]	62.2	Controlling interest	Consolidation
GBL ^[4]	14.9	Joint control	Equity method
ChinaAMC ^[5]	13.9	Significant influence	Equity method
Alternative asset investment platforms			
Sagard	100.0	Controlling interest	Consolidation
SHMI ^[6]	83.1	Controlling interest	Consolidation
Wealthsimple ^[1, 7]	13.6	Controlling interest	Consolidation
Portage I ^[1, 8]	63.0	Controlling interest	Consolidation
Portage II ^[1, 9]	12.4	Controlling interest	Consolidation
Portage III ^[10]	2.4	Controlling interest	Consolidation
Sagard Credit I	18.0	Investment	Fair value through profit or loss
Sagard Credit II ^[11]	4.3	Investment	Fair value through profit or loss
Sagard Healthcare	10.3	Investment	Fair value through profit or loss
Sagard Canadian Private Equity ^[12]	3.8	Controlling interest	Consolidation
Sagard Europe II	22.4	Investment	Available for sale
Sagard Europe 4 ^[13]	19.4	Investment	Available for sale
Sagard NewGen	37.6	Controlling interest	Consolidation
Power Sustainable	100.0	Controlling interest	Consolidation
Power Sustainable Investment Management Inc. Investments	100.0 < 5.0	Controlling interest Investment	Consolidation Available for sale
Power Sustainable Energy Infrastructure Partnership ^[14]	40.0	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Standalone businesses			
Peak	42.6	Joint control	Equity method
LMPC	54.4	Controlling interest	Consolidation
Lion	35.4	Significant influence	Equity method

[1] Investments held by the Corporation through Power Financial.

[2] IGM also holds a 4.0% interest in Lifeco.

[3] Canada Life also holds a 3.9% interest in IGM.

[4] Held through Parjointco, a jointly controlled corporation (50%). Parjointco holds a controlling interest in GBL.

[5] IGM, through Mackenzie, also holds an interest of 13.9% in ChinaAMC.

[6] During the second quarter of 2022, management of Sagard made an additional investment in SHMI and acquired an interest of 3.0%. At June 30, 2022, management of Sagard held a 9.9% interest in SHMI. Lifeco also holds a 7.0% interest in SHMI.

[7] Portage I and IGM also hold interests of 10.8% and 30.1%, respectively, in Wealthsimple (see also the section "Wealthsimple").

[8] Lifeco and IGM also hold equal interests of 18.5% in Portage I.

[9] Power Financial holds a 7.7% interest, Sagard holds a 4.7% interest, and Lifeco and IGM also hold equal interests of 7.7% in Portage II.

[10] Lifeco and IGM also hold interests of 9.0% and 4.0%, respectively, in Portage III.

[11] Lifeco also holds a 4.2% interest in Sagard Credit II.

[12] Lifeco also holds a 12.6% interest in Sagard Canadian Private Equity.

[13] Lifeco also holds a 6.4% interest in Sagard Europe 4.

[14] Lifeco also holds a 15.0% interest in PSEIP.

At June 30, 2022, Parjointco's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	29.8	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
Pernod Ricard	7.6	Investment	Available for sale
adidas	7.1	Investment	Available for sale
SGS	19.1	Investment	Available for sale
Umicore	15.9	Investment	Available for sale
MOWI	3.5	Investment	Available for sale
Holcim	2.1	Investment	Available for sale
GEA	6.3	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Investment Managers	100.0	Controlling interest	Consolidation
Sienna Capital ^[1]	100.0	Controlling interest	Consolidation
Webhelp	60.5	Controlling interest	Consolidation
Canyon	50.5	Controlling interest	Consolidation
Voodoo	16.2	Investment	Available for sale
Parques Reunidos	23.0	Significant influence	Equity method

[1] Sienna Capital holds a portfolio of investments in alternative assets.

The following table summarizes the classification of the investments held by the controlled and consolidated funds managed by the investment platforms:

Investment Fund	Classification of Investments held by the fund	Measurement
Portage I LP ^[1]	Available for sale	Fair value
Portage II LP	Fair value through profit or loss	Fair value
Portage III LP	Fair value through profit or loss	Fair value
Sagard NewGen ^[2]	Fair value through profit or loss	Fair value
Sagard Canadian Private Equity	Fair value through profit or loss	Fair value

[1] Excludes investment in Wealthsimple which is controlled and consolidated by the Corporation.

[2] Excludes an investment in a controlled and consolidated subsidiary.

This basis of presentation should be read in conjunction with the following notes to the Corporation's 2021 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies (Note 2);
- Investments (Note 5);
- Investments in jointly controlled corporations and associates (Note 7);
- Goodwill and intangible assets (Note 10); and
- Non-controlling interests (Note 20).

Results of Power Corporation

This section presents:

- The “Consolidated Statements of Earnings in accordance with IFRS”; and
- A discussion of the contributions to Power Corporation of its operating subsidiaries (Lifeco and IGM) and GBL, which are held through Power Financial, and the contribution of the Corporation’s alternative and other investments and ChinaAMC to the net earnings and adjusted net earnings of Power Corporation.

Adjusted net earnings is a non-IFRS financial measure. Refer to the section “Non-IFRS Financial Measures” for a description and reconciliation of IFRS and non-IFRS financial measures.

PRESENTATION OF HOLDING COMPANY ACTIVITIES

The Corporation’s reportable segments include Lifeco, IGM Financial and GBL, which represent the Corporation’s investments in publicly traded operating companies. These reportable segments, in addition to the asset management and holding company activities, reflect Power Corporation’s management structure and internal financial reporting. The Corporation evaluates its performance based on the operating segment’s contribution to earnings.

The holding company activities comprise the corporate activities of the Corporation and Power Financial, on a combined basis, and present the investment activities of the Corporation as a holding company. The investment activities of the holding company, including the investments in Lifeco, IGM and controlled entities within the alternative asset investment platforms, are presented using the equity method. The holding company activities also present the corporate assets and liabilities managed, including the cash and non-participating shares. The discussions included in the sections “Financial Position” and “Cash Flows” present the segmented balance sheet and cash flow statement of the holding company; these non-consolidated statements are presented in Note 19 of the Interim Consolidated Financial Statements, and reconciliations of these statements are provided throughout this MD&A.

DEFERRAL OF IFRS 9, FINANCIAL INSTRUMENTS (IFRS 9)

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* and will be applied retrospectively. In June 2020, the IASB issued amendments to IFRS 17, which include an amendment to the effective date of the standard to January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, keeping the alignment of the effective dates for IFRS 9 and IFRS 17.

IGM, a subsidiary, and GBL, held through Parjointco, a jointly controlled corporation, do not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted but not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation decided to continue applying accounting policies in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, to GBL’s results. On consolidation, the Corporation has adjusted the results of both IGM and GBL to be in accordance with IAS 39. Refer to the specific discussion included in the IGM and GBL sections “Contribution to net earnings and adjusted net earnings”.

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the six months and three months ended June 30, 2022 are presented below. The Corporation's reportable operating segments include Lifeco, IGM and GBL. These tables reflect the contributions to the net earnings attributable to Power Corporation's participating shareholders from its reportable operating segments and the Corporation's alternative and other investments including its investment platforms, which include controlled and consolidated investment funds and investments, and its investment in ChinaAMC.

Consolidated net earnings - Six months ended

	Lifeco	IGM ^[1]	GBL ^[2]	Investment Platforms and Other ^[3]	Holding company	Effect of consolidation ^[4]	Power Corporation Consolidated net earnings	
							June 30, 2022	June 30, 2021
Revenues								
Total net premiums	30,356	-	-	-	-	(11)	30,345	24,893
Net investment income (loss)	(15,892)	(3)	-	(114)	17	10	(15,982)	1,063
Fee income	3,722	1,750	-	137	-	(86)	5,523	5,314
Other revenues	-	-	-	257	-	-	257	232
Total revenues	18,186	1,747	-	280	17	(87)	20,143	31,502
Expenses								
Total paid or credited to policyholders	11,062	-	-	-	-	-	11,062	21,907
Commissions	1,332	661	-	-	-	(23)	1,970	1,915
Operating and administrative expenses	3,946	577	-	449	57	(67)	4,962	5,056
Financing charges	186	56	-	14	27	9	292	289
Total expenses	16,526	1,294	-	463	84	(81)	18,286	29,167
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,660	453	-	(183)	(67)	(6)	1,857	2,335
Share of earnings (losses) of investments in jointly controlled corporations and associates	32	98	(13)	10	28	(78)	77	423
Earnings before income taxes	1,692	551	(13)	(173)	(39)	(84)	1,934	2,758
Income taxes	103	123	-	-	1	1	228	333
Net earnings	1,589	428	(13)	(173)	(40)	(85)	1,706	2,425
Attributable to								
Non-controlling interests	603	147	-	(57)	67	(85)	675	849
Non-participating shareholders	-	-	-	-	26	-	26	26
Participating shareholders of Power Corporation ^[4]	986	281	(13)	(116)	(133)	-	1,005	1,550
	1,589	428	(13)	(173)	(40)	(85)	1,706	2,425

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation by the Corporation and included in "Effect of consolidation".

[2] Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings of GBL includes adjustments in accordance with IAS 39.

[3] "Investment Platforms and Other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, standalone businesses, as well as the investment activities held through Power Financial including Portage I, Portage II and Wealthsimple.

[4] The results presented for Lifeco and IGM are as reported by each. The Effect of consolidation includes the elimination of intercompany transactions, the application of the Corporation's accounting method for investments under common control, and reflects adjustments in accordance with IAS 39 for IGM. The contribution from Lifeco, IGM, GBL and Investment Platforms and Other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

Consolidated net earnings - Three months ended

	Lifeco	IGM ^[1]	GBL ^[2]	Investment Platforms and Other ^[3]	Holding company	Effect of consolidation ^[4]	Power Corporation Consolidated net earnings		
							June 30, 2022	March 31, 2022	June 30, 2021
Revenues									
Total net premiums	16,305	-	-	-	-	(6)	16,299	14,046	11,746
Net investment income (loss)	(9,051)	(1)	-	(64)	22	8	(9,086)	(6,896)	4,731
Fee income	1,909	853	-	68	-	(43)	2,787	2,736	2,697
Other revenues	-	-	-	142	-	-	142	115	144
Total revenues	9,163	852	-	146	22	(41)	10,142	10,001	19,318
Expenses									
Total paid or credited to policyholders	5,506	-	-	-	-	-	5,506	5,556	14,321
Commissions	652	322	-	-	-	(12)	962	1,008	977
Operating and administrative expenses	2,123	285	-	209	20	(35)	2,602	2,360	2,413
Financing charges	96	28	-	8	13	4	149	143	149
Total expenses	8,377	635	-	217	33	(43)	9,219	9,067	17,860
Earnings before investments in jointly controlled corporations and associates, and income taxes	786	217	-	(71)	(11)	2	923	934	1,458
Share of earnings (losses) of investments in jointly controlled corporations and associates	25	50	(27)	22	15	(40)	45	32	275
Earnings before income taxes	811	267	(27)	(49)	4	(38)	968	966	1,733
Income taxes	51	59	-	9	(4)	3	118	110	176
Net earnings	760	208	(27)	(58)	8	(41)	850	856	1,557
Attributable to									
Non-controlling interests	282	64	-	(29)	34	(41)	310	365	550
Non-participating shareholders	-	-	-	-	13	-	13	13	13
Participating shareholders of Power Corporation ^[4]	478	144	(27)	(29)	(39)	-	527	478	994
	760	208	(27)	(58)	8	(41)	850	856	1,557

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation by the Corporation and included in "Effect of consolidation".

[2] Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings of GBL includes adjustments in accordance with IAS 39.

[3] "Investment Platforms and Other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, standalone businesses, as well as the investment activities held through Power Financial including Portage I, Portage II and Wealthsimple.

[4] The results presented for Lifeco and IGM are as reported by each. The Effect of consolidation includes the elimination of intercompany transactions, the application of the Corporation's accounting method for investments under common control, and reflects adjustments in accordance with IAS 39 for IGM. The contribution from Lifeco, IGM, GBL and Investment Platforms and Other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

As a holding company, the Corporation evaluates the performance of each segment based on its contribution to net earnings and adjusted net earnings. A discussion of the results of Lifeco, IGM and GBL is provided in the section "Contribution to net earnings and adjusted net earnings" below.

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

This section details the contribution to the net earnings and adjusted net earnings attributable to Power Corporation's participating shareholders from Lifeco, IGM, GBL and the Corporation's alternative and other investments including its investment platforms, which includes the contribution from controlled and consolidated investments, and ChinaAMC. The corporate operations from Power Corporation and Power Financial are presented on a combined basis.

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Adjusted net earnings^[1]					
Lifeco ^[2]	1,091	1,045	552	539	551
IGM ^[2]	264	273	129	135	148
GBL ^[2]	(73)	74	(44)	(29)	24
Effect of consolidation ^[3]	56	78	15	41	92
	1,338	1,470	652	686	815
Alternative and other investments ^[4]	(89)	531	(7)	(82)	275
ChinaAMC	28	28	15	13	15
Corporate operating and other expenses	(85)	(129)	(29)	(56)	(38)
Dividends on non-participating and perpetual preferred shares	(93)	(94)	(47)	(46)	(47)
	1,099	1,806	584	515	1,020
Adjustments^[5]					
Lifeco ^[2]	(89)	(49)	(63)	(26)	(28)
Effect of consolidation	5	(107)	6	(1)	2
	(84)	(156)	(57)	(27)	(26)
Alternative and other investments	(10)	(100)	-	(10)	-
	(94)	(256)	(57)	(37)	(26)
Net earnings^[6]					
Lifeco ^[2]	1,002	996	489	513	523
IGM ^[2]	264	273	129	135	148
GBL ^[2]	(73)	74	(44)	(29)	24
Effect of consolidation	61	(29)	21	40	94
	1,254	1,314	595	659	789
Alternative and other investments ^[4]	(99)	431	(7)	(92)	275
ChinaAMC	28	28	15	13	15
Corporate operations and other expenses	(85)	(129)	(29)	(56)	(38)
Dividends on non-participating and perpetual preferred shares	(93)	(94)	(47)	(46)	(47)
	1,005	1,550	527	478	994

[1] Adjusted net earnings is a non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures". For a reconciliation of Lifeco, IGM, and Alternative and other investments' non-IFRS adjusted net earnings to their net earnings, refer to the sections "Lifeco", "IGM Financial", and "Alternative and Other Investments" below which detail the contribution to net earnings and adjusted net earnings of each.

[2] As reported by Lifeco, IGM and GBL.

[3] See table below for details on Effect of consolidation.

[4] Includes earnings of the Corporation's investment platforms including investments held through Power Financial and earnings (losses) from standalone businesses.

[5] See "Adjustments" section below, including details on Effect of consolidation.

[6] Attributable to participating shareholders.

Contribution to adjusted and net earnings per share

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Adjusted net earnings per share – basic^[1]					
Lifeco ^[2]	1.62	1.54	0.82	0.80	0.81
IGM ^[2]	0.39	0.40	0.19	0.20	0.22
GBL ^[2]	(0.11)	0.11	(0.07)	(0.04)	0.03
Effect of consolidation ^[3]	0.09	0.12	0.04	0.05	0.14
	1.99	2.17	0.98	1.01	1.20
Alternative and other investments ^[4]	(0.13)	0.79	(0.01)	(0.12)	0.41
ChinaAMC	0.04	0.04	0.02	0.02	0.02
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.27)	(0.33)	(0.12)	(0.15)	(0.12)
	1.63	2.67	0.87	0.76	1.51
Adjustments^[5]					
Lifeco	(0.14)	(0.08)	(0.10)	(0.04)	(0.05)
Effect of consolidation	0.01	(0.15)	0.01	-	0.01
	(0.13)	(0.23)	(0.09)	(0.04)	(0.04)
Alternative and other investments	(0.01)	(0.15)	-	(0.01)	-
	(0.14)	(0.38)	(0.09)	(0.05)	(0.04)
Net earnings per share – basic^[6]					
Lifeco ^[2]	1.48	1.46	0.72	0.76	0.76
IGM ^[2]	0.39	0.40	0.19	0.20	0.22
GBL ^[2]	(0.11)	0.11	(0.07)	(0.04)	0.03
Effect of consolidation	0.10	(0.03)	0.05	0.05	0.15
	1.86	1.94	0.89	0.97	1.16
Alternative and other investments ^[4]	(0.14)	0.64	(0.01)	(0.13)	0.41
ChinaAMC	0.04	0.04	0.02	0.02	0.02
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.27)	(0.33)	(0.12)	(0.15)	(0.12)
	1.49	2.29	0.78	0.71	1.47

[1] For a reconciliation of Lifeco, IGM, and Alternative and other investments' non-IFRS adjusted net earnings to their net earnings, refer to the sections below which detail the contribution to net earnings and adjusted net earnings of each. Adjusted net earnings per share is a non-IFRS ratio, refer to the section "Non-IFRS Financial Measures".

[2] As reported by Lifeco, IGM and GBL.

[3] See table below for details on Effect of consolidation.

[4] Includes earnings of the Corporation's investment platforms including investments held through Power Financial and earnings (losses) from standalone businesses.

[5] See "Adjustments" section below, including details on Effect of consolidation.

[6] Attributable to participating shareholders.

Effect of consolidation reflects:

- The elimination of intercompany transactions;
- The application of the Corporation's accounting method for investments under common control to the reported net earnings of the publicly traded operating companies, which include:
 - i) An adjustment related to Lifeco's investment in PSEIP; and
 - ii) An allocation of the results of the fintech portfolio, including Wealthsimple, Portage I, Portage II and Portage III, to the contributions from Lifeco and IGM based on their respective interest; and
- Adjustments in accordance with IAS 39 for IGM and GBL.

The following table summarizes the effect of consolidation on adjusted net earnings by nature for Lifeco, IGM and GBL:

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Lifeco					
Application of the Corporation's accounting method on investments under common control and other	(16)	(11)	(11)	(5)	(10)
IGM					
Application of the Corporation's accounting method on investments under common control	8	(48)	7	1	(8)
Adjustments in accordance with IAS 39 and other	4	6	2	2	3
	12	(42)	9	3	(5)
GBL					
Adjustments in accordance with IAS 39 and other	60	131	17	43	107
	56	78	15	41	92
Per share	0.09	0.12	0.04	0.05	0.14

	Year-to-date 2022 vs. 2021	Q2 2022 vs. Q2 2021 and Q1 2022
Net earnings	\$1,005 million or \$1.49 per share, compared with \$1,550 million or \$2.29 per share in the corresponding period in 2021, a decrease of 34.9% on a per share basis.	\$527 million or \$0.78 per share, compared with \$994 million or \$1.47 per share in the corresponding period in 2021, a decrease of 46.9% on a per share basis, and \$478 million or \$0.71 per share in the first quarter of 2022.
Adjusted net earnings	\$1,099 million or \$1.63 per share, compared with \$1,806 million or \$2.67 per share in the corresponding period in 2021, a decrease of 39.0% on a per share basis.	\$584 million or \$0.87 per share, compared with \$1,020 million or \$1.51 per share in the corresponding period in 2021, a decrease of 42.4% on a per share basis, and \$515 million or \$0.76 per share in the first quarter of 2022.
Contribution to net earnings and adjusted net earnings from Lifeco, IGM and GBL	Contribution to net earnings of \$1,254 million, compared with \$1,314 million in the corresponding period in 2021, a decrease of 4.6%. Contribution to adjusted net earnings of \$1,338 million, compared with \$1,470 million in the corresponding period in 2021, a decrease of 9.0%.	Contribution to net earnings of \$595 million, compared with \$789 million in the corresponding period in 2021, a decrease of 24.6%, and \$659 million in the first quarter of 2022. Contribution to adjusted net earnings of \$652 million, compared with \$815 million in the corresponding period in 2021, a decrease of 20.0%, and \$686 million in the first quarter of 2022.

The reportable operating segments of Power Corporation are Lifeco, IGM and GBL. A discussion of the results of the Corporation is provided in the sections "Lifeco", "IGM Financial", "GBL", "Alternative and other investments", "ChinaAMC", "Corporate operations", and "Adjustments" below.

LIFECO

Contribution to Power Corporation

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Contribution to Power Corporation's ^[1] :					
Adjusted net earnings					
As reported by Lifeco	1,091	1,045	552	539	551
Effect of consolidation ^[2]	(16)	(11)	(11)	(5)	(10)
	1,075	1,034	541	534	541
Adjustments					
As reported by Lifeco	(89)	(49)	(63)	(26)	(28)
Effect of consolidation ^[3]	-	(8)	-	-	3
	(89)	(57)	(63)	(26)	(25)
Net earnings	986	977	478	508	516

[1] Power Financial's average direct ownership in Lifeco was 66.6% for the quarter ended June 30, 2022 (66.8% in the corresponding period in 2021).

[2] The Effect of consolidation includes the elimination of intercompany transactions and the application of the Corporation's accounting method for investments under common control including an adjustment for Lifeco's investment in PSEIP and an allocation of the results of the fintech portfolio.

[3] Refer to the section "Adjustments" below for details of Effect of consolidation.

Adjusted and net earnings per share as reported by Lifeco

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Adjusted net earnings per share ^[1, 2]	1.762	1.685	0.893	0.869	0.889
Adjustments ^[3]	(0.146)	(0.080)	(0.104)	(0.042)	(0.045)
Net earnings per share^[1]	1.616	1.605	0.789	0.827	0.844

[1] Attributable to Lifeco common shareholders.

[2] Defined as "base earnings per common share" by Lifeco, a non-IFRS ratio; refer to Part B of this MD&A.

[3] See "Adjustments" section below.

Contribution to adjusted and net earnings by segments as reported by Lifeco

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Adjusted net earnings^[1, 2]					
Canada	568	591	296	272	293
United States	263	294	143	120	190
Europe	453	385	208	245	184
Capital and Risk Solutions	344	295	174	170	150
Lifeco Corporate	11	-	9	2	9
	1,639	1,565	830	809	826
Adjustments^[3, 4]					
Actuarial assumption changes and other management actions ^[5]	12	42	21	(9)	37
Market-related impacts on liabilities ^[5]	(26)	(43)	(15)	(11)	(19)
Transaction costs related to acquisitions	(64)	(25)	(57)	(7)	(24)
Restructuring and integration costs	(56)	(27)	(44)	(12)	(15)
Tax legislative changes impact on liabilities	-	(21)	-	-	(21)
	(134)	(74)	(95)	(39)	(42)
Net earnings^[1]					
Canada	576	575	301	275	288
United States	134	239	29	105	150
Europe	448	380	229	219	185
Capital and Risk Solutions	336	297	167	169	152
Lifeco Corporate	11	-	9	2	9
Net earnings^[1]	1,505	1,491	735	770	784

[1] Attributable to Lifeco common shareholders.

[2] Defined as "base earnings" by Lifeco, a non-IFRS financial measure; refer to Part B of this MD&A for additional details including a definition and reconciliation by segment.

[3] Described as "items excluded from base earnings" by Lifeco; refer to Part B of this MD&A.

[4] See "Adjustments" section below.

[5] Refer to Part B of this MD&A for more details including a definition of these Adjustments.

	Year-to-date 2022 vs. 2021	Q2 2022 vs. Q2 2021 and Q1 2022
Net earnings	\$1,505 million or \$1.616 per share, compared with \$1,491 million or \$1.605 per share in the corresponding period in 2021, an increase of 0.7% on a per share basis.	\$735 million or \$0.789 per share, compared with \$784 million or \$0.844 per share in the corresponding period in 2021, a decrease of 6.5% on a per share basis, and \$770 million or \$0.827 per share in the first quarter of 2022.
Adjusted net earnings	\$1,639 million or \$1.762 per share, compared with \$1,565 million or \$1.685 per share in the corresponding period in 2021, an increase of 4.6% on a per share basis.	\$830 million or \$0.893 per share, compared with \$826 million or \$0.889 per share in the corresponding period in 2021, an increase of 0.4% on a per share basis, and \$809 million or \$0.869 per share in the first quarter of 2022.

CANADA

Net earnings in the six-month period ended June 30, 2022 increased by \$1 million to \$576 million, compared with the corresponding period in 2021. Adjusted net earnings in the six-month period ended June 30, 2022 were \$568 million, a decrease of \$23 million compared with the corresponding period in 2021, primarily due to:

- Lower fee income, unfavourable impacts of new business and experience in Individual Customer, and lower surplus investment income on seed money.
- Partially offset by higher investment experience in Group Customer.

Adjusted net earnings in the six-month period ended June 30, 2022 excluded Adjustments of positive \$8 million, compared with Adjustments of negative \$16 million in the corresponding period in 2021. Actuarial assumption changes and other management actions were positive \$1 million, compared with negative \$19 million in the corresponding period in 2021. Market-related impacts were positive \$7 million, compared with positive \$3 million in the corresponding period in 2021.

Net earnings in the three-month period ended June 30, 2022 increased by \$13 million to \$301 million, compared with the corresponding quarter in 2021. Adjusted net earnings in the three-month period ended June 30, 2022 were \$296 million, an increase of \$3 million compared with the corresponding quarter in 2021, primarily due to favourable morbidity and investment experience in Group Customer, partially offset by lower fee income and unfavourable experience in Individual Customer.

Adjusted net earnings in the three-month period ended June 30, 2022 excluded Adjustments of positive \$5 million, compared with Adjustments of negative \$5 million in the corresponding quarter in 2021. Actuarial assumption changes and other management actions were positive \$1 million, compared with negative \$6 million in the corresponding quarter in 2021. Market-related impacts were positive \$4 million, compared with positive \$1 million for the corresponding quarter in 2021.

UNITED STATES

Net earnings in the six-month period ended June 30, 2022 decreased by US\$87 million (C\$105 million) to US\$105 million (C\$134 million), compared with the corresponding period in 2021. Adjusted net earnings were US\$208 million (C\$263 million) in the six-month period ended June 30, 2022, a decrease of US\$28 million (C\$31 million) compared with the corresponding period in 2021, primarily due to:

- A decrease of US\$27 million in Putnam, primarily due to lower asset-based fee revenue and lower net investment income, partially offset by lower expenses.
- Partially offset by an increase of US\$6 million in Financial Services, primarily due to adjusted net earnings of US\$35 million related to the Prudential acquisition, as well as higher contributions from investment experience, partially offset by lower Empower net fee income, as well as higher operating expenses to support participant growth.

Adjusted net earnings in the six-month period ended June 30, 2022 excluded Adjustments of negative US\$103 million (C\$129 million), compared with negative US\$44 million (C\$55 million) in the corresponding period in 2021. The increase in Adjustments was primarily due to market volatility resulting in hedge ineffectiveness related to Prudential guaranteed lifetime withdrawal benefit products, and higher restructuring and integration costs as well as transaction costs related to the Prudential acquisition.

Net earnings in the three-month period ended June 30, 2022 decreased by US\$99 million (C\$121 million) to US\$23 million (C\$29 million), compared with the corresponding quarter in 2021. Adjusted net earnings were US\$113 million (C\$143 million) in the three-month period ended June 30, 2022, a decrease of US\$42 million (C\$47 million) compared with the corresponding quarter in 2021, primarily due to:

- A decrease of US\$26 million in Putnam for the same reasons discussed in the six-month period above; and
- A decrease of US\$16 million in Financial Services, primarily due to lower Empower net fee income and higher operating expenses to support participant growth, partially offset by adjusted net earnings of US\$35 million related to the Prudential acquisition, as well as higher contributions from investment experience.

Adjusted net earnings in the three-month period ended June 30, 2022 excluded Adjustments of negative US\$90 million (C\$114 million), compared with negative US\$33 million (C\$40 million) in the corresponding quarter in 2021. The increase in Adjustments was primarily due to the same reasons discussed in the six-month period above.

EUROPE

Net earnings in the six-month period ended June 30, 2022 increased by \$68 million to \$448 million, compared with the corresponding period in 2021. Adjusted net earnings in the six-month period ended June 30, 2022 were \$453 million, an increase of \$68 million compared with the corresponding period in 2021, primarily due to:

- Higher fee income and favourable morbidity experience in Ireland, favourable investment experience in the U.K., as well as favourable mortality experience in Ireland and the U.K.
- Partially offset by less favourable annuitant experience in the U.K. and the impact of currency movement. In addition, Lifeco had a revaluation of deferred taxes resulting in an increase in taxes in the six-months ended June 30, 2021; there was no revaluation in 2022.

Adjusted net earnings in the six-month period ended June 30, 2022 excluded Adjustments of negative \$5 million, comparable to the corresponding period in 2021, primarily as less unfavourable market-related impacts on liabilities, transaction costs and contingent consideration provisions related to recent acquisitions in Ireland, as well as unfavourable U.K. tax legislative changes in the second quarter of 2021, were offset by lower actuarial assumption changes.

Net earnings in the three-month period ended June 30, 2022 increased by \$44 million to \$229 million, compared with the corresponding quarter in 2021. Adjusted net earnings in the three-month period ended June 30, 2022 were \$208 million, an increase of \$24 million compared with the corresponding quarter in 2021, primarily due to:

- Favourable investment experience in the U.K., favourable morbidity experience in Ireland, as well as favourable mortality experience in the U.K. and Ireland.
- Partially offset by the impact of currency movement. The second quarter of 2021 included a revaluation of deferred taxes discussed in the six-month period above.

Adjusted net earnings in the three-month period ended June 30, 2022 excluded Adjustments of positive \$21 million, compared with positive \$1 million in the corresponding quarter in 2021. The increase in Adjustments of \$20 million was primarily due to favourable market-related impacts driven by property cash flows in the U.K. in the second quarter of 2022 and unfavourable U.K. tax legislative changes in the second quarter of 2021. The increase was partially offset by lower actuarial assumption changes, as well as transaction costs related to the joint venture agreement with Allied Irish Banks plc in Ireland.

CAPITAL AND RISK SOLUTIONS

Net earnings in the six-month period ended June 30, 2022 increased by \$39 million to \$336 million, compared with the corresponding period in 2021. Adjusted net earnings in the six-month period ended June 30, 2022 were \$344 million, an increase of \$49 million compared with the corresponding period in 2021, primarily due to:

- Growth in business in-force; and
- Favourable claims experience in the U.S. life business and the commutation of a reinsurance treaty.
- Partially offset by the impact of currency movement.

Adjusted net earnings in the six-month period ended June 30, 2022 excluded Adjustments of negative \$8 million, compared with Adjustments of positive \$2 million in the corresponding period in 2021. The six-month period of 2022 included an increase in actuarial liabilities on a legacy block of business with investment performance guarantees, reflecting negative market-related experience during the period.

Net earnings in the three-month period ended June 30, 2022 increased by \$15 million to \$167 million, compared with the corresponding quarter in 2021. Adjusted net earnings in the three-month period ended June 30, 2022 were \$174 million, an increase of \$24 million compared with the corresponding quarter in 2021, primarily due to the same reasons discussed in the six-month period above.

Adjusted net earnings in the three-month period ended June 30, 2022 excluded Adjustments of negative \$7 million, compared with Adjustments of positive \$2 million in the corresponding quarter in 2021, primarily due to the same reasons discussed in the six-month period above.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Lifeco's management. Refer to the further discussion above in each of Lifeco's operating segments.

In the first and second quarters of 2022, Adjustments with a negative earnings impact of \$134 million after tax consist of:

- In the second quarter of 2022, Adjustments were a net negative earnings impact of \$95 million, which consisted of a positive earnings impact of \$21 million after tax (\$24 million pre-tax) relating to actuarial assumption changes and other management actions, offset by negative market-related impacts on liabilities of \$15 million after tax (\$19 million pre-tax), transaction costs of \$57 million after tax (\$71 million pre-tax) related to the acquisitions of the full-service retirement business of Prudential, as well as recent acquisitions in the Europe segment, and restructuring and integration costs of \$44 million after tax (\$60 million pre-tax) in the United States segment.
- In the first quarter of 2022, Adjustments were a negative earnings impact of \$39 million which consisted of a negative earnings impact of \$9 million after tax (\$9 million pre-tax) relating to actuarial assumption changes and other management actions, negative market-related impacts on liabilities of \$11 million after tax (\$14 million pre-tax), restructuring and integration costs of \$12 million after tax (\$17 million pre-tax) in the United States segment, and transaction costs of \$7 million after tax (\$8 million pre-tax) related to the acquisitions of the full-service retirement business of Prudential, as well as acquisitions in the Europe segment.

In the first and second quarters of 2021, Adjustments with a negative earnings impact of \$74 million after tax consisted of:

- In the second quarter of 2021, Adjustments were a negative earnings impact of \$42 million which consisted of a positive earnings impact of \$37 million after tax (\$42 million pre-tax) relating to actuarial assumption changes and other management actions, offset by negative market-related impacts on liabilities of \$19 million after tax (\$14 million pre-tax), U.K. tax legislative changes impact on liabilities of \$21 million, transaction costs related to the acquisitions of Personal Capital and MassMutual of \$24 million after tax (\$25 million pre-tax) and restructuring and integration costs of \$15 million after tax (\$21 million pre-tax).
- In the first quarter of 2021, Adjustments were a negative earnings impact of \$32 million which consisted of a positive earnings impact of \$5 million after tax (\$4 million pre-tax) relating to actuarial assumption changes and other management actions, offset by negative market-related impacts on liabilities of \$24 million after tax (\$25 million pre-tax), restructuring and integration costs of \$12 million after tax (\$16 million pre-tax), and transaction costs related to the acquisitions of Personal Capital and MassMutual of \$1 million after tax (\$2 million pre-tax).

The information above has been derived from Lifeco's interim and most recent Annual MD&A; see Part B of this MD&A for additional information on Lifeco's interim results. Lifeco's interim and most recent Annual MD&A are available under its profile on SEDAR (www.sedar.com).

IGM FINANCIAL

Contribution to Power Corporation

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Contribution to Power Corporation's ^[1] :					
Adjusted net earnings					
As reported by IGM	264	273	129	135	148
Effect of consolidation ^[2]	12	(42)	9	3	(5)
	276	231	138	138	143
Adjustments					
Effect of consolidation ^[3]	5	(99)	6	(1)	(1)
Net earnings	281	132	144	137	142

[1] Power Financial's average direct ownership in IGM was 61.9% for the quarter ended June 30, 2022 (62.0% in the corresponding period in 2021).

[2] The Effect of consolidation includes the elimination of intercompany transactions, the application of the Corporation's accounting method for investments under common control including an allocation of the results of the fintech portfolio and reflects adjustments in accordance with IAS 39.

[3] Refer to the section "Adjustments" below for details of Effect of consolidation.

Adjusted and net earnings per share as reported by IGM (in accordance with IFRS 9)

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Net earnings per share^[1]	1.78	1.84	0.87	0.91	0.99

[1] Available to IGM common shareholders.

Contribution to adjusted net earnings by segments and net earnings as reported by IGM (in accordance with IFRS 9)

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Wealth Management ^[1]	230	249	109	121	134
Asset Management ^[1]	103	105	51	52	57
Strategic Investments and Other ^[1]	93	86	47	46	47
Net earnings^[2]	426	440	207	219	238

[1] Debt and interest expense is allocated to each segment based on IGM's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced.

[2] Available to IGM common shareholders.

Year-to-date 2022 vs. 2021

Q2 2022 vs. Q2 2021 and Q1 2022

Net earnings

\$426 million or \$1.78 per share, compared with \$440 million or \$1.84 per share in the corresponding period in 2021, a decrease of 3.3% on a per share basis.

\$207 million or \$0.87 per share, compared with \$238 million or \$0.99 per share in the corresponding period in 2021, a decrease of 12.1% on a per share basis, and \$219 million or \$0.91 per share in the first quarter of 2022.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Financial has deferred the adoption of IFRS 9 and continues to apply IAS 39. The contribution to Power Financial includes adjustments to reverse the impact of the application of IFRS 9 by IGM. During the second quarter of 2022, IGM disposed of corporate investments classified as fair value through other comprehensive income (FVOCI), which the Corporation classified as available for sale (AFS) under IAS 39. The gain on disposal has been recognized in net earnings by the Corporation and is included as an Adjustment in "Effect of consolidation".

IGM did not report Adjustments in the first and second quarters of 2022 and in the corresponding quarters in 2021. The following is a summary of each segment's net earnings:

WEALTH MANAGEMENT

Net earnings decreased by \$19 million to \$230 million in the six-month period ended June 30, 2022, compared with the corresponding period in 2021. The decrease in net earnings is mainly related to a decrease in net earnings of IC Wealth Management of \$18 million, primarily due to:

- An increase in advisory and business development expenses of \$37 million to \$447 million in the six-month period which includes compensation paid to advisors, the majority of which varies directly with assets or sales levels. Asset-based compensation increased by \$26 million to \$282 million, primarily due to rate increases due to asset mix and increased average assets under advisement. Sales-based compensation is based on the level of new assets contributed to client accounts and is capitalized and amortized as they reflect incremental costs to obtain a client contract. Sales-based compensation increased by \$11 million to \$36 million, due to additional sales-based commission being capitalized and amortized throughout 2021 and 2022;
- A decrease in other financial planning revenues of \$11 million to \$71 million, due to lower earnings from the mortgage banking operations;
- A decrease in net investment income and other of \$4 million to a loss of \$2 million. Net investment income and other primarily consists of unrealized losses on investments in proprietary funds in the six-month period of 2022 offset by investment income earned on cash and cash equivalents and securities and other income not related to IC Wealth Management's core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital;
- A decrease in redemption fees of \$4 million to \$3 million; and
- An increase in sub-advisory expenses of \$2 million to \$87 million, primarily due to higher assets under management.

Partially offset by:

- An increase in income from advisory fees of \$21 million to \$577 million, primarily due to the increase in average assets under advisement of 5.5%, offset by a decrease in the advisory fee rate. The average advisory fee rate for the six-month period was 102.5 basis points of average assets under advisement, compared with 104.2 basis points in 2021, reflecting changes in product and client mix;
- An increase in income from product and program fees of \$14 million to \$446 million, primarily due to the increase in average assets under management of 3.2%. The average product and program fee rate for the six-month period was 86.1 basis points of average assets under management, compared with 86.0 basis points in 2021, reflecting changes in product mix; and
- A decrease in income taxes of \$6 million to \$82 million.

Net earnings decreased by \$25 million to \$109 million in the three-month period ended June 30, 2022, compared with the corresponding quarter in 2021. The decrease in net earnings is mainly related to a decrease in net earnings of IC Wealth Management of \$25 million, primarily due to:

- An increase in advisory and business development expenses of \$17 million to \$222 million in the three-month period. Asset-based compensation increased by \$7 million to \$138 million, and sales-based compensation increased by \$5 million to \$19 million. The increase in asset and sales-based compensation in the three-month period was due to the same reasons explained in the six-month period above. Other advisory and business development expenses increased by \$5 million to \$65 million;
- A decrease in other financial planning revenues of \$9 million to \$31 million, primarily due to the same reasons explained in the six-month period above;
- A decrease in income from product and program fees of \$3 million to \$219 million, primarily due to the decrease in average assets under management of 1.2%. The average product and program fee rate for the three-month period was 86.1 basis points of average assets under management, compared with 86.0 basis points in 2021, reflecting changes in product mix;
- An increase in operations and support expenses of \$2 million to \$103 million, which includes costs that support wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses; and
- A decrease in net investment income and other of \$2 million to a loss of \$1 million.

Partially offset by:

- A decrease in income taxes of \$9 million to \$39 million.

ASSET MANAGEMENT

The Asset Management segment includes the fees received from IGM's mutual funds, Wealth Management segment and third parties for investment management services.

Net earnings decreased by \$2 million to \$103 million in the six-month period ended June 30, 2022, compared with the corresponding period in 2021, primarily due to:

- An increase in expenses of \$13 million to \$226 million, primarily due to an increase in operations and support expenses of \$18 million in the six-month period. Operations and support expenses includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. The increase in operations and support expenses was partially offset by a decrease in advisory and business development expenses of \$4 million and sub-advisory expenses of \$1 million; and
- A decrease in net investment income and other of \$6 million to a loss of \$4 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds, which are generally made in the process of launching a fund and are sold as third-party investors subscribe.

Partially offset by:

- An increase in net asset management fees, which is asset management fees offset by dealer compensation expenses, of \$18 million to \$381 million, mainly due to an increase in net asset management fees – third party of \$16 million, due to a 5.1% increase in average assets under management. Mackenzie's net asset management fee rate was 53.6 basis points for the six months ended June 30, 2022, comparable with 2021. Management fees – Wealth Management increased by \$2 million to \$57 million.

Net earnings decreased by \$6 million to \$51 million in the three-month period ended June 30, 2022, compared with the corresponding quarter in 2021, primarily due to:

- An increase in expenses of \$4 million to \$111 million, primarily due to an increase in operations and support expenses of \$8 million in the three-month period partially offset by a decrease in advisory and business development expenses of \$4 million and sub-advisory expenses of \$1 million;
- A decrease in net investment income and other of \$2 million to a loss of \$1 million; and
- A decrease in net asset management fees, which is asset management fees offset by dealer compensation expenses, of \$1 million to \$188 million, mainly due to a decrease in net asset management fees – third party of \$1 million, due to a 0.7% decrease in average assets under management and a decline in the net asset management fee rate. Mackenzie's net asset management fee rate was 54.0 basis points for the three months ended June 30, 2022, compared with 54.1 basis points in 2021.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under advisement (AUA) are a key performance indicator for the Wealth Management segment.

Assets under management (AUM) are the key driver of the Asset Management segment and a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. Refer to the section "Other Measures" for a definition of AUM and AUA.

Total assets under management and advisement were as follows:

(In billions of dollars)	June 30, 2022	March 31, 2022	June 30, 2021	March 31, 2021
Wealth Management				
Assets under management	101.2	112.4	110.7	106.1
Other assets under advisement	33.0	35.6	32.6	30.8
Assets under advisement	134.2	148.0	143.3	136.9
Asset Management				
Assets under management excluding sub-advisory to Wealth Management	111.9	124.7	122.9	115.5
Sub-advisory to Wealth Management	72.8	80.8	78.8	76.1
Assets under management	184.7	205.5	201.7	191.6
Consolidated^[1]				
Assets under management	213.1	237.1	233.6	221.6
Other assets under advisement ^[2]	29.0	31.2	28.4	26.9
Total assets under management and advisement^[2]	242.1	268.3	262.0	248.5

[1] Represents the consolidated assets under management and advisement of IGM. In the Wealth Management segment, assets under management is a component part of assets under advisement. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client savings held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

Total average assets under management and advisement were as follows:

(In billions of dollars)	Q2	2022 Q1	Q4	Q3	Q2	2021 Q1
Wealth Management						
Assets under advisement	141.0	148.3	149.7	146.5	140.2	134.9
Assets under management	106.7	112.7	115.1	113.1	108.5	104.9
Asset Management						
Assets under management excluding sub-advisory to Wealth Management	118.5	125.7	126.8	125.2	119.3	112.7
Total assets under management	195.5	205.5	207.1	204.9	196.6	187.2
Consolidated^[1]						
Assets under management	225.2	238.4	241.9	238.3	227.8	217.6
Assets under management and advisement ^[2]	255.3	269.5	272.0	267.4	255.4	243.9

[1] Represents the consolidated assets under management and advisement of IGM. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client savings held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by IGM's management.

There were no Adjustments reported by IGM in the first and second quarters of 2022 and in the corresponding quarters in 2021.

The information above has been derived from IGM's interim and most recent Annual MD&A; see Part C of this MD&A for more information on IGM's interim results. IGM's interim and most recent Annual MD&A are available under its profile on SEDAR (www.sedar.com).

GBL

Contribution to Power Corporation

(in millions of Canadian dollars)	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Contribution to Power Corporation's net earnings ^[1] :					
As reported by GBL	(73)	74	(44)	(29)	24
Effect of consolidation ^[2]	60	131	17	43	107
Net earnings (loss)	(13)	205	(27)	14	131

[1] In the three-month period ended June 30, 2022, Power Financial's average indirect ownership in GBL was 14.8% (14.1% in the corresponding period in 2021).

[2] The Corporation has not adopted IFRS 9. The contribution to the Corporation includes an adjustment to account for GBL under IAS 39 as described below.

Contribution to adjusted and net earnings (loss) as reported by GBL (in accordance with IFRS 9)

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Share of earnings (loss) of associates and consolidated operating companies of:					
Imerys	105	78	65	40	39
Webhelp	7	22	(6)	13	11
Parques Reunidos/Piolin II	(14)	(18)	3	(17)	(7)
Canyon	9	(1)	1	8	8
Sienna	(15)	48	(25)	10	37
	92	129	38	54	88
Net dividends from investments:					
SGS	110	104	-	110	-
adidas	39	35	39	-	35
Pernod Ricard	31	27	31	-	27
Holcim	28	65	28	-	65
Umicore	22	21	22	-	21
MOWI	12	4	7	5	3
GEA	10	13	10	-	13
Other ^[1]	1	37	1	-	37
	253	306	138	115	201
Interest income (expenses)	(16)	(10)	(9)	(7)	(5)
Other financial income (expenses)	(406)	(57)	(208)	(198)	(62)
Other operating income (expenses)	(134)	(150)	(48)	(86)	(111)
Gains (losses) from disposals, impairments and reversals of non-current assets	(115)	117	(110)	(5)	(1)
Taxes	(4)	-	(5)	1	-
Net earnings (loss)^[2, 3]	(330)	335	(204)	(126)	110

[1] In 2021, mainly consists of a reimbursement of withholding taxes received and to be received from the French tax authorities relating to dividends received from TotalEnergies in 2006 and 2019.

[2] Described as "IFRS consolidated net result" in GBL's publicly disclosed information.

[3] Attributable to GBL shareholders.

Year-to-date 2022 vs. 2021

Q2 2022 vs. Q2 2021 and Q1 2022

Net earnings (loss)

A net loss of €330 million, compared with net earnings of €335 million in the corresponding period in 2021.

A net loss of €204 million, compared with net earnings of €110 million in the corresponding period in 2021, and a net loss of €126 million in the first quarter of 2022.

IAS 39 adjustments to the contribution of GBL

On January 1, 2018, GBL adopted IFRS 9, *Financial Instruments*. The majority of its investments in public entities are classified as fair value through other comprehensive income (FVOCI), an elective classification for equity instruments in which all fair value changes remain permanently in OCI.

The investments in private equity and other investment funds, including co-investments, are classified as fair value through profit or loss (FVPL). The transition requirements of IFRS 9 required that all unrealized gains and losses at January 1, 2018 on investments previously classified as available for sale remain permanently in equity. Starting January 1, 2018, subsequent changes in fair value are recorded in earnings.

Power Corporation has deferred the adoption of IFRS 9 and continues to apply IAS 39. The following table presents adjustments to the contribution of GBL to Power Corporation's earnings in accordance with IAS 39:

(in millions of Canadian dollars)	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Partial disposal of interest in MOWI ^[1]	22	-	22	-	-
Partial disposal of interest in Holcim ^[2]	-	122	-	-	87
Partial disposal of interest in Umicore ^[5]	-	33	-	-	33
Partial disposal of interest in GEA ^[4]	-	9	-	-	9
Impairment charges on listed investments ^[5]	(3)	(8)	(2)	(1)	-
Impairment charges on private equity funds and co-investments ^[6]	(84)	-	(84)	-	-
Disposal of private equity funds and other ^[7]	33	13	22	11	6
Reversal of unrealized (gains) losses on private equity funds and other ^[8]	92	(38)	59	33	(28)
Total	60	131	17	43	107

[1] During the second quarter of 2022, a portion of the investment in MOWI was disposed of, resulting in a gain. The gain was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was \$22 million.

[2] During the first and second quarters of 2021, a portion of the investment in Holcim was disposed of, resulting in a recovery from the reversal of previous impairments. The recovery was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was \$35 million in the first quarter and \$87 million in the second quarter.

[3] During the second quarter of 2021, a portion of the investment in Umicore was disposed of, resulting in a gain. The gain was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was \$33 million.

[4] During the second quarter of 2021, a portion of the investment in GEA was disposed of, resulting in a recovery from the reversal of previous impairments. The recovery was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was \$9 million.

[5] Under IFRS 9, GBL classifies the majority of its investments in public entities as FVOCI, and as a result impairment charges are not recognized in earnings. Power Corporation recognized impairment charges on the following investments:

- Ontex – The investment in Ontex has been previously impaired, resulting in an adjusted cost of €6.99 per share. During the first quarter of 2022, the share price decreased to €6.63, resulting in an impairment charge. The Corporation's share was \$1 million. During the first quarter of 2021, the Corporation recorded its share of an impairment charge of \$8 million.
- Other investments – During the second quarter of 2022, Power Corporation's share of impairment charges on other investments was \$2 million.

[6] GBL classifies private equity investments at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Corporation continues to classify these private equity investments as available for sale in accordance with IAS 39. During the second quarter of 2022, the value of certain private equity investments, primarily in GBL's digital portfolio, was reduced below their cost resulting in impairment charges. The Corporation's share of the impairment charges was \$84 million.

[7] During the first and second quarters of 2022, investments held through private equity funds and other investments, classified as FVPL in accordance with IFRS 9, were disposed of, resulting in realized gains. Power Corporation's share of the realized gains in accordance with IAS 39 was \$11 million in the first quarter and \$22 million in the second quarter of 2022 (\$7 million in the first quarter and \$6 million in the second quarter of 2021).

[8] GBL classifies private equity investments at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Corporation does not recognize these unrealized fair value changes in earnings as it continues to classify these private equity investments as available for sale in accordance with IAS 39.

Other than the share of earnings of Imerys, Webhelp, Canyon, Parques and Sienna, a significant portion of GBL's net earnings is composed of dividends from its non-consolidated investments, which are usually declared as follows:

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ Holcim (second quarter) ▪ SGS (first quarter) ▪ adidas (second quarter) ▪ Umicore (second and third quarters) | <ul style="list-style-type: none"> ▪ Pernod Ricard (second and fourth quarters) ▪ GEA (second quarter) ▪ MOWI (quarterly) |
|--|--|

RESULTS

For the six-month period ended June 30, 2022, the net loss was €330 million compared with net earnings of €335 million in the corresponding period in 2021. The decrease in net earnings was mainly due to:

- An increase in other financial expenses of €349 million to €406 million in the six-month period ended June 30, 2022, compared with financial expenses of €57 million in the same period in 2021. Other financial expenses in the six-month period of 2022 includes a gain of €136 million on marking to market derivatives, offset by a negative impact of €143 million related to the increase in the liability to Webhelp's minority shareholders, including the effect of discounting. As well, GBL recognized a net decrease in the fair value of Sienna Capital's private equity investments not consolidated or accounted for using the equity method of €425 million. In the six-month period ended June 30, 2021, GBL recognized a negative impact of €185 million related to the increase in the liability to Webhelp's minority shareholders, partially offset by an increase in fair value of €168 million for Sienna Capital's private equity investments not consolidated or accounted for using the equity method;
- A negative contribution from gains (losses) from disposals, impairments and reversals of non-current assets of €115 million, compared with a positive contribution of €117 million in the corresponding period in 2021. In the six-month period ended June 30, 2022, GBL recognized an impairment on an investment held by Sienna Capital of €101 million. In the six-month period ended June 30, 2021, GBL recognized net gains on the sale of two investments held by Sienna Capital;
- A decrease in the contribution from Sienna of €63 million to a negative contribution to GBL of €15 million, compared with a contribution of €48 million for the six-month period of 2021. The contribution from Sienna includes the results of investments which are consolidated or accounted for using the equity method;
- A decrease in dividends of €53 million to €253 million, mainly due to a decrease in dividends received from Holcim and other dividends of €37 million and €36 million, respectively. The decrease in the dividend received from Holcim is due to a decrease in the interest held by GBL. In the six-month period ended June 30, 2021, other dividends primarily included €37 million related to the reimbursement of withholding taxes received from the French tax authorities relating to dividends received from TotalEnergies in 2006 and 2019; and
- A decrease in GBL's share in the net result of Webhelp of €15 million, to a contribution to GBL of €7 million.

Partially offset by:

- An increase in the contribution from Imerys to net earnings of €27 million to a contribution to GBL of €105 million;
- A decrease in other operating expenses of €16 million to €134 million, which include the increase in liabilities recorded under Webhelp's employee incentive plan of €85 million in the period, including the effect of discounting and vesting, compared with an increase in liabilities of €102 million in the corresponding period in 2021;
- An increase in the contribution from Canyon to net earnings of €10 million to a contribution to GBL of €9 million. Canyon was acquired in the first quarter of 2021 and GBL recognized related transaction costs in 2021; and
- A decrease in the negative contribution from Piolin II S.à.r.l. to GBL's net earnings of €4 million to a negative contribution to GBL of €14 million, compared with a negative contribution of €18 million for the six-month period of 2021.

For the three-month period ended June 30, 2022, the net loss was €204 million compared with net earnings of €110 million in the corresponding quarter in 2021. The decrease in net earnings was mainly due to:

- An increase in other financial expenses of €146 million to €208 million in the three-month period ended June 30, 2022, compared with financial expenses of €62 million in the same period in 2021. Other financial expenses in the second quarter of 2022 include a gain of €64 million on marking to market derivatives, partially offset by a negative impact of €9 million related to the increase in the liability to Webhelp's minority shareholders, including the effect of discounting, compared with a negative impact of €177 million in the corresponding quarter in 2021. As well, in the three-month period ended June 30, 2022, GBL recognized a net decrease in the fair value of Sienna Capital's private equity investments not consolidated or accounted for using the equity method of €272 million, compared with an increase in fair value of €121 million in the corresponding quarter in 2021;
- A negative contribution from gains (losses) from disposals, impairments and reversals of non-current assets of €110 million, compared with a negative contribution of €1 million in the corresponding quarter in 2021, mainly due to the same reasons explained in the six-month period;
- A decrease in dividends of €63 million to €138 million, mainly due to a decrease in dividends received from Holcim and other dividends of €37 million and €36 million, respectively, as explained in the six-month period above;
- A decrease in the contribution from Sienna of €62 million to a negative contribution to GBL of €25 million, compared with a contribution of €37 million for the three-month period of 2021;
- A decrease in GBL's share in the net result of Webhelp of €17 million, to a negative contribution to GBL of €6 million; and
- A decrease in the contribution from Canyon to net earnings of €7 million to a contribution to GBL of €1 million.

Partially offset by:

- A decrease in other operating expenses of €63 million to €48 million, which include the increase in liabilities recorded under Webhelp's employee incentive plan of €22 million in the quarter, including the effect of discounting and vesting, compared with an increase in liabilities of €73 million in the corresponding quarter in 2021;
- An increase in the contribution from Imerys to GBL's net earnings of €26 million to a contribution to GBL of €65 million, compared with a contribution of €39 million for the corresponding quarter in 2021; and
- An increase in the contribution from Piolin II S.à.r.l. to GBL's net earnings of €10 million to a contribution to GBL of €3 million, compared with a negative contribution of €7 million for the three-month period of 2021.

AVERAGE EXCHANGE RATES

The average exchange rates for the six-month and three-month periods ended June 30, 2022 and 2021 were as follows:

	Six months ended			Three months ended		
	June 30, 2022	June 30, 2021	Change %	June 30, 2022	June 30, 2021	Change %
Euro/CAD	1.389	1.503	(7.6)	1.359	1.480	(8.2)

The information above has been derived from GBL's publicly disclosed financial information, as issued by GBL in its half-year report at June 30, 2022. Further information on GBL's results is available on its website (www.gbl.be).

ALTERNATIVE AND OTHER INVESTMENTS

Alternative and other investments are comprised of the results of the investment platforms, which includes income earned from asset management and investing activities. Asset management activities includes management fees and carried interest net of investment platform expenses. Investing activities comprises income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms. Other includes the share of earnings (losses) of standalone businesses and the Corporation's investments in investment and hedge funds.

Income earned from investing activities (proprietary capital) and earnings from other investments are volatile in nature as they depend on many factors, including and primarily related to the timing of realizations.

Contribution to Power Corporation

Summary of Adjusted and net earnings (loss) from the Corporation's alternative and other investments:

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Contribution to Power Corporation's:					
Adjusted net earnings (loss)					
Asset management activities					
Sagard	(50)	62	(36)	(14)	3
Power Sustainable ^[1]	(15)	(11)	(3)	(12)	(7)
Investing activities (proprietary capital)					
Sagard	45	35	31	14	65
Power Sustainable ^[1]	(117)	266	(48)	(69)	55
Standalone businesses	31	155	27	4	154
Investment and hedge funds and Other ^[1]	17	24	22	(5)	5
	(89)	531	(7)	(82)	275
Adjustments					
Sagard	-	(100)	-	-	-
Power Sustainable	(10)	-	-	(10)	-
Net earnings (loss)	(99)	431	(7)	(92)	275

[1] In the second quarter of 2022, the presentation of Power Sustainable's asset management activities has been modified to separate certain activities provided by Potentia and Nautilus on behalf of PSEIP from its management activities. As well, an allocation of certain expenses has been included in the Corporation's other investing activities. The comparative information has been restated to reflect these changes.

ASSET MANAGEMENT ACTIVITIES

Summary of the composition of net earnings (loss) from asset management activities:

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Sagard					
Management fees ^[1]	77	39	43	34	18
Investment platform expenses	(77)	(49)	(39)	(38)	(24)
	-	(10)	4	(4)	(6)
Net carried interest ^[2, 3]	(53)	82	(42)	(11)	11
Other	-	(6)	(1)	1	(1)
	(53)	66	(39)	(14)	4
Loss from private wealth platform and other asset management activities ^[4]	(5)	(2)	(2)	(3)	(1)
Non-controlling interests ^[5]	8	(2)	5	3	-
	(50)	62	(36)	(14)	3
Power Sustainable					
Management fees ^[1]	10	7	6	4	4
Investment platform expenses	(30)	(24)	(16)	(14)	(8)
	(20)	(17)	(10)	(10)	(4)
Net performance fees and carried interest ^[2]	4	2	4	-	(1)
Other ^[6]	1	4	3	(2)	(2)
	(15)	(11)	(3)	(12)	(7)
Net earnings (loss)	(65)	51	(39)	(26)	(4)

[1] Includes management fees charged by the investment platform on proprietary capital. Management fees paid by the Corporation are deducted from income from investing activities.

[2] Net carried interest is comprised of carried interest earned, net of employee costs which are recognized over the vesting period. Carried interest is recognized based on changes in fair value of investments held within each consolidated fund, and based on carried interest earned when it is highly probable that a significant reversal will not occur with respect to unconsolidated funds.

[3] The first and second quarters of 2022 include a reversal of net carried interest of \$13 million and \$42 million, respectively, mainly due to a decrease in the fair value of WealtheSimple and investments held in Portage II in the period.

[4] Includes the Corporation's share of earnings (losses) from Sagard's private wealth platform and other asset management activities.

[5] Non-controlling interests include equity interests held in SHMI by Lifeco and management of Sagard.

[6] Other includes development and asset management activities provided by Potentia and Nautilus on behalf of PSEIP.

INVESTING ACTIVITIES

Summary of adjusted and net earnings (loss) from investing activities (proprietary capital):

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Adjusted net earnings (loss)					
Sagard					
Private equity and other strategies	40	66	27	13	71
Venture capital (fintech investments) ^[1]	5	(31)	4	1	(6)
Power Sustainable					
Public equity ^[2]	(139)	279	(69)	(70)	54
Energy infrastructure ^[3]	22	(13)	21	1	1
Standalone businesses ^[4]	31	155	27	4	154
Other					
Investment and hedge funds	8	19	6	2	2
Other ^[5]	9	5	16	(7)	3
	(24)	480	32	(56)	279
Adjustments					
Remeasurements of Wealthsimple's put right liability	-	(100)	-	-	-
Impairment charges on direct energy infrastructure investments	(10)	-	-	(10)	-
Net earnings (loss)	(34)	380	32	(66)	279

[1] Includes the Corporation's share of earnings (losses) of Wealthsimple. The first and second quarters of 2022 include a reversal of carried interest payable of \$13 million and \$25 million, respectively, mainly due to a decrease in the fair value of Wealthsimple and investments held in Portage II in the period. The first quarter of 2021 included a charge of \$52 million related to the Corporation's share of the carried interest payable due to increases in fair value of investments held in the Portage Funds and Wealthsimple, as well as it excluded a charge of \$100 million related to the remeasurement of the put right liability held by certain of the non-controlling interests in Wealthsimple to fair value which has been included in Adjustments (see "Adjustments" section below). The net decrease in fair value of the Corporation's investment, including its investment held through Power Financial, in Portage I, Portage II, Portage III, Koho and Wealthsimple was \$428 million in the six-month period ended June 30, 2022, compared with an increase of \$609 million in fair value in the corresponding period in 2021.

[2] Mainly comprised of gains (losses) realized on the disposal of investments and dividends received. In the first and second quarters of 2022, the Corporation realized a loss of \$54 million and \$70 million, respectively, on the disposal of investments in Power Sustainable China and \$13 million in impairments recognized in the first quarter of 2022 due to a decline in Chinese equity markets (realized gains of \$229 million and \$54 million in the first and second quarters of 2021, respectively).

[3] Includes a gain on disposal of a portfolio of solar assets of \$17 million in the second quarter of 2022, and unrealized gains on derivative contracts hedging energy infrastructure projects of \$16 million in each of the first and second quarters of 2022.

[4] The second quarter of 2022 includes a contribution of \$28 million related to the investment in Lion which includes remeasurements attributable to the decline in market value of Lion in the quarter and is comprised of i) share of earnings of \$17 million which includes a recovery related to the revaluation of its warrants, ii) a recovery of \$18 million related to the decrease in amounts payable by Power Sustainable to its management for long-term incentive plans, and iii) a loss of \$5 million related to the revaluation of call rights held by Power Sustainable. In the second quarter of 2021, the Corporation recorded a net gain of \$153 million related to its investment in Lion which was comprised of i) a gain of \$62 million related to the effect of the change in ownership as a result of the completion of the merger transaction between Lion and Northern Genesis, ii) a gain of \$147 million related to the revaluation of call rights held by Power Sustainable, a portion of which were exercised during the quarter, and iii) an expense of \$56 million related to the increase in amounts payable for long-term incentive plans and deferred taxes. The Corporation also recorded a reversal of a previously recognized impairment on its investment in GP Strategies of \$33 million in the second quarter of 2021. Includes the Corporation's share of earnings (losses) of Lion, LMPG, Peak, and GP Strategies (up to the date of disposal in the fourth quarter of 2021).

[5] Consists mainly of foreign exchange gains or losses and interest on cash and cash equivalents. The second quarter of 2022 includes a gain on disposal of a property by the Corporation of \$7 million.

Adjustments (excluded from adjusted net earnings)**SAGARD**

On May 3, 2021, Wealthsimple announced that it had signed a \$750 million equity offering. As a result, in the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value. The Adjustments of the alternative asset investment platform (Sagard) reflects the Corporation's share of the charge, based on its respective interest, of \$100 million (\$100 million pre-tax). At the close of the transaction, the existing put rights held by non-controlling interests and option holders of Wealthsimple were extinguished.

POWER SUSTAINABLE

During the first quarter of 2022, Power Sustainable recognized an impairment of \$10 million on projects under construction which are included in direct energy infrastructure investments within the Power Sustainable platform.

CHINAAMC

For the six-month period ended June 30, 2022, income from ChinaAMC was \$28 million, same as in the corresponding period in 2021.

For the three-month period ended June 30, 2022, income from ChinaAMC was \$15 million, same as in the corresponding quarter in 2021.

CORPORATE OPERATIONS

Corporate operations include operating expenses, financing charges, depreciation and income taxes.

Operating and other expenses

Summary of corporate operating and other expenses of the Corporation and Power Financial shown on a combined basis:

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Operating expenses ^[1]	54	73	18	36	37
Financing charges ^[2]	27	27	13	14	14
Depreciation	3	7	2	1	3
Income taxes	1	22	(4)	5	(16)
	85	129	29	56	38

[1] During the second quarter of 2022, the Corporation attached tandem share appreciation rights to certain options, which were reclassified as cash-settled share-based payments. The Corporation has entered into a total return swap agreement to manage exposure to the volatility of a portion of its cash-settled share-based payments and related liability. The second quarter of 2022 includes a net gain of \$17 million arising from the change in fair value of the liability, net of the loss on the remeasurement to fair value of the derivative instrument.

[2] Financing charges related to Power Financial were \$9 million in the six-month period ended June 30, 2022, same as in 2021.

INCOME TAXES

In the second quarter of 2022, a deferred tax expense was recognized through other comprehensive income in relation to unrealized gains in other comprehensive income. The Corporation had sufficient deductible temporary differences and tax attributes to offset these gains. The income tax recovery of \$4 million in the second quarter of 2022 included a deferred tax recovery recognized through earnings as these deductible temporary differences and tax attributes were related to items recorded in the statement of earnings.

In the second quarter of 2021, the income tax recovery mainly related to the recognition of tax attributes to offset the realized gain on the secondary sale of Wealthsimple; the realized gain and the related income tax expense were recognized through the statement of changes in equity.

In the first quarter of 2021, the Corporation had an income tax expense of \$38 million, primarily related to the deferred tax expense resulting from the realization of gains recorded in earnings on the sale of investments, and was a reclassification of the income tax previously recorded in other comprehensive income at December 31, 2020.

ADJUSTMENTS (EXCLUDED FROM ADJUSTED NET EARNINGS)

The following table presents the Corporation's share of Adjustments:

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Lifeco ^[1]					
Actuarial assumption changes and other management actions	8	29	14	(6)	25
Market-related impacts on liabilities	(17)	(29)	(10)	(7)	(13)
Transaction costs related to acquisitions	(43)	(17)	(38)	(5)	(16)
Restructuring and integration charges	(37)	(18)	(29)	(8)	(10)
Tax legislative changes impact on liabilities	-	(14)	-	-	(14)
	(89)	(49)	(63)	(26)	(28)
Effect of consolidation ^[2]	-	(8)	-	-	3
	(89)	(57)	(63)	(26)	(25)
IGM ^[1]					
Effect of consolidation ^[2]	5	(99)	6	(1)	(1)
	5	(99)	6	(1)	(1)
Alternative and other investments					
Remeasurements of Wealthsimple's put right liability	-	(100)	-	-	-
Impairment charges on direct energy infrastructure investments	(10)	-	-	(10)	-
	(10)	(100)	-	(10)	-
	(94)	(256)	(57)	(37)	(26)

[1] As reported by Lifeco and IGM.

[2] The Effect of consolidation reflects (i) the elimination of intercompany transactions, (ii) the application of the Corporation's accounting method for investments under common control to the Adjustments reported by Lifeco and IGM, which includes an allocation of the Adjustments related to the fintech portfolio based on their respective interest, (iii) IGM's share of Lifeco's Adjustments, in accordance with the Corporation's definition of Adjusted net earnings, and (iv) adjustments in accordance with IAS 39 for IGM.

Effect of consolidation

The Effect of consolidation in the six-month period ended June 30, 2021 mainly relates to the remeasurements of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value.

- On May 3, 2021, Wealthsimple announced that it had signed a \$750 million equity offering. As a result, in the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability to fair value. The Corporation's share of the charge on the remeasurement of the put right liability was \$208 million (\$208 million pre-tax) and is included as an Adjustment. The charge has been reflected in the Adjustments of the alternative asset investment platforms, Lifeco and IGM, based on their respective interest in the Effect of consolidation, of \$100 million, \$11 million and \$97 million, respectively. At the close of the transaction, the existing put rights held by non-controlling interests and option holders of Wealthsimple were extinguished.

For additional information on each of Lifeco, IGM and Alternative and Other investments, refer to their respective "Adjustments" sections above. Also refer to the section "Non-IFRS Financial Measures" in this MD&A.

Financial Position

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheets of Lifeco, IGM and the investment platforms and other, as well as Power Corporation's and Power Financial's combined non-consolidated balance sheet ("holding company"), are presented below. These tables reconcile the holding company balance sheet with the condensed consolidated balance sheets of the Corporation at June 30, 2022 and December 31, 2021. These non-consolidated balance sheets are included in Note 19 of the Interim Consolidated Financial Statements.

	June 30, 2022					
	Lifeco	IGM	Investment Platforms and Other ^[1]	Holding company	Effect of consolidation	Power Corporation Consolidated balance sheet
Assets						
Cash and cash equivalents	7,924	969	625	1,492	(371)	10,639
Investments	223,866	5,258	1,842	242	244	231,452
Investments in publicly traded operating companies, investment platforms and other:						
Lifeco and IGM	372	1,025	-	19,219	(20,616)	-
GBL ^[2]	-	-	-	3,216	-	3,216
Other	308	592	-	2,734	(3,634)	-
Investments in jointly controlled corporations and associates	184	1,011	1,258	738	(47)	3,144
Funds held by ceding insurers	15,389	-	-	-	-	15,389
Reinsurance assets	17,663	-	-	-	-	17,663
Other assets	16,610	4,071	4,169	277	(212)	24,915
Intangible assets ^[3]	6,273	1,356	772	2	(32)	8,371
Goodwill ^[5]	10,212	2,802	571	-	613	14,198
Investments on account of segregated fund policyholders	371,504	-	-	-	-	371,504
Total assets	670,305	17,084	9,237	27,920	(24,055)	700,491
Liabilities						
Insurance and investment contract liabilities	244,282	-	-	-	-	244,282
Obligations to securitization entities	-	4,661	-	-	-	4,661
Power Corporation's debentures and other debt instruments	-	-	-	647	-	647
Non-recourse debentures and other debt instruments ^[4]	9,766	2,100	1,770	250	(88)	13,798
Other liabilities	14,203	4,288	3,962	1,027	(324)	23,156
Insurance and investment contracts on account of segregated fund policyholders	371,504	-	-	-	-	371,504
Total liabilities	639,755	11,049	5,732	1,924	(412)	658,048
Equity						
Limited recourse capital notes	1,500	-	-	-	(1,500)	-
Perpetual preferred shares	-	-	-	2,830	(2,830)	-
Non-participating shares	2,720	-	-	950	(2,720)	950
Participating shareholders' equity	23,292	5,981	3,129	22,216	(32,402)	22,216
Non-controlling interests ^[5, 6]	3,038	54	376	-	15,809	19,277
Total equity	30,550	6,035	3,505	25,996	(23,643)	42,443
Total liabilities and equity	670,305	17,084	9,237	27,920	(24,055)	700,491

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

[2] Indirectly held through Parjointco.

[3] The assets of Lifeco and IGM exclude the corporate allocation of goodwill and intangible assets.

[4] The debentures and other debt instruments of controlled and consolidated investments are secured by their assets which are non-recourse to the Corporation.

[5] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[6] Non-controlling interests in Effect of consolidation represent non-controlling interests in the equity of Lifeco, IGM and controlled and consolidated investments.

	December 31, 2021					
	Lifeco	IGM	Investment Platforms and Other ^[1]	Holding company	Effect of consolidation	Power Corporation Consolidated balance sheet
Assets						
Cash and cash equivalents	6,075	1,292	759	1,635	(252)	9,509
Investments	198,898	5,488	1,926	260	81	206,653
Investments in publicly traded operating companies, investment platforms and other:						
Lifeco and IGM	366	1,021	-	18,930	(20,317)	-
GBL ^[2]	-	-	-	4,278	-	4,278
Other	306	1,263	-	2,938	(4,507)	-
Investments in jointly controlled corporations and associates	159	1,028	1,237	766	(44)	3,146
Funds held by ceding insurers	17,194	-	-	-	-	17,194
Reinsurance assets	21,138	-	-	-	-	21,138
Other assets	14,338	3,410	3,857	347	(231)	21,721
Intangible assets ^[3]	5,514	1,357	768	2	(34)	7,607
Goodwill ^[3]	9,081	2,802	472	-	613	12,968
Investments on account of segregated fund policyholders	357,419	-	-	-	-	357,419
Total assets	630,488	17,661	9,019	29,156	(24,691)	661,633
Liabilities						
Insurance and investment contract liabilities	220,833	-	-	-	-	220,833
Obligations to securitization entities	-	5,058	-	-	-	5,058
Power Corporation's debentures and other debt instruments	-	-	-	647	-	647
Non-recourse debentures and other debt instruments ^[4]	8,804	2,100	1,467	250	(88)	12,533
Other liabilities	12,949	4,002	3,854	1,090	(480)	21,415
Insurance and investment contracts on account of segregated fund policyholders	357,419	-	-	-	-	357,419
Total liabilities	600,005	11,160	5,321	1,987	(568)	617,905
Equity						
Limited recourse capital notes	1,500	-	-	-	(1,500)	-
Perpetual preferred shares	-	-	-	2,830	(2,830)	-
Non-participating shares	2,720	-	-	954	(2,720)	954
Participating shareholders' equity	22,996	6,450	3,370	23,385	(32,816)	23,385
Non-controlling interests ^[5, 6]	3,267	51	328	-	15,743	19,389
Total equity	30,483	6,501	3,698	27,169	(24,123)	43,728
Total liabilities and equity	630,488	17,661	9,019	29,156	(24,691)	661,633

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

[2] Indirectly held through Parjointco.

[3] The assets of Lifeco and IGM exclude the corporate allocation of goodwill and intangible assets.

[4] The debentures and other debt instruments of controlled and consolidated investments are secured by their assets which are non-recourse to the Corporation.

[5] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[6] Non-controlling interests in Effect of consolidation represent non-controlling interests in the equity of Lifeco, IGM and controlled and consolidated investments.

Total assets of the Corporation increased to \$700.5 billion at June 30, 2022, compared with \$661.6 billion at December 31, 2021, primarily due to the Prudential acquisition during the second quarter of 2022, partially offset by the impacts of market and currency movements. The acquisition of the full-service retirement business of Prudential added \$116 billion in total assets as at June 30, 2022.

Liabilities increased to \$658.0 billion at June 30, 2022, compared with \$617.9 billion at December 31, 2021, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities increased by \$23.4 billion. The increase was primarily due to \$44.3 billion acquired through the Prudential acquisition, partially offset by fair value adjustments.
- Insurance and investment contracts on account of segregated fund policyholders increased by \$14.1 billion, primarily due to the segregated fund policyholders acquired through the Prudential acquisition of \$79.5 billion. The increase was partially offset by net market value declines of \$61.9 billion, negative impacts of currency movement of \$5.1 billion and net withdrawals (net of policyholder deposits) of \$3.0 billion.

Parts B and C of this MD&A include a discussion of the consolidated balance sheets of Lifeco and IGM, respectively.

HOLDING COMPANY BALANCE SHEETS

In the holding company balance sheets shown below, Power Corporation and Power Financial are shown on a combined basis; investments in subsidiaries are presented using the equity method. These non-consolidated balance sheets isolate the holding company balance sheets which are included in Note 19 of the Interim Consolidated Financial Statements. This presentation assists the reader by identifying changes in the combined non-consolidated balance sheet of Power Corporation and Power Financial, and presents the investment activities of the holding company as well as the corporate assets and liabilities managed, including the cash and non-participating shares.

	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents ^[1]	1,492	1,635
Investment in:		
Lifeco	15,667	15,496
IGM	3,552	3,434
GBL ^[2]	3,216	4,278
Alternative and other investments ^[3]	2,976	3,198
ChinaAMC	738	766
Other assets ^[4]	279	349
Total assets	27,920	29,156
Liabilities		
Debentures and other debt instruments ^[5]	897	897
Other liabilities	1,027	1,090
Total liabilities	1,924	1,987
Equity		
Perpetual preferred shares ^[6]	2,830	2,830
Non-participating shares	950	954
Participating shareholders' equity	22,216	23,385
Total equity	25,996	27,169
Total liabilities and equity	27,920	29,156

[1] Cash equivalents include \$472 million (\$480 million at December 31, 2021) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Interim Consolidated Financial Statements.

[2] Indirectly held through Parjointco.

[3] Includes Power Financial's investments in Portage I, Portage II and Wealthsimple, presented using the equity method.

[4] Includes \$83 million of dividends declared in the second quarter by IGM (same as at December 31, 2021) and received by Power Financial on July 29, 2022.

[5] Includes Power Financial's debentures of \$250 million at June 30, 2022 (same as at December 31, 2021).

[6] Perpetual preferred shares issued by Power Financial.

Cash and cash equivalents

Cash and cash equivalents held by the Corporation and Power Financial amounted to \$1,492 million at June 30, 2022, compared with \$1,635 million at the end of December 2021 (see "Holding Company Statements of Cash Flows" below for details).

The cash and cash equivalents held by Sagard and Power Sustainable including Power Sustainable China amounted to \$259 million at June 30, 2022 (\$441 million at December 31, 2021) and are included in the carrying amount of the investment platforms.

Investments

INVESTMENTS IN LIFECO, IGM AND GBL (AT EQUITY)

The table below presents a continuity of the investments in Lifeco, IGM and GBL (held through Parjointco), which are presented using the equity method for the purposes of the non-consolidated presentation. The carrying value of the investments in Lifeco, IGM and GBL, accounted for using the equity method, decreased to \$22,435 million at June 30, 2022, compared with \$23,208 million at December 31, 2021:

	Lifeco	IGM	GBL ^[1]	Total
Carrying value, at the beginning of the year	15,496	3,434	4,278	23,208
Contribution from adjusted net earnings (loss)	1,075	276	(13)	1,338
Contribution from adjustments	(89)	5	-	(84)
Share of other comprehensive income (loss) ^[2]	(255)	19	(1,013)	(1,249)
Dividends	(608)	(166)	(84)	(858)
Effect of changes in ownership and other	48	(16)	48	80
Carrying value, at June 30, 2022	15,667	3,552	3,216	22,435

[1] Indirectly held through Parjointco.

[2] GBL's share of other comprehensive income (loss) includes \$781 million of unrealized losses on available-for-sale investments and \$237 million of unrealized losses on foreign currency translation.

ALTERNATIVE AND OTHER INVESTMENTS

The table below presents the components of the alternative and other investments. The asset management companies, controlled and consolidated investments held through the investment platforms and certain controlled standalone businesses are presented using the equity method for the purposes of the non-consolidated presentation.

Alternative and other investments are comprised of the following investments:

	June 30, 2022	December 31, 2021
Carrying value, as at		
Asset management companies		
Sagard	73	116
Power Sustainable	18	21
Investing activities		
Sagard ^[1]	625	706
Power Sustainable	1,262	1,368
Other		
Standalone businesses	760	725
Other ^[2]	238	262
	2,976	3,198

[1] Includes Power Financial's investments in Portage I, Portage II and Wealthsimple.

[2] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as available for sale and are carried at fair value. At June 30, 2022, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of \$25 million.

INVESTMENT IN CHINAAMC

The carrying value of Power Corporation's investment in ChinaAMC was \$738 million at June 30, 2022, compared with \$766 million at December 31, 2021.

Carrying value, at the beginning of the year	766
Dividends	(31)
Share of net earnings	28
Share of other comprehensive income (loss)	(25)
Carrying value, at June 30, 2022	738

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,740 billion (C\$335 billion) at June 30, 2022, compared with RMB¥1,662 billion (C\$331 billion) at December 31, 2021.

EQUITY**Non-participating shares**

Non-participating (preferred) shares of the Corporation consist of five series of First Preferred Shares with an aggregate stated capital of \$950 million at June 30, 2022 (\$954 million at December 31, 2021), all of which are non-cumulative. All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

On January 15, 2022, the Corporation redeemed all 86,100 of its outstanding cumulative redeemable First Preferred Shares 1986 Series for \$50.00 per share.

The terms and conditions of the outstanding First Preferred Shares are described in Note 18 of the Corporation's 2021 Consolidated Financial Statements.

Participating shareholders' equity

Participating shareholders' equity was \$22,216 million at June 30, 2022, compared with \$23,385 million at December 31, 2021:

Six months ended June 30	2022	2021
Participating shareholders' equity, at the beginning of the year	23,385	21,251
Changes in participating shares		
Purchase for cancellation of subordinate voting shares under NCIB	(132)	(50)
Issuance of subordinate voting shares (1,677,278 shares in 2022 and 2,607,076 shares in 2021) under the Corporation's Executive Stock Option Plans	52	79
	(80)	29
Changes in retained earnings		
Net earnings before dividends on non-participating shares	1,031	1,576
Dividends declared	(691)	(632)
Purchase for cancellation of subordinate voting shares under NCIB and other ^[1]	(242)	(71)
Reclassification of options as cash-settled share-based payments ^[2]	(54)	-
Effects of changes in capital and ownership of subsidiaries, and other ^[3]	19	568
	63	1,441
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(291)	(376)
Investment revaluation and cash flow hedges	(271)	(318)
Actuarial gains (losses) on defined benefit plans	449	477
Share of Parjointco and other jointly controlled corporations and associates	(1,003)	34
Share-based compensation, including the effect of subsidiaries	(36)	112
	(1,152)	(71)
Participating shareholders' equity, at June 30	22,216	22,650

[1] Includes the impact of the purchase obligation under the automatic share purchase plan at June 30, 2022.

[2] During the six months ended June 30, 2022, the Corporation attached tandem share appreciation rights to 13,621,606 options and reclassified the options as cash-settled share-based payments. See Note 11 to the Interim Consolidated Financial Statements for additional information.

[3] Includes the effect of the change in ownership of Wealthsimple recognized in the participating shareholders' equity in the second quarter of 2021.

The book value per participating share (refer to the section "Other Measures") of the Corporation was \$33.18 at June 30, 2022, compared with \$34.56 at the end of 2021.

Outstanding number of participating shares

At the date of this MD&A, there were 54,860,866 participating preferred shares of the Corporation outstanding (same as at December 31, 2021), and 613,967,866 subordinate voting shares of the Corporation outstanding, compared with 621,756,088 at December 31, 2021.

At the date of this MD&A, options were outstanding to purchase up to an aggregate of 25,574,573 subordinate voting shares of the Corporation, which includes 10,902,593 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Normal Course Issuer Bids

The Corporation's Normal Course Issuer Bid (NCIB) that commenced on February 25, 2021 expired on February 24, 2022. The Corporation purchased 703,700 Subordinate Voting Shares pursuant to this bid in the first quarter of 2022, for a total of \$29 million (3,325,100 Subordinate Voting Shares for a total of \$121 million during the first and second quarters of 2021).

On February 28, 2022, the Corporation commenced a new NCIB which is effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this bid, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding at February 14, 2022) at market prices. At June 30, 2022, the Corporation had repurchased 8,052,800 Subordinate Voting Shares for a total of \$305 million.

The Corporation has entered into an automatic share purchase plan (ASPP) with a designated broker to allow for the purchase of Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Outside of these predetermined blackout periods, purchases under the Corporation's NCIB will be completed at management's discretion. The ASPP has been effective since February 28, 2022, the commencement date of the NCIB.

SUBSEQUENT EVENT

Subsequent to quarter-end, the Corporation purchased, as of August 5, 2022, an additional 709,000 Subordinate Voting Shares pursuant to its current NCIB, for a total of \$24 million.

Adjusted Net Asset Value

Adjusted net asset value is presented for Power Corporation and represents management's estimate of the fair value of the participating shareholders' equity of the Corporation. Adjusted net asset value is the fair value of the assets of the combined Power Corporation and Power Financial holding company balance sheet less their net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries, jointly controlled corporations and associates are adjusted to fair value as follows:

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;
- Investments in private entities are valued at fair value based on management's estimate using consistently applied valuation models either based on a valuation multiple or discounted cash flows. Certain valuations are prepared by external valuers or subject to review by external valuers. Market-comparable transactions are generally used to corroborate the estimated fair value. The value of investments in private entities is presented net of any management incentives;
- Investments in investment funds are valued at the fair value reported by the fund which is net of carried interest or other incentives.

The presentation of the investments in subsidiaries, jointly controlled corporations and associates at fair value is not in accordance with IFRS; adjusted net asset value is a non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures".

The Corporation's adjusted net asset value is presented on a look-through basis. The combined holding company balance sheets of Power Corporation and Power Financial include the investments held in public entities through Power Financial (Lifeco, IGM and GBL), and the net debt and preferred shares of Power Financial. The adjusted net asset value per share, a non-IFRS ratio, was \$41.49 at June 30, 2022, compared with \$52.60 at December 31, 2021, representing a decrease of 21.1%. The Corporation's book value per participating share (refer to the section "Other Measures") was \$33.18 at June 30, 2022, compared with \$34.56 at December 31, 2021, representing a decrease of 4.0%.

	June 30, 2022			December 31, 2021		
	Holding company balance sheet	Fair value adjustment	Adjusted net asset value	Holding company balance sheet	Fair value adjustment	Adjusted net asset value
Assets						
Investments						
Power Financial						
Lifeco	15,667	3,827	19,494	15,496	8,049	23,545
IGM	3,552	1,552	5,104	3,434	3,315	6,749
GBL ^[1]	3,216	(832)	2,384	4,278	(1,121)	3,157
Alternative and other investments						
Asset management companies ^[2]						
Sagard	73	-	73	116	-	116
Power Sustainable	18	-	18	21	-	21
Investing activities						
Sagard ^[3]	625	251	876	706	693	1,399
Power Sustainable	1,262	183	1,445	1,368	265	1,633
Other						
Standalone businesses ^[4]	760	154	914	725	606	1,331
Other	238	58	296	262	50	312
ChinaAMC	738	412	1,150	766	384	1,150
Cash and cash equivalents	1,492	-	1,492	1,635	-	1,635
Other assets	279	-	279	349	-	349
Total assets	27,920	5,605	33,525	29,156	12,241	41,397
Liabilities and non-participating shares						
Debentures and other debt instruments	897	-	897	897	-	897
Other liabilities ^[5, 6]	1,027	41	1,068	1,090	39	1,129
Non-participating shares and perpetual preferred shares	3,780	-	3,780	3,784	-	3,784
Total liabilities and non-participating shares	5,704	41	5,745	5,771	39	5,810
Net value						
Participating shareholders' equity / Adjusted net asset value	22,216	5,564	27,780	23,385	12,202	35,587
Per share	33.18		41.49	34.56		52.60

[1] The Corporation's share of GBL's reported net asset value was \$3.6 billion (€2.7 billion) at June 30, 2022 (\$4.7 billion (€3.3 billion) at December 31, 2021).

[2] The management companies of the investment funds are presented at their carrying value and are primarily composed of cash and net carried interest receivable.

[3] Includes the Corporation's investments in Portage I, Portage II and Wealthsimple, held by Power Financial.

[4] An additional deferred tax liability of \$16 million has been included in the adjusted net asset value at June 30, 2022 (\$80 million at December 31, 2021) with respect to the investments in standalone businesses at fair value, without taking into account possible tax planning strategies. The Corporation has tax attributes (not otherwise recognized on the balance sheet) that could be available to minimize the tax if the Corporation were to dispose of its interests held in the standalone businesses.

[5] In accordance with IAS 12, *Income Taxes*, no deferred tax liability is recognized with respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation 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. If the Corporation were to dispose of an investment in a subsidiary or a jointly controlled corporation, income taxes payable on such disposition would be minimized through careful and prudent tax planning and structuring, as well as with the use of available tax attributes not otherwise recognized on the balance sheet, including tax losses, tax basis, safe income and foreign tax surplus associated with the subsidiary or jointly controlled corporation.

[6] At June 30, 2022, an additional deferred tax liability of \$41 million (\$39 million at December 31, 2021) has been included in the adjusted net asset value related to the investment in ChinaAMC at fair value.

Investments measured at market value and cash represent 89.3% of the total assets at fair value at June 30, 2022 (89.7% at December 31, 2021). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's adjusted net asset value of \$2,816 million or \$4.21 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco, IGM and the Corporation's investment platforms, as well as the holding company cash flows of Power Corporation and Power Financial on a combined basis, are presented below. These tables reconcile the non-consolidated statement of cash flows to the condensed consolidated statement of cash flows of the Corporation for the six-month periods ended June 30, 2022 and 2021. These non-consolidated statements of cash flows are included in Note 19 of the Interim Consolidated Financial Statements. This presentation assists the reader in assessing the cash flows of the holding company.

Six months ended June 30						2022
	Lifeco	IGM	Investment Platforms and Other ^[1]	Holding company	Effect of consolidation	Power Corporation Consolidated
Cash flows from:						
Operating activities	3,959	285	38	770	(947)	4,105
Financing activities	5	(784)	517	(1,053)	852	(463)
Investing activities	(2,055)	176	(686)	140	(14)	(2,439)
Effect of changes in exchange rates on cash and cash equivalents	(60)	-	(3)	-	(10)	(73)
Increase (decrease) in cash and cash equivalents	1,849	(323)	(134)	(143)	(119)	1,130
Cash and cash equivalents, at the beginning of the year	6,075	1,292	759	1,635	(252)	9,509
Cash and cash equivalents, at June 30	7,924	969	625	1,492	(371)	10,639

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

Six months ended June 30						2021
	Lifeco	IGM	Investment Platforms and Other ^[1]	Holding company	Effect of consolidation	Power Corporation Consolidated
Cash flows from:						
Operating activities	2,855	289	(177)	679	(574)	3,072
Financing activities	(1,006)	(823)	338	(827)	1,724	(594)
Investing activities	(2,975)	729	251	292	(1,057)	(2,760)
Effect of changes in exchange rates on cash and cash equivalents	(112)	-	(18)	-	-	(130)
Increase (decrease) in cash and cash equivalents	(1,238)	195	394	144	93	(412)
Cash and cash equivalents, at the beginning of the year	7,946	772	545	1,226	(449)	10,040
Cash and cash equivalents, at June 30	6,708	967	939	1,370	(356)	9,628

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

Consolidated cash and cash equivalents increased by \$1,130 million in the six-month period ended June 30, 2022, compared with a decrease of \$412 million in the corresponding period in 2021.

Operating activities produced a net inflow of \$4,105 million in the six-month period ended June 30, 2022, compared with a net inflow of \$3,072 million in the corresponding period in 2021.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, the issuance and repurchase of participating and preferred shares, issuance of common shares and limited-life fund and redeemable units by subsidiaries, dividends paid on the participating and non-participating shares of the Corporation, and dividends paid by subsidiaries to non-controlling interests and increases and repayments of obligations to securitization entities by IGM, represented a net outflow of \$463 million in the six-month period ended June 30, 2022, compared with a net outflow of \$594 million in the corresponding period in 2021.

Cash flows from investing activities resulted in a net outflow of \$2,439 million in the six-month period ended June 30, 2022, compared with a net outflow of \$2,760 million in the corresponding period in 2021.

Parts B and C of this MD&A include a discussion of the cash flows of Lifeco and IGM, respectively.

HOLDING COMPANY STATEMENTS OF CASH FLOWS

As Power Corporation is a holding company, corporate cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes, and non-participating and participating share dividends.

The following combined holding company statements of cash flows of Power Corporation and Power Financial, included in Note 19 of the Interim Consolidated Financial Statements, present the cash flows of the holding company on a non-consolidated basis. This presentation has been prepared to assist the reader as it isolates the cash flows of the activities of the holding company.

Six months ended June 30	2022	2021
Operating activities		
Dividends		
Lifeco	608	543
IGM	166	166
GBL	84	81
ChinaAMC	31	27
Corporate operations, net of non-cash items ^[1]	(119)	(138)
	770	679
Financing activities		
Dividends paid on:		
Non-participating shares	(26)	(26)
Participating shares	(668)	(606)
Perpetual preferred shares	(67)	(68)
Issuance of subordinate voting shares	47	71
Repurchase of subordinate voting shares	(334)	(121)
Repurchase of non-participating shares	(4)	(2)
Changes in other debt instruments	-	(75)
Other	(1)	-
	(1,053)	(827)
Investing activities		
Distributions and proceeds from disposal of investments	224	559
Purchase of investments	(124)	(271)
Other ^[2]	40	4
	140	292
Increase (decrease) in cash and cash equivalents	(143)	144
Cash and cash equivalents, at the beginning of the year	1,635	1,226
Cash and cash equivalents, at June 30	1,492	1,370

[1] Includes changes in short-term receivables from, and payables to, investment platforms.

[2] Includes proceeds received from the sale of a property by the Corporation.

Cash and cash equivalents of the Corporation and Power Financial decreased by \$143 million in the six-month period ended June 30, 2022, compared with an increase of \$144 million in the corresponding period in 2021.

Operating activities resulted in a net inflow of \$770 million in the six-month period ended June 30, 2022, compared with a net inflow of \$679 million in the corresponding period in 2021. Dividends paid by the publicly traded operating companies include:

Six months ended (in millions of Canadian dollars; except as otherwise noted)	June 30, 2022		June 30, 2021	
	Dividend per share	Total dividend received	Dividend per share	Total dividend received
Lifeco	0.9800	608	0.8760	543
IGM	1.1250	166	1.1250	166

- Total dividend received from Parjointco was \$84 million (€62 million) for the period ended June 30, 2022, compared with \$81 million (€55 million) for the period ended June 30, 2021.

The Corporation's financing activities during the six-month period ended June 30, 2022 resulted in a net outflow of \$1,053 million, compared with a net outflow of \$827 million in the corresponding period in 2021, and included:

- Dividends paid on non-participating and participating shares by the Corporation of \$694 million, compared with \$632 million in the corresponding period in 2021. In the six-month period ended June 30, 2022, dividends paid on the Corporation's participating shares were \$0.9900 per share, compared with \$0.8950 per share in the corresponding period in 2021.
- Dividends paid on preferred shares by Power Financial of \$67 million, compared with \$68 million in the corresponding period in 2021.
- Repurchase of subordinate voting shares of \$334 million, as part of the NCIB, in the six-month period ended June 30, 2022, compared with repurchase for an amount of \$121 million in the corresponding period in 2021.
- Repurchase of non-participating shares of \$4 million, compared with repurchase for an amount of \$2 million in the corresponding period in 2021.
- No change in other debt instruments, compared with a decrease of \$75 million in the corresponding period in 2021.
- Issuance of subordinate voting shares of the Corporation for \$47 million pursuant to the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan, compared with issuance for an amount of \$71 million in the corresponding period in 2021.

The Corporation's investing activities during the six-month period ended June 30, 2022 resulted in a net inflow of \$140 million, compared with a net inflow of \$292 million in the corresponding period in 2021.

Proceeds from disposal of investments and purchase of investments are comprised of investment activities of the Corporation and in its investment platforms.

The Corporation decreased its level of fixed income securities with maturities of more than three months, resulting in a net inflow of \$8 million in the six-month period ended June 30, 2022, compared with a net outflow of \$32 million in the corresponding period in 2021.

Capital Management

As a holding company, Power Corporation's objectives in managing its capital are to:

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities arise;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital;
- maintain an appropriate credit rating to ensure stable access to the capital markets; and
- maintain cash and cash equivalents at a minimum of two times fixed charges.

The Corporation manages its capital taking into consideration the risk characteristics and liquidity of its holdings. In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue capital.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Parjointco and GBL, oversee and have the responsibility for their respective company's capital management.

With the exception of debentures and other debt instruments, the Corporation's capital is permanent, matching the long-term nature of its investments. The capital structure of the Corporation consists of: debentures, non-participating shares, participating shareholders' equity, and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital.

The Corporation's consolidated capitalization includes the debentures, preferred shares and other equity instruments, and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 75% of consolidated capitalization at June 30, 2022.

	June 30, 2022	December 31, 2021
Debentures and other debt instruments		
Power Corporation	647	647
Power Financial	250	250
Lifeco	9,766	8,804
IGM	2,100	2,100
Other ^[1]	1,770	1,467
Effect of consolidation	(88)	(88)
	13,798	12,533
	14,445	13,180
Non-participating shares and other equity instruments		
Power Corporation	950	954
Power Financial	2,830	2,830
Lifeco	4,220	4,220
	7,050	7,050
	8,000	8,004
Equity		
Participating shareholders' equity	22,216	23,385
Non-controlling interests ^[2]	12,227	12,339
	34,443	35,724
	56,888	56,908

[1] Includes other debt instruments of controlled and consolidated investments and standalone businesses; consists of \$119 million (\$72 million in 2021) of debt under revolving credit facilities held by the investment funds and other debt held by controlled investees, \$1,556 million (\$1,301 million in 2021) of project-related debt held within the Power Sustainable Energy Infrastructure platform, and \$95 million (\$94 million in 2021) of other debt held by standalone businesses. The other debt instruments are secured by the assets of the controlled investments which are non-recourse to the Corporation. See Note 9B to the Interim Consolidated Financial Statements for additional information.

[2] Represents the non-controlling equity interests of the Corporation's subsidiaries excluding Power Financial and Lifeco's preferred shares and limited recourse capital notes, which are shown in this table as non-participating shares.

Power Corporation

- The Corporation filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, the Corporation may issue up to an aggregate of \$5 billion of First Preferred Shares, subordinate voting shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.
- On January 15, 2022, the Corporation redeemed all 86,100 of its outstanding Cumulative Redeemable First Preferred Shares, 1986 Series for \$50.00 per share.
- The Corporation commenced a NCIB on February 28, 2022 which is effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of subordinate voting shares. Refer to the section "Participating Shareholders' Equity" for more information.

Power Financial

- Power Financial filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, Power Financial may issue up to an aggregate of \$3 billion of First Preferred Shares and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis through Power Financial.

Lifeco

- On March 30, 2022, Great-West Lifeco U.S. LLC, a subsidiary of Lifeco, established a 2-year US\$500 million non-revolving credit facility. The facility is fully and unconditionally guaranteed by Lifeco. At June 30, 2022, the \$645 million (US\$500 million) facility was fully drawn, along with \$416 million (US\$323 million) from an existing revolving credit facility of Lifeco to finance a portion of the Prudential retirement services business acquisition. On July 1, 2022, subsequent to quarter-end, Great-West Lifeco U.S. LLC made a payment of US\$150 million on its revolving credit facility.

The Corporation itself is not subject to externally imposed regulatory capital requirements; however, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements. Parts B and C of this MD&A further describe the capital management activities of Lifeco and IGM, respectively. See Note 21 to the Corporation's 2021 Consolidated Financial Statements for additional information.

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debentures is "A+" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is "A" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites. These ratings are not a recommendation to buy, sell or hold the securities of a corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Corporation's debentures by S&P is the fifth highest of the 22 ratings used for long-term debt. A long-term debenture rated "A+" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The "A" rating assigned to the Corporation's debentures by DBRS is the sixth highest of the 26 ratings used for long-term debt. A long-term debenture rated "A" implies that the capacity for repayment is substantial, but of lesser credit quality than AA, and may be vulnerable to future events, although qualifying negative factors are considered manageable.

The current rating by S&P of Power Financial's debentures is "A+" with a stable outlook. DBRS' current rating on Power Financial's debentures is "A (High)" with a stable trend.

Parts B and C of this MD&A provide information on the ratings of the debentures of Lifeco and IGM, respectively.

Risk Management

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses including a portfolio of alternative asset investment platforms. The Corporation, through Power Financial, holds a controlling interest in Lifeco and IGM and also holds a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. A complete description of these risks is presented in their public disclosures. The respective boards of directors of Lifeco, IGM and GBL are responsible for the risk oversight function at their respective companies. The risk committees of the boards of directors of Lifeco and IGM are responsible for their risk oversight. Certain officers of the Corporation are members of these boards and committees of these boards, including the risk committees, and, consequently, in their role as directors, they participate in the risk oversight function at the operating companies. Parts B and C of this MD&A further describe risks related to Lifeco and IGM, respectively.

RISK OVERSIGHT

The Corporation believes that a prudent approach to risk is achieved through a governance model that focuses on the active oversight of its investments. The Board of Directors and executive officers of the Corporation have overall oversight and responsibility for risk management associated with the investment activities and operations of the holding company and maintain a comprehensive and appropriate set of policies and controls.

The Board of Directors provides oversight and carries out its risk management mandate and addresses operational risks primarily through the following committees:

- The Audit Committee addresses risks related to financial reporting and cybersecurity.
- The Human Resources Committee considers risks associated with the Corporation's compensation policies and practices.
- The Governance and Nominating Committee oversees the Corporation's approach to appropriately address potential risks related to governance matters.
- The Related Party and Conduct Review Committee reviews and considers for approval transactions with related parties of the Corporation.

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, which investors should carefully consider before investing in securities of the Corporation. The 2021 Annual MD&A reviews certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

During the six-month period ended June 30, 2022, there were no changes to the Corporation's risk oversight approach, and the identification and management of the specific risks, including the risks related to the COVID-19 pandemic and geopolitical tensions, as described in the 2021 Annual MD&A.

COVID-19

Governments worldwide have enacted emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, imposing restrictions on certain non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to businesses globally. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

The distribution of vaccines has resulted in the easing of restrictions in many economies, though the COVID-19 pandemic continues to cause material disruption to businesses globally, resulting in continued economic pressures. While the conditions have become more stable, many factors continue to extend economic uncertainty, including the rollout and efficacy of vaccines, emergence of new COVID-19 variants and the durability and effectiveness of government and central bank interventions.

Geopolitical Tensions

Hostilities involving the Russian Federation and Ukraine, in which Russia launched a full-scale invasion of Ukraine on February 24, 2022, continue and significant measures have been announced by governments worldwide in response to the hostilities. These include declarations of political support, humanitarian and military assistance, broadly based limitation or outright prohibition of trading in goods and access to services, payment and settlement networks, as well as seizures of assets and other sanctions. Many foreign companies operating in Russia have announced the cessation of operations in-country and in some cases the sale of their interests. The situation has exacerbated broader geopolitical tensions, including existing U.S.-China relations, and complicated ongoing efforts by central banks to normalize the monetary environment and counter inflation pressures already present. Ongoing hostilities have created additional supply chain pressure and price inflation in key commodities, including oil, industrial metals and foodstuffs, contributing to elevated financial market volatility and a deteriorating global economic outlook with potential for high and sustained inflation. Governments and central banks acknowledge the complex macroeconomic situation and are considering the interventions needed to stabilize economic conditions.

The duration and full impacts of the COVID-19 pandemic and the geopolitical tensions are still unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods. Refer to the section "Risk Management" in the 2021 Annual MD&A for a summary of how the Corporation is managing the risks related to COVID-19 and geopolitical tensions and to the section "Summary of Critical Accounting Estimates and Judgments" in the 2021 Annual MD&A, to Note 2 of the Interim Consolidated Financial Statements and Note 2 of the 2021 Consolidated Financial Statements for additional disclosure of the impact on the Corporation's significant judgments, estimates and assumptions. Refer to Parts B and C of this MD&A for a further discussion on risk management, measurement uncertainty and the potential exposures at Lifeco and IGM.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

At June 30, 2022, there have been changes to the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded at fair value since December 31, 2021. These changes did not have a material impact on the financial condition of the Corporation and its subsidiaries. See Note 18 to the Corporation's Interim Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement.

DERIVATIVE FINANCIAL INSTRUMENTS

In the course of their activities, the Corporation and its subsidiaries use derivative financial instruments. When using such derivatives, they only act as limited end-users and not as market makers in such derivatives.

The use of derivatives is monitored and reviewed on a regular basis by senior management of the Corporation and by senior management of its subsidiaries. The Corporation and its subsidiaries have each established operating policies, guidelines and procedures relating to the use of derivative financial instruments, which in particular focus on:

- prohibiting the use of derivative instruments for speculative purposes;
- documenting transactions and ensuring their consistency with risk management policies;
- demonstrating the effectiveness of the hedging relationships; and
- monitoring the hedging relationships.

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the six-month period ended June 30, 2022. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	June 30, 2022			December 31, 2021		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	339	3	(13)	121	12	12
Power Financial	14	6	6	20	13	13
Lifeco	45,669	1,596	57	36,570	967	(63)
IGM	2,017	52	(1)	1,840	41	23
Other subsidiaries	1,653	58	48	1,361	16	1
	49,353	1,712	110	39,791	1,037	(26)
	49,692	1,715	97	39,912	1,049	(14)

During the six-month period ended June 30, 2022, there was an increase of \$9.8 billion in the notional amount of derivatives outstanding, primarily due to increases to cross-currency swaps related to the acquisition of the full-service retirement services business of Prudential and regular hedging activities by Lifeco. As well, the Corporation entered into a total return swap to hedge the volatility of a portion of its liability related to its cash-settled share-based payments. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to \$1,715 million at June 30, 2022 from \$1,049 million at December 31, 2021. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars.

Parts B and C of this MD&A provide information on the types of derivative financial instruments used by Lifeco and IGM, respectively.

See Note 26 to the Corporation's 2021 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. See also Note 32 to the Corporation's 2021 Consolidated Financial Statements.

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity. See also Part B of this MD&A and Note 32 to the Corporation's 2021 Consolidated Financial Statements.

Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. See also Parts B and C of this MD&A and Note 31 to the Corporation's 2021 Consolidated Financial Statements.

Commitments and Contractual Obligations

At June 30, 2022, there have been no material changes in the contractual obligations of the Corporation and its subsidiaries from those reported in the 2021 Annual MD&A.

Income Taxes

The non-capital losses of the holding company, at June 30, 2022, were \$1,097 million (\$1,063 million for which the benefits have not been recognized) and are available to reduce future taxable income (including capital gains). These losses expire from 2028 to 2042.

The capital losses of the holding company, at June 30, 2022, were \$142 million (\$50 million for which the benefits have not been recognized) and can be used indefinitely to offset capital gains.

Transactions with Related Parties

Power Corporation has a Related Party and Conduct Review Committee composed entirely of Directors who are independent of management and independent of the Corporation's controlling shareholder. The mandate of this Committee is to review proposed transactions with related parties of the Corporation, including its controlling shareholder, and to approve only those transactions that it deems appropriate and that are done at market terms and conditions.

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions which include capital commitments to investment funds, performance and base management fees paid to subsidiaries of the group, employee ownership participations and loans to employees. Such transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

In the normal course of business, Canada Life and Putnam enter into various transactions with related companies which include providing group insurance benefits and sub-advisory services, respectively, to other companies within the Power Corporation group of companies. Such transactions are at market terms and conditions. These transactions are reviewed by the appropriate related party and conduct review committee.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

IGM enters into transactions with subsidiaries of Lifeco. These transactions are in the normal course of operations and include (i) providing certain administrative services, (ii) distributing insurance products and (iii) the sale of residential mortgages to Canada Life. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

On January 5, 2022, the Corporation and IGM announced an agreement in which IGM will acquire the Corporation's 13.9% interest held in ChinaAMC. In a separate transaction, IGM will sell a 1.6% interest held in Lifeco to the Corporation. Refer to the section "ChinaAMC".

See Note 30 to the Corporation's 2021 Consolidated Financial Statements for additional information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated or accounted for using the equity method, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets, income taxes and employee future benefits. These are described in the Corporation's 2021 Annual MD&A and the notes to the Corporation's 2021 Consolidated Financial Statements.

IMPACT OF COVID-19 AND THE CONFLICT BETWEEN RUSSIA AND UKRAINE ON SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Corporation and its subsidiaries operate. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

Global financial markets continued to be volatile during 2022, in part due to Russia's military invasion of Ukraine and the related sanctions and economic fallout. The Corporation and its subsidiaries continue to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks, and risks related to the global supply chain.

The results of the Corporation reflect the judgments of the managements of the Corporation and its subsidiaries regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange and inflation, as well as, with respect to Lifeco, prevailing health and mortality experience market conditions.

The provision for future credit losses within Lifeco's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, Lifeco's practice is to use third-party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating. Given rapid market changes, third-party credit rating changes may lag developments in the current environment.

The fair value of investments (Note 18 of the Interim Consolidated Financial Statements), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of the Corporation's Interim Consolidated Financial Statements.

Changes in Accounting Policies

There were no changes to the Corporation's accounting policies from those reported at December 31, 2021, except for:

- On January 1, 2022, the Corporation adopted the amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, which specify which costs should be included when assessing whether a contract will be loss-making. The adoption of these amendments did not have a significant impact on the Corporation's Consolidated Financial Statements.

The Corporation actively monitors changes in IFRS, both proposed and released, by the International Accounting Standards Board (IASB) for potential impact on the Corporation.

Future Accounting Changes

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the IASB and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. See Note 2 to the Corporation's 2021 Consolidated Financial Statements. The following sets out significant standards that will be adopted on January 1, 2023:

Standard	Summary of future changes
IFRS 17 – Insurance Contracts	<p>IFRS 17, <i>Insurance Contracts</i> will replace IFRS 4, <i>Insurance Contracts</i> effective January 1, 2023.</p> <p>The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco continues to make progress in implementing its project plan, and will be compliant with the standard effective January 1, 2023.</p> <p>IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.</p> <p>The future profit for providing insurance coverage (including impacts of new business) is reflected on the initial recognition of insurance contract liabilities and then recognized in profit or loss over time as the insurance services are provided. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities, including the contractual service margin, to increase upon adoption. The shareholders' equity of the Corporation on January 1, 2022 is expected to decrease by 8% to 12% on the retroactive application of IFRS 17 on January 1, 2023, primarily due to the establishment of the contractual service margin.</p> <p>IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimize potential industry-wide capital impacts. Lifeco continues to assess all these impacts through its global implementation plan; however, the change will not impact the economics of the affected businesses or Lifeco's business model. See also Part B of this MD&A.</p>
IFRS 9 – Financial Instruments	<p>IFRS 9, <i>Financial Instruments</i> will replace IAS 39, <i>Financial Instruments: Recognition and Measurement</i> effective January 1, 2023. The standard provides changes to financial instruments accounting for the following:</p> <ul style="list-style-type: none"> ▪ classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; ▪ impairment based on an expected loss model; and ▪ hedge accounting that incorporates the risk management practices of an entity. <p>The disclosure for the measurement and classification of the Corporation's investments provides most of the information required by IFRS 9. Upon adoption of IFRS 9 on January 1, 2023, the Corporation and its subsidiaries do not expect a material change in the level of investments. The Corporation and its subsidiaries anticipate electing the option of presenting comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period, as permitted by an amendment to IFRS 17. The Corporation and its subsidiaries continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.</p>

Internal Control over Financial Reporting

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

As a management and holding company, the Corporation's business activities are carried out through its investments in businesses, each of which has its own management team. Accordingly, the Corporation's management relies on the certifications filed by management of Lifeco and IGM pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, as well as a sub-certification process by management at its other significant subsidiaries and investees in order to make determinations regarding the Corporation's disclosure controls and procedures and internal control over financial reporting.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended June 30, 2022 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

LIMITATION ON DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

As permitted by securities legislation, for the period ended June 30, 2022, Lifeco's management has limited the scope of its design of Lifeco's disclosure controls and procedures and Lifeco's internal control over financial reporting to exclude controls, policies and procedures of the Prudential full-service retirement services business, which Lifeco acquired on April 1, 2022.

For the three months ended June 30, 2022, the acquired Prudential retirement services business had revenue of \$962 million, net earnings of \$8 million post-tax including negative market-related impact on liabilities of \$16 million and integration costs of \$21 million post-tax, and other comprehensive loss of \$27 million. The initial amounts assigned to the assets acquired, goodwill and intangible assets on April 1, 2022 and reported as at June 30, 2022 were \$126,849 million. The initial amounts assigned to the liabilities assumed on April 1, 2022 and reported as at June 30, 2022 were \$124,105 million, with the final valuation of the assets acquired and liabilities assumed expected to occur by the end of the first quarter of 2023.

Power Financial Corporation

Power Financial relies on certain of the continuous disclosure documents filed by Power Corporation of Canada pursuant to an exemption from the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations* (NI 51-102) pursuant to Section 13.1 of NI 51-102 and as provided in the decision of the Autorité des marchés financiers and the Ontario Securities Commission, dated January 19, 2021, regarding Power Financial and Power Corporation. The following disclosure is provided further to the requirements of such decision:

At June 30, 2022	Lifeco	IGM	Corporate and other ^[1]	Effect of consolidation	Total Power Financial	Total Power Corporation
Total assets	670,305	17,084	27,050	(21,340)	693,099	700,491
Total liabilities	639,755	11,049	3,779	(353)	654,230	658,048

For the three months ending June 30, 2022	Power Financial	Power Corporation
Cash flows from operations	2,788	2,804

[1] Includes Power Financial's investment activities including its investment in Portage I, Portage II, and Wealthsimple.

Non-IFRS Financial Measures

NON-IFRS FINANCIAL MEASURES

This MD&A presents and discusses financial measures which are not in accordance with IFRS. Management uses these financial measures in its presentation and analysis of the financial performance of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. The non-IFRS financial measures and non-IFRS ratios used in this MD&A are defined as follows:

Non-IFRS financial measure	Definition	Purpose
Adjusted net earnings	Net earnings excluding Adjustments.	Assists in the comparison of the current period's underlying operating performance to that of previous periods as it reflects management's view of the operating performance of the Corporation and its subsidiaries, excluding items that are not considered to be part of the underlying business results. As a holding company, management reviews and assesses the performance of each operating company's contribution to net earnings and adjusted net earnings.
Adjustments	After-tax impact of any item that in management's judgment, including those identified by management of its publicly traded operating companies, would make the period-over-period comparison of results from operations less meaningful. Includes the Corporation's share of Lifeco's impact of actuarial assumption changes and other management actions, direct equity and interest rate market impacts on insurance and investment contract liabilities net of hedging, and related deferred tax liabilities, as well as items that management believes are not indicative of the underlying business results which include those identified by a subsidiary or a jointly controlled corporation. Items that management and management of its subsidiaries believe are not indicative of the underlying business results include restructuring or reorganization costs, integration costs related to business acquisitions, material legal settlements, material impairment charges, impact of substantially enacted income tax rate changes and other tax impairments, certain non-recurring material items, and net gains, losses or costs related to the disposition or acquisition of a business.	Identifies items that are not considered part of operating performance by management, including items identified by management of its publicly traded operating companies.
Adjusted net asset value	Adjusted net asset value is the fair value of the assets of the combined Power Corporation and Power Financial holding company balance sheet less their net debt and preferred shares. The investments held in public entities (including Lifeco, IGM and GBL) are measured at their market value and investments in private entities and investment funds are measured at management's estimate of fair value.	Presents the fair value of the net assets of the holding company and is used to assist in assessing value. This measure may be used by investors and analysts in determining or comparing the fair value of investments held by the holding company or its overall fair value.

Non-IFRS financial measure	Definition	Purpose
Consolidated assets and assets under management and Consolidated assets and assets under administration	<p>Consolidated assets and assets under management includes total assets per the financial statements as well as assets managed on behalf of clients which are beneficially owned by clients and are not recognized in the consolidated financial statements including:</p> <ul style="list-style-type: none"> ▪ Internally and externally managed funds, including proprietary mutual funds, where the Corporation's publicly traded operating subsidiaries and alternative asset investment platforms have oversight of the investment policies; and ▪ The fair value of assets managed on behalf of the clients by asset managers controlled within the investment platforms, including assets managed through a separately managed agreement. <p>Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.</p> <p>Consolidated assets and assets under administration includes consolidated assets under management and other assets under administration. Other assets under administration includes assets where the Corporation's consolidated publicly traded operating subsidiaries and investment management services businesses only provide administration services for which they earn fees and other income. These assets are beneficially owned by the clients and the Corporation's operating subsidiaries do not direct the investing activities. Services provided relating to assets under administration include record keeping, safekeeping, collecting investment income, settling of transactions or other administrative services.</p>	<p>Consolidated assets and assets under management and Consolidated assets and assets under administration provide an indicator of the size and volume of the Corporation's consolidated businesses, including the publicly traded operating companies and alternative asset investment platforms.</p> <p>Consolidated assets and assets under administration includes assets in which the Corporation's consolidated publicly traded operating subsidiaries and investment management services businesses only provide administration services, which are an important aspect of the overall business and should be considered when comparing volumes, size and trends.</p>

Non-IFRS ratio	Definition	Purpose
Adjusted net earnings per share	<p>Earnings per share calculated using adjusted net earnings.</p> <p>Adjusted net earnings divided by the weighted average number of participating shares outstanding.</p>	Assists in comparing adjusted net earnings on a per share basis, refer to "Adjusted net earnings" definition above.
Adjusted net asset value per share	<p>Adjusted net asset value calculated on a per share basis.</p> <p>Adjusted net asset value divided by the number of participating shares outstanding.</p>	Assists the reader in comparing the adjusted net asset value on a per share basis, refer to "Adjusted net asset value" definition above.

These non-IFRS financial measures do not have a standard meaning and may not be comparable to similar measures used by other entities. Reconciliations of the adjusted net asset value and the holding company balance sheet are included in this MD&A.

RECONCILIATIONS OF IFRS AND NON-IFRS FINANCIAL MEASURES**Adjusted Net Earnings**

The following table presents a reconciliation of adjusted net earnings, a non-IFRS financial measure, to net earnings reported in accordance with IFRS. Adjusted net earnings is presented in the section "Contribution to Net Earnings and Adjusted Net Earnings":

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Adjusted net earnings – Non-IFRS financial measure ^[1]	1,099	1,806	584	515	1,020
Share of Adjustments ^[2] , net of tax					
Lifeco	(89)	(57)	(63)	(26)	(25)
IGM	5	(99)	6	(1)	(1)
Alternative and other investments	(10)	(100)	-	(10)	-
	(94)	(256)	(57)	(37)	(26)
Net earnings – IFRS financial measure ^[1]	1,005	1,550	527	478	994

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM and alternative and other investments.

Adjustments (Excluded from Adjusted Net Earnings)

The following table presents the Corporation's share of Adjustments on a pre- and post-tax basis:

	Six months ended		Three months ended		
	June 30, 2022	June 30, 2021	June 30, 2022	March 31, 2022	June 30, 2021
Lifeco ^[1]					
Actuarial assumption changes and other management actions (pre-tax)	10	32	16	(6)	29
Income tax (expense) benefit	(2)	(3)	(2)	-	(4)
Market-related impacts on liabilities (pre-tax)	(24)	(26)	(15)	(9)	(9)
Income tax (expense) benefit	7	(3)	5	2	(4)
Transaction costs related to acquisitions (pre-tax)	(50)	(18)	(44)	(6)	(16)
Income tax (expense) benefit	7	1	6	1	-
Restructuring and integration charges (pre-tax)	(51)	(25)	(40)	(11)	(14)
Income tax (expense) benefit	14	7	11	3	4
Tax legislative changes impact on liabilities	-	(14)	-	-	(14)
	(89)	(49)	(63)	(26)	(28)
Effect of consolidation (pre-tax) ^[2]	-	(8)	-	-	3
Income tax (expense) benefit	-	-	-	-	-
	(89)	(57)	(63)	(26)	(25)
IGM ^[1]					
Effect of consolidation (pre-tax) ^[2]	5	(99)	6	(1)	(1)
Income tax (expense) benefit	-	-	-	-	-
	5	(99)	6	(1)	(1)
Alternative and other investments					
Remeasurements of Wealthsimple's put right liability	-	(100)	-	-	-
Impairment charges on direct energy infrastructure investments (pre-tax)	(13)	-	-	(13)	-
Income tax (expense) benefit	3	-	-	3	-
	(10)	(100)	-	(10)	-
	(94)	(256)	(57)	(37)	(26)

[1] As reported by Lifeco and IGM.

[2] The Effect of consolidation reflects (i) the elimination of intercompany transactions, (ii) the application of the Corporation's accounting method for investments under common control to the Adjustments reported by Lifeco and IGM, which includes an allocation of the Adjustments related to the fintech portfolio based on their respective interest, (iii) IGM's share of Lifeco's Adjustments, in accordance with the Corporation's definition of Adjusted net earnings, and (iv) adjustments in accordance with IAS 39 for IGM.

Consolidated Assets and Assets Under Management and Consolidated Assets and Assets Under Administration

(In billions of dollars)	2022		2021				2020			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total consolidated assets per financial statements	700	631	662	645	635	621	629	501	485	464
Other assets under management	492	545	575	553	540	523	513	489	457	415
Total consolidated assets and assets under management	1,192	1,176	1,237	1,198	1,175	1,144	1,142	990	942	879
Other assets under administration	1,390	1,274	1,312	1,249	1,229	1,166	1,053	870	913	820
Total consolidated assets and assets under administration	2,582	2,450	2,549	2,447	2,404	2,310	2,195	1,860	1,855	1,699

OTHER MEASURES

This MD&A also includes other measures, which include:

Term	Definition
Assets under management and administration	Operating asset management and investment management services businesses within the Power Group, including IGM, alternative asset managers and Wealthsimple, present the total value of assets managed or administered which are beneficially owned by clients and are not recognized in the consolidated financial statements. The composition of the assets under management and administration is relative to the activities of the asset managers and are further defined as follows:
Assets under management and advisement of IGM	Assets under management are client assets where IGM provides investment management services, and include investment funds where IGM is the fund manager, investment advisory mandates to institutions, and other client accounts where IGM has discretionary portfolio management responsibilities. Assets under advisement represents savings and investment products, including assets under management where IGM provides investment management services, held within client accounts of IGM's Wealth Management segment's operating companies.
Assets under management of alternative asset investment platforms	Assets under management of investment platforms include: <ul style="list-style-type: none"> ▪ Net asset value of the investment funds and co-investment vehicles managed, including unfunded commitments and unused permanent leverage; ▪ Gross asset value of investment funds managed within the real estate platform; ▪ Fair value of assets managed on behalf of the Corporation and clients by asset managers controlled within the investment platforms, including assets managed through a separately managed agreement; and ▪ Fair value of equity interests in standalone businesses.
Assets under administration of Wealthsimple	Assets under administration includes the total value of assets held on behalf of clients and includes client assets in which investment management services are provided.
Book value per participating share	Represents Power Corporation's participating shareholders' equity divided by the number of participating shares outstanding at the end of the reporting period.
Carried interest	Carried interest is earned through a contractual arrangement between alternative asset managers and the funds managed in which the asset manager earns a fixed percentage of investment returns over a predetermined hurdle return.
Fee-bearing capital	Fee-bearing capital includes: <ul style="list-style-type: none"> ▪ Total capital commitments of private equity, venture capital, and healthcare royalty funds during the investment period; ▪ Net invested capital of private credit funds and funds which have completed their investment period; ▪ Net asset value of Power Sustainable China, Power Sustainable Energy Infrastructure including direct investments in energy assets, and funds within the real estate platform; ▪ Invested capital or gross asset value of assets managed through separate accounts within the real estate platform; and ▪ Fair value of assets managed on behalf of clients by the wealth management platform.
Market capitalization	Represents the aggregate market value of a company. Market capitalization is determined at a point in time and represents the number of outstanding shares multiplied by the closing share price.
Net asset value reported by GBL	On a quarterly basis, GBL reports its net asset value as it represents an important criterion used in assessing its performance. GBL's net asset value represents the fair value of its investment portfolio, its gross cash and treasury shares, less its gross debt. GBL's investments held in listed entities are measured at their market value and its investments in private entities are measured using the recommendations of the International Private Equity and Venture Capital Valuation Guidelines, which represents GBL management's best estimate. Sienna's portfolio of investments is measured by adding all investments at fair value provided by the fund managers with Sienna's net cash, less its net debt. For more information on GBL's net asset value and valuation principles, refer to its website (www.gbl.be).
Net asset value of investment funds	Net asset value of investment funds represents the fair value of the investments held within the fund, net of any liabilities.
Net carried interest	Represents carried interest earned, net of direct employee costs which are usually recognized over the vesting period.
Unfunded commitments	Represents the capital that has been committed by limited partners, but not called by the fund. In some cases, unfunded commitments include distributions, which are callable by the fund.

Summary of Quarterly Results

	2022		2021				2020			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	10,142	10,001	19,475	18,584	19,318	12,184	17,954	14,682	20,631	11,349
Consolidated assets and assets under management [in billions] ^[1]	1,192	1,176	1,237	1,198	1,175	1,144	1,142	990	942	879
Consolidated assets and assets under administration [in billions] ^[1]	2,582	2,450	2,549	2,447	2,404	2,310	2,195	1,860	1,855	1,699
Net earnings (attributable to participating shareholders)	527	478	626	741	994	556	623	505	666	200
per share – basic	0.78	0.71	0.93	1.09	1.47	0.82	0.92	0.75	0.99	0.36
per share – diluted	0.76	0.70	0.91	1.08	1.46	0.82	0.92	0.75	0.99	0.36
Adjusted net earnings (attributable to participating shareholders) ^[1]	584	515	676	748	1,020	786	627	483	533	345
per share – basic ^[1]	0.87	0.76	1.00	1.10	1.51	1.16	0.93	0.72	0.79	0.62
Adjustments ^[1, 2]	(57)	(37)	(50)	(7)	(26)	(230)	(4)	22	133	(145)
per share – basic ^[1]	(0.09)	(0.05)	(0.07)	(0.01)	(0.04)	(0.34)	(0.01)	0.03	0.20	(0.26)

[1] Consolidated assets and assets under management, consolidated assets and assets under administration, adjusted net earnings attributable to participating shareholders and adjusted net earnings per share, and adjustments and adjustments per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures" in this MD&A.

[2] The Corporation's share of Lifeco, IGM, GBL and the Alternative and other investments' Adjustments, including the effect of consolidation, and Adjustments of the Corporation are as follows:

	2022		2021				2020			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Lifeco										
Pre-tax	(83)	(32)	(40)	(3)	(7)	(38)	(173)	95	123	(201)
Tax effect	20	6	2	9	(18)	6	180	2	(18)	62
	(63)	(26)	(38)	6	(25)	(32)	7	97	105	(139)
IGM										
Pre-tax	6	(1)	5	-	(1)	(97)	(8)	(59)	4	(7)
Tax effect	-	-	(2)	-	-	(1)	5	8	-	2
	6	(1)	3	-	(1)	(98)	(3)	(51)	4	(5)
GBL ^[1]	-	-	-	-	-	-	-	(2)	(3)	(1)
Alternative and other investments										
Pre-tax	-	(13)	(19)	-	-	(100)	-	(22)	27	-
Tax effect	-	3	4	-	-	-	-	-	-	-
	-	(10)	(15)	-	-	(100)	-	(22)	27	-
Corporate operations										
Pre-tax	-	-	-	(13)	-	-	(8)	-	-	-
Tax effect	-	-	-	-	-	-	-	-	-	-
	-	-	-	(13)	-	-	(8)	-	-	-
	(57)	(37)	(50)	(7)	(26)	(230)	(4)	22	133	(145)

[1] As previously reported by Pargesa.

Great-West Lifeco Inc.

PART B

Management's Discussion and Analysis

PAGE B 2

Financial Statements and Notes

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Please note that the bottom of each page in Part B contains two different page numbers. A page number with the prefix "B" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by Great-West Lifeco Inc.

The attached documents concerning Great-West Lifeco Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Cautionary Note Regarding Forward-Looking Information. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2022

DATED: AUGUST 3, 2022

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three and six months ended June 30, 2022 and includes a comparison to the corresponding periods in 2021, to the three months ended March 31, 2022, and to the Company's financial condition as at December 31, 2021, as applicable. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions.

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BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2022. Also refer to the 2021 Annual MD&A and audited consolidated financial statements in the Company's 2021 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the expected impact (or lack of impact) of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* on the Company's business strategy, financial strength, deployable capital, Life Insurance Capital Adequacy Test (LICAT) ratio, base and net earnings, shareholders' equity, ratings and leverage ratios. Forward-looking information also includes statements about the Company's operations, business (including business mix), financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing

business strategies or prospects, climate-related goals, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost (including deferred consideration), benefits, timing of integration activities and timing and extent of revenue and expense synergies of acquisitions and divestitures, including but not limited to the acquisitions of the full-service retirement business of Prudential Financial Inc. (Prudential), Personal Capital Corporation (Personal Capital) and the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions), the timing and completion of the joint venture between Allied Irish Banks plc (AIB) and Canada Life Irish Holding Company Limited, the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the coronavirus (COVID-19) and related economic and market impacts on the Company's business operations, financial results and financial condition.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. In particular, statements about the expected impact of IFRS 17 on the Company (including statements about the impact on base and net earnings and the Canada Life Assurance Company LICAT Ratio) are based on the Company's expected 2022 IFRS 4, *Insurance Contracts*, earnings mix and composition as at the start of 2022, adjusted to reflect fully synergized earnings from the acquisitions of MassMutual's and Prudential's retirement businesses, and on current market and economic conditions. In all cases, whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic and the effects of governments' and other businesses' responses to the COVID-19 pandemic on the economy and the Company's financial results, financial condition and operations), the duration of COVID-19 impacts and the availability and adoption of vaccines, the effectiveness of vaccines, the emergence of COVID-19 variants, geopolitical tensions and related economic impacts, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, the ability to integrate the acquisitions of Personal Capital and the retirement services business of MassMutual and Prudential, the ability to leverage Empower's, Personal Capital's and MassMutual's and Prudential's retirement services businesses and achieve anticipated synergies, customer behaviour (including customer response to new products), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, changes in actuarial standards, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally. In addition, as we work to advance our climate goals, external factors outside of Lifeco's reasonable control may act as constraints on their achievement, including varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, more and better data, reasonably supported methodologies, technological advancements, the evolution of consumer behavior, the challenges of balancing interim emissions goals with an orderly and just transition, and other significant considerations such as legal and regulatory obligations.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2021 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 9, 2022 under "Risk Factors", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information.

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

CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND RATIOS

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

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information

(in Canadian \$ millions, except for per share amounts)

	As at or for the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Earnings					
Base earnings ¹	\$ 830	\$ 809	\$ 826	\$ 1,639	\$ 1,565
Net earnings - common shareholders	735	770	784	1,505	1,491
Per common share					
Basic:					
Base earnings ²	0.893	0.869	0.889	1.762	1.685
Net earnings	0.789	0.827	0.844	1.616	1.605
Diluted net earnings	0.788	0.825	0.842	1.613	1.604
Dividends paid	0.490	0.490	0.438	0.980	0.876
Book value ³	25.00	24.57	23.70		
Base return on equity ²	14.5 %	14.7 %	13.9 %		
Return on equity ³	13.7 %	14.1 %	15.0 %		
Total net premiums	\$ 16,305	\$ 14,051	\$ 11,751	\$ 30,356	\$ 24,903
Total premiums and deposits¹	41,591	44,158	36,804	85,749	81,867
Fee and other income	1,909	1,813	1,800	3,722	3,551
Net policyholder benefits, dividends and experience refunds	15,030	12,747	12,162	27,777	24,096
Total assets per financial statements	\$ 670,305	\$ 600,459	\$ 604,176		
Total assets under management¹	988,986	954,395	962,473		
Total assets under administration^{1,4}	2,342,296	2,187,706	2,167,107		
Total equity	\$ 30,550	\$ 30,387	\$ 27,956		
The Canada Life Assurance Company consolidated LICAT Ratio⁵	117 %	119 %	126 %		

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

² This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

³ Refer to the "Glossary" section of this document for additional details on the composition of this measure.

⁴ 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration in the Canada segment.

⁵ The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company (Canada Life), Lifeco's major Canadian operating subsidiary. The LICAT Ratio is calculated in accordance with the Office of Superintendent of Financial Institutions' guideline - Life Insurance Capital Adequacy Test. Refer to the "Capital Management and Adequacy" section of this document for additional details.

DEVELOPMENTS

In the second quarter of 2022, equity markets in the regions where the Company operates exhibited heightened volatility and ended 5% to 16% lower than March 31, 2022 levels. In addition, interest rates increased 80-105bps in response to elevated, broad based levels of inflation which are impacting business and consumer confidence. In addition, the Canadian dollar strengthened notably against the British pound and the Euro, although weakened somewhat against the U.S. dollar.

Accordingly, in the context of the market movements discussed above, net fee income in all segments from the Company's wealth management businesses, which is driven by asset levels, was negatively impacted as expected. However, the benefits of the Company's diversified business portfolio were demonstrated as its insurance businesses in all geographies performed well in the quarter. In addition, certain compensation and tax related items impacted the in-quarter year-over-year base earnings comparison, positively in the Europe segment and negatively in Canada.

Overall, base earnings increased modestly year-over-year despite negative impacts of currency movements. Net earnings decreased year-over-year mainly due to increased acquisition related costs in the U.S. segment resulting from the Prudential acquisition which closed at the beginning of the quarter.

Strategic Transactions

On April 1, 2022, a Lifeco subsidiary, Great-West Life & Annuity Insurance Company (GWL&A), which operates primarily as "Empower", completed the previously announced acquisition of the full-service retirement business of Prudential Financial, Inc. (Prudential). With the completion of the acquisition, Empower's reach in the U.S. has expanded to more than 17.4 million retirement plan participants and assets under administration to US\$1.3 trillion on behalf of approximately 71,000 workplace savings plans as of June 30, 2022.

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

Empower anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's recordkeeping platform. Estimated run-rate cost synergies of US\$180 million are expected to be phased in over 24 months primarily when systems migrations are completed. As of June 30, 2022, US\$25 million of pre-tax run rate cost synergies have been achieved. Revenue synergies of US\$20 million are expected on a run-rate basis by the end of 2024 and are expected to grow to US\$50 million by 2026.

COVID-19 Pandemic and Geopolitical Tensions Impacts

The COVID-19 pandemic continues to cause material disruption to businesses globally, resulting in continued economic pressures. While governments in different regions have now moved to ease restrictions put in place, many factors continue to extend economic uncertainty, including but not limited to: the availability, adoption and uncertainty around the effectiveness of vaccines; the emergence of COVID-19 variants; and the extent and timing of related government and central bank actions.

The Company's financial outlook for the remainder of 2022 will depend in part on the duration and intensity of the COVID-19 pandemic impacts as discussed above. The impact of the pandemic on mortality, longevity, disability and other claims experience in future periods remains uncertain and may differ by region and business line. The Company continues to actively monitor events and information, and to date, net impacts have been modest, reflecting the Company's diversified business. The Company continues to manage risks of changes to mortality and longevity rates by issuing a diversified range of insurance, annuity and fee income products along with using reinsurance and capital market solutions where appropriate.

Global financial markets continued to be volatile in the second quarter of 2022, in part due to Russia's military invasion of Ukraine and the related sanctions and economic fallout. The outlook for financial markets over the short and medium-term remains highly uncertain and vulnerable to continued geopolitical tensions.

The Company continues to monitor potential impacts of the conflict including: financial impacts, which may complicate efforts by central banks to counter already elevated levels of inflation due, in part, to supply chain disruptions related to the pandemic; heightened cyber risks; and risks related to the global supply chain. All of these impacts could negatively affect the Company's financial outlook, results and operations.

The Company's well-diversified businesses, combined with business strength, resilience and experience, put the Company in a strong position to manage the current environment and leverage opportunities for the future. Lifeco's strategies are equally resilient and flexible, positioning the Company to manage through the recovery and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in a new environment.

Update on Transition to IFRS 17 and IFRS 9

As noted in the "Accounting Policies" section of this document, IFRS 17, *Insurance Contracts* (IFRS 17) will replace IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. While the new standard will change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements, it is not expected to have a material financial impact or to change the Company's underlying business strategy. IFRS 9, *Financial Instruments* (IFRS 9) will replace IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. Upon adoption of IFRS 9, the Company does not expect a material change in the level of invested assets or a material increase in earnings volatility; however, the Company continues to evaluate the impact of the adoption of this standard with IFRS 17. The expected impacts of the adoption of IFRS 17 include:

- Businesses representing over 70% of base earnings^{1,2} are expected to experience limited or no impact;
- The January 1, 2022 shareholders' equity is expected to decrease by 10-15% on the retroactive application of IFRS 17 on January 1, 2023, primarily due to the establishment of the contractual service margin;
- Low-single digit percentage decrease in proforma base earnings^{1,2} is expected as a result of transition with no material change to base earnings trajectory;
- Medium-term financial objectives for base EPS³ growth and base dividend payout ratio³ are expected to be unchanged;
- Medium-term financial objective for base ROE³ is expected to increase by 2% to 16-17% reflecting the change in shareholders' equity; and
- Financial strength will be maintained and a positive impact to the March 31, 2023 Canada Life Assurance Company consolidated LICAT Ratio is expected⁴ based on the Company's initial review of the 2023 LICAT Guideline released on July 21, 2022.

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

² Proforma base and net earnings are calculated based on the expected 2022 IFRS 4 earnings mix and composition as at the start of 2022, adjusted to reflect fully synergized earnings from the acquisitions of MassMutual's and Prudential's retirement businesses. Many of these assumptions are based on factors and events that are not within the control of the Company's management and there is no assurance that they will prove to be correct. Refer to "Cautionary Note regarding Forward-looking Information" and "Cautionary Note regarding Non-GAAP Financial Measures and Ratios" section at the beginning of this document.

³ This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

⁴ Actual impact will depend on market and economic conditions and the Company's operating results at the time of transition.

BASE AND NET EARNINGS

Consolidated base earnings and net earnings of Lifeco include the base earnings and net earnings of Canada Life and its operating subsidiaries, Great-West Life & Annuity Insurance Company (GWL&A) and Putnam, together with Lifeco's Corporate operating results.

Base earnings¹ and net earnings - common shareholders

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings¹					
Canada	\$ 296	\$ 272	\$ 293	\$ 568	\$ 591
United States	143	120	190	263	294
Europe	208	245	184	453	385
Capital and Risk Solutions	174	170	150	344	295
Lifeco Corporate	9	2	9	11	—
Lifeco base earnings¹	\$ 830	\$ 809	\$ 826	\$ 1,639	\$ 1,565
Items excluded from base earnings					
Actuarial assumption changes and other management actions ²	\$ 21	\$ (9)	\$ 37	\$ 12	\$ 42
Market-related impacts on liabilities ²	(15)	(11)	(19)	(26)	(43)
Transaction costs related to acquisitions ³	(57)	(7)	(24)	(64)	(25)
Restructuring and integration costs	(44)	(12)	(15)	(56)	(27)
Tax legislative changes impact on liabilities	—	—	(21)	—	(21)
Items excluded from Lifeco base earnings	\$ (95)	\$ (39)	\$ (42)	\$ (134)	\$ (74)
Net earnings - common shareholders					
Canada	\$ 301	\$ 275	\$ 288	\$ 576	\$ 575
United States	29	105	150	134	239
Europe	229	219	185	448	380
Capital and Risk Solutions	167	169	152	336	297
Lifeco Corporate	9	2	9	11	—
Lifeco net earnings - common shareholders	\$ 735	\$ 770	\$ 784	\$ 1,505	\$ 1,491

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

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

³ The transaction costs relate to acquisitions in the U.S. segment (the full-service retirement business of Prudential, Personal Capital and the retirement services business of MassMutual) as well as acquisitions in the Europe segment.

The information in the table above is a summary of results for base and net earnings of the Company. Additional commentary regarding base and net earnings is included in the "Segmented Operating Results" section.

Base Earnings

Base earnings for the second quarter of 2022 of \$830 million (\$0.893 per common share) increased by \$4 million from \$826 million (\$0.889 per common share) a year ago. The modest increase reflected the benefits of the Company's diversified business portfolio as increased insurance business earnings in all geographies more than offset reduced net fee income in all segments from wealth management businesses and negative currency movement impacts. In addition, certain compensation and tax related items impacted the in-quarter year-over-year base earnings comparison, positively in the Europe segment and negatively in Canada. This resulted in base earnings growth year-over-year in the Canada, Europe and Capital and Risk Solutions segments. The U.S. segment base earnings were reduced year-over-year and included Prudential business related base earnings of \$45 million (US\$35 million).

For the six months ended June 30, 2022, Lifeco's base earnings were \$1,639 million (\$1.762 per common share) compared to \$1,565 million (\$1.685 per common share) a year ago. The increase was due to the reasons discussed for the in-quarter results, however the reduction in fee income business earnings year-over-year was less pronounced in the six month period.

Net Earnings

Lifeco's net earnings for the three month period ended June 30, 2022 of \$735 million (\$0.789 per common share) decreased by \$49 million or 6% compared to \$784 million (\$0.844 per common share) a year ago. The decrease was primarily due to higher acquisition related costs largely from the Prudential acquisition in the U.S. segment in the second quarter of 2022. In addition, the Company had less favourable actuarial assumption changes. The decrease was partially offset by an increase in base earnings and a revaluation of deferred taxes in the Europe segment resulting in an increase in taxes in the second quarter of 2021; there was no revaluation in 2022.

For the six months ended June 30, 2022, Lifeco's net earnings were \$1,505 million (\$1.616 per common share) compared to \$1,491 million (\$1.605 per common share) a year ago. The increase was primarily due to an increase in base earnings. Also, the Europe segment included a revaluation of deferred taxes resulting in an increase in taxes in the second quarter of 2021; there was no revaluation in 2022. The base earnings increase was partially offset by higher restructuring and integration costs as well as higher acquisition related costs from the Prudential acquisition in the U.S. segment in the second quarter of 2022, as well as less favourable actuarial assumption changes.

Lifeco's net earnings for the three month period ended June 30, 2022 of \$735 million (\$0.789 per common share) decreased by \$35 million or 5% compared to \$770 million (\$0.827 per common share) in the previous quarter. The decrease was primarily due to higher transaction, restructuring and integration costs related to acquisitions in the U.S. segment as well as unfavourable market-related impacts on liabilities. In addition, the Company had lower investment gains in the Europe segment. These items were mostly offset by favourable actuarial assumption changes, favourable morbidity experience in the Canada segment and Prudential business related base earnings of \$45 million (US\$35 million).

Actuarial Assumption Changes and Other Management Actions

For the three months ended June 30, 2022, actuarial assumption changes and other management actions resulted in a positive net earnings impact of \$21 million. This compares to a positive impact of \$37 million for the same quarter last year and a negative impact of \$9 million for the previous quarter.

In the Europe segment, net earnings were positively impacted by \$19 million in the second quarter of 2022, primarily due to updated policyholder behaviour assumptions. In the Canada and Capital and Risk Solutions segments, net earnings were each positively impacted by \$1 million in the second quarter of 2022, primarily due to model refinements.

For the six months ended June 30, 2022, actuarial assumption changes and other management actions, resulted in a positive net earnings impact of \$12 million, compared to a positive impact of \$42 million for the same period in 2021.

In the Europe segment, net earnings were positively impacted by \$11 million for the six months ended June 30, 2022, primarily due to updated policyholder behaviour assumptions, partially offset by annuitant mortality updates. In the Canada segment, net earnings were positively impacted by \$1 million for the six months ended June 30, 2022, primarily due to model refinements.

Market-Related Impacts

In the regions where the Company operates, average equity market indices for the three months ended June 30, 2022 were 8% lower in broader Europe (as measured by EURO STOXX 50), 6% higher in the United Kingdom (U.K.) (as measured by FTSE 100), 5% higher in Canada (as measured by S&P TSX) and 2% lower in the U.S. (as measured by S&P 500) compared to the same period in 2021. The major equity indices finished the second quarter of 2022 down by 16% in the U.S., 14% in Canada, 10% in broader Europe and 5% in the U.K. compared to March 31, 2022. The ending levels of major equity indices finished lower than the average for the quarter, which will impact asset-based fee income going forward. For the six months ended June 30, 2022, average equity market levels were lower in Canada, the U.S. and broader Europe and higher in the U.K. compared to the same period in 2021.

Market-related impacts on liabilities negatively impacted net earnings by \$15 million in the second quarter of 2022 (negative impact of \$19 million in the second quarter of 2021), primarily reflecting the negative impact of equity market movements on the value of segregated fund and variable annuity guarantees, including hedge ineffectiveness. This was partially offset by the positive impact of updated cash flow projections for real estate which support insurance contract liabilities in the Europe segment. The negative impact of \$19 million in the second quarter of 2021 primarily reflected updated cash flow projections for real estate which support insurance contract liabilities. In addition, equity markets had an unfavourable impact of \$61 million on asset-based fee income and on seed money investments primarily held in the U.S. and Canada segments in the second quarter of 2022 (positive impact of \$28 million in the second quarter of 2021).

For the six months ended June 30, 2022, market-related impacts on liabilities negatively impacted net earnings by \$26 million (negative impact of \$43 million year-to-date in 2021), primarily due to the same reasons discussed for the in-quarter results. In addition, equity markets had an unfavourable impact of \$95 million year-to-date in 2022 on asset-based fee income and on seed money investments primarily held in the U.S. and Canada segments (positive impact of \$31 million year-to-date in 2021).

In countries where the Company operates, interest rates increased during 2022, resulting in a modest positive impact on net earnings. In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, with the impact of changes in fair values of bonds backing insurance contract liabilities mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosure as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2022.

Foreign Currency

The average currency translation rate for the second quarter of 2022 decreased for the British pound and the euro and increased for the U.S. dollar compared to the second quarter of 2021. The overall impact of currency movement on the Company's net earnings for the three months ended June 30, 2022 was a decrease of \$22 million (decrease of \$38 million year-to-date) compared to translation rates a year ago.

From March 31, 2022 to June 30, 2022, the market rates at the end of the reporting period used to translate the British pound and the euro assets and liabilities to the Canadian dollar decreased while the U.S. dollar increased. The movements in end-of-period exchange rates impact the translation of foreign operations, including related hedge activities, resulting in post-tax unrealized foreign exchange gains of \$100 million in-quarter (\$389 million net unrealized loss year-to-date) recorded in other comprehensive income.

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

INCOME TAXES

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

Effective income tax rate	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings - Common shareholders ¹	9.8 %	9.8 %	9.2 %	9.9 %	9.5 %
Net earnings - Common shareholders	7.5 %	9.3 %	12.1 %	8.4 %	10.9 %
Base earnings - Total Lifeco ¹	8.8 %	6.6 %	7.3 %	7.7 %	7.3 %
Net earnings - Total Lifeco	6.3 %	5.9 %	9.5 %	6.1 %	8.4 %

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

The Company's effective income tax rates are generally lower than the statutory income tax rate of 26.5% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

In the second quarter of 2022, the Company had an effective income tax rate on base earnings for the shareholder account of 9.8%, comparable to 9.2% in the second quarter of 2021. In the second quarter of 2022, the effective income tax rate on base earnings for the total Company of 8.8% was higher than 7.3% in the second quarter of 2021, primarily due to lower non-taxable investment income, partially offset by jurisdictional mix of earnings.

In the second quarter of 2022, the overall effective income tax rate on net earnings of 6.3% was down from 9.5% in the second quarter of 2021, primarily due to jurisdictional mix of earnings and the impact of the revaluation of deferred tax liabilities in the Europe segment in the second quarter of 2021. These items were partially offset by lower non-taxable investment income.

The Company had an effective income tax rate on base earnings of 7.7% for the six months ended June 30, 2022, comparable to 7.3% for the same period last year. The Company had an effective income tax rate on net earnings of 6.1% for the six months ended June 30, 2022, down from 8.4% for the same period last year, primarily due to jurisdictional mix of earnings.

Refer to note 14 to the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2022 for further details.

On April 7, 2022, the Canadian Federal Government announced its 2022 budget, which to date has not been substantively enacted. The budget included a permanent 1.5% tax rate increase on the taxable income of Canadian banks and insurance companies on earnings over \$100 million and a Canada Recovery Dividend of 15% on 2021 Canadian taxable income in excess of \$1 billion payable in equal installments over 5 years. The Company does not expect these budget announcements to have a material impact on its financial position.

TOTAL NET PREMIUMS, PREMIUMS AND DEPOSITS AND SALES

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Total net premiums					
Canada	\$ 3,507	\$ 3,417	\$ 3,290	\$ 6,924	\$ 6,486
United States	3,162	2,051	1,245	5,213	2,791
Europe	880	1,271	934	2,151	1,878
Capital and Risk Solutions	8,756	7,312	6,282	16,068	13,748
Total net premiums	\$ 16,305	\$ 14,051	\$ 11,751	\$ 30,356	\$ 24,903
Premiums and deposits¹					
Canada	\$ 7,288	\$ 8,091	\$ 6,819	\$ 15,379	\$ 14,494
United States	19,129	19,764	17,207	38,893	38,695
Europe	6,418	8,991	6,496	15,409	14,930
Capital and Risk Solutions	8,756	7,312	6,282	16,068	13,748
Total premiums and deposits¹	\$ 41,591	\$ 44,158	\$ 36,804	\$ 85,749	\$ 81,867
Sales^{2,3}					
Canada	\$ 3,219	\$ 4,304	\$ 3,345	\$ 7,523	\$ 8,078
United States	26,329	62,807	36,368	89,136	135,307
Europe	5,901	8,359	5,926	14,260	13,152
Total sales^{2,3}	\$ 35,449	\$ 75,470	\$ 45,639	\$ 110,919	\$ 156,537

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

² Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.

³ Refer to the "Glossary" section of this document for additional details on the composition of this measure.

The information in the table above is a summary of results for the Company's total net premiums, premiums and deposits and sales. Additional commentary regarding total net premiums and sales is included, as applicable, in the "Segmented Operating Results" section.

NET INVESTMENT INCOME

Net investment income	For the three months ended			For the six months ended	
	June 30	March 31	June 30	June 30	June 30
	2022	2022	2021	2022	2021
Investment income earned (net of investment properties expenses)	\$ 2,225	\$ 1,675	\$ 1,651	\$ 3,900	\$ 3,224
Net allowances for credit losses on loans and receivables	(11)	—	(26)	(11)	(32)
Net realized gains (losses)	1	(2)	35	(1)	65
Regular investment income	2,215	1,673	1,660	3,888	3,257
Investment expenses	(62)	(52)	(49)	(114)	(90)
Regular net investment income	2,153	1,621	1,611	3,774	3,167
Changes in fair value through profit or loss assets	(11,179)	(8,455)	2,793	(19,634)	(2,758)
Total net investment income	\$ (9,026)	\$ (6,834)	\$ 4,404	\$ (15,860)	\$ 409

Total net investment income in the second quarter of 2022 decreased by \$13.4 billion compared to the same quarter last year. The changes in fair value in the second quarter of 2022 were a decrease of \$11.2 billion compared to an increase of \$2.8 billion for the second quarter of 2021. In the second quarter of 2022, the net decrease to fair value was primarily due to an increase in bond yields across all geographies driven by higher interest rates resulting from elevated inflation and also due to a decline in Canadian equity markets. In the second quarter of 2021, the net increase to fair value was primarily due to a decline in bond yields across all geographies and an increase in Canadian equity markets.

Regular net investment income in the second quarter of 2022 of \$2.2 billion increased by \$0.5 billion compared to the same quarter last year. The increase was primarily due to income earned on bonds and mortgages acquired through the Prudential acquisition, partially offset by lower net realized gains. Net realized gains (losses) include gains on available-for-sale securities of \$1 million for the second quarter of 2022 which were comparable to the same quarter last year.

For the six months ended June 30, 2022, net investment income decreased by \$16.3 billion compared to the same period last year. The changes in fair value for the six month period in 2022 were a decrease of \$19.6 billion compared to \$2.8 billion during the same period in 2021. The changes in fair value were primarily due to a greater increase in bond yields across all geographies driven by higher interest rates resulting from elevated inflation and also due to a decline in Canadian equity markets in the first half of 2022, compared to a smaller increase in bond yields across all geographies, partially offset by an increase in Canadian equity markets during the first half of 2021.

Regular net investment income for the six months ended June 30, 2022 of \$3.8 billion increased by \$0.6 billion compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results. Net realized gains (losses) include losses on available-for-sale securities of \$2 million for the six months ended June 30, 2022 compared to gains of \$11 million for the same period last year.

Credit Markets

In the second quarter of 2022, the impact to common shareholders' net earnings from impaired investments, including dispositions, was negligible (\$10 million net negative impact in the second quarter of 2021). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable. Separately, related to non-impaired invested assets, changes in credit ratings in the Company's fixed income portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by \$7 million (\$4 million net positive impact in the second quarter of 2021), primarily due to upgrades of various corporate bond and commercial mortgage holdings.

For the six months ended June 30, 2022, the impact to common shareholders' net earnings from impaired investments including dispositions, was negligible (\$11 million net negative impact year-to-date in 2021). Separately, related to non-impaired invested assets, changes in credit ratings in the Company's fixed income portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by \$5 million year-to-date (\$4 million net negative impact year-to-date in 2021), primarily due to the same reasons discussed for the in-quarter results.

There could be a negative impact from downgrades in future periods if economies that are currently open are shut down or restricted due to a resurgence of COVID-19 cases or if economies are materially affected by geopolitical tensions.

FEE AND OTHER INCOME

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

Fee and other income	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Canada					
Segregated funds, mutual funds and other	\$ 429	\$ 444	\$ 440	\$ 873	\$ 856
Administrative services only (ASO) contracts	69	64	52	133	105
	498	508	492	1,006	961
United States					
Segregated funds, mutual funds and other	1,071	949	960	2,020	1,887
Europe					
Segregated funds, mutual funds and other	340	354	346	694	699
Capital and Risk Solutions					
Reinsurance and other	—	2	2	2	4
Total fee and other income	\$ 1,909	\$ 1,813	\$ 1,800	\$ 3,722	\$ 3,551

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

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

	For the three months ended			For the six months ended	
	June 30	March 31	June 30	June 30	June 30
	2022	2022	2021	2022	2021
Canada	\$ 2,370	\$ 2,487	\$ 2,530	\$ 4,857	\$ 5,163
United States	3,668	1,977	2,145	5,645	4,312
Europe	829	902	1,026	1,731	1,962
Capital and Risk Solutions	8,163	7,381	6,461	15,544	12,659
Total	\$ 15,030	\$ 12,747	\$ 12,162	\$ 27,777	\$ 24,096

Net policyholder benefits, dividends and experience refunds include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends and experience refund payments. The amounts do not include benefit payments for ASO contracts, segregated funds or mutual funds.

For the three months ended June 30, 2022, net policyholder benefits, dividends and experience refunds were \$15.0 billion, an increase of \$2.9 billion from the same quarter last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements and volume changes relating to existing business in the Capital and Risk Solutions segment as well as the addition of the Prudential business in the U.S. segment.

For the six months ended June 30, 2022, net policyholder benefits, dividends and experience refunds were \$27.8 billion, an increase of \$3.7 billion from the same period last year driven by higher net policyholder benefits. The increase in benefit payments was primarily due to the same reasons discussed for the in-quarter results.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration ¹					
As at June 30, 2022					
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 86,870	\$ 97,516	\$ 40,459	\$ 7,809	\$ 232,654
Goodwill and intangible assets	5,742	7,789	2,954	—	16,485
Other assets	4,684	28,169	8,991	7,818	49,662
Investments on account of segregated fund policyholders	90,741	163,845	116,918	—	371,504
Total assets	188,037	297,319	169,322	15,627	670,305
Other assets under management ²	4,050	264,380	50,251	—	318,681
Total assets under management¹	192,087	561,699	219,573	15,627	988,986
Other assets under administration ²	25,800	1,316,811	10,699	—	1,353,310
Total assets under administration¹	\$ 217,887	\$ 1,878,510	\$ 230,272	\$ 15,627	\$ 2,342,296
As at December 31, 2021					
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 92,400	\$ 55,376	\$ 48,669	\$ 9,359	\$ 205,804
Goodwill and intangible assets	5,722	5,826	3,047	—	14,595
Other assets	4,323	30,090	10,220	8,037	52,670
Investments on account of segregated fund policyholders	101,537	116,919	138,963	—	357,419
Total assets	203,982	208,211	200,899	17,396	630,488
Other assets under management ²	5,742	310,933	60,480	—	377,155
Total assets under management¹	209,724	519,144	261,379	17,396	1,007,643
Other assets under administration ^{2,3}	29,615	1,241,974	12,360	—	1,283,949
Total assets under administration^{1,3}	\$ 239,339	\$ 1,761,118	\$ 273,739	\$ 17,396	\$ 2,291,592

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

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

³ 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration in the Canada segment.

Total assets under administration (AUA) at June 30, 2022 increased by \$51 billion to \$2.3 trillion compared to December 31, 2021, primarily due to the Prudential acquisition during the second quarter of 2022, partially offset by the impacts of market and currency movements. The Prudential acquisition during the second quarter of 2022 added \$116 billion in total assets, \$1 billion in other assets under management and \$250 billion in other assets under administration to the U.S. segment as at June 30, 2022.

For additional details on assets acquired through business acquisitions, refer to "Business Acquisitions", note 3 in the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2022.

Invested Assets

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

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was \$156.2 billion or 67% of invested assets at June 30, 2022 compared to \$140.6 billion or 68% at December 31, 2021. The increase in the bond portfolio was primarily due to \$35.1 billion of bonds acquired through the Prudential acquisition, partially offset by a decline in fair values resulting from an increase in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 71% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to June 30, 2022. Management continues to closely monitor bond rating agency activity and general market conditions as economies emerge from the pandemic and are now being impacted by geopolitical tensions.

Bond portfolio quality

	As at June 30, 2022		As at Dec. 31, 2021	
AAA	\$ 23,389	15 %	\$ 20,254	14 %
AA	32,325	21	35,460	25
A	54,467	35	48,764	35
BBB	43,968	28	35,098	25
BB or lower	2,077	1	1,036	1
Total	\$ 156,226	100 %	\$ 140,612	100 %

At June 30, 2022, non-investment grade bonds were \$2.1 billion or 1.3% of the bond portfolio compared to \$1.0 billion or 0.7% of the bond portfolio at December 31, 2021. The increase in non-investment grade bonds was primarily due to bonds acquired through the Prudential acquisition.

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in the Canada, Europe and Capital and Risk Solutions segments. Equity release mortgages are loans provided to people who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

Mortgage loans by type	As at June 30, 2022				As at Dec. 31, 2021	
	Insured ¹	Non-insured	Total		Total	
Single family residential	\$ 443	\$ 1,473	\$ 1,916	5 %	\$ 1,979	7 %
Multi-family residential	2,741	7,229	9,970	26	7,601	26
Equity release	—	2,544	2,544	7	2,609	9
Commercial	155	23,200	23,355	62	16,663	58
Total	\$ 3,339	\$ 34,446	\$ 37,785	100 %	\$ 28,852	100 %

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

The total mortgage portfolio was \$37.8 billion or 16% of invested assets at June 30, 2022, compared to \$28.9 billion or 14% of invested assets at December 31, 2021. The increase in the mortgage portfolio was primarily related to \$8.0 billion of mortgages acquired through the Prudential acquisition. At June 30, 2022, total insured loans were \$3.3 billion or 9% of the mortgage portfolio, compared to \$3.6 billion or 13% at December 31, 2021.

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation. The provisions reflect the current credit ratings and potential future rating migration. No provision is held for government or government related debt rated A+ or higher where the issuer is monetarily sovereign.

At June 30, 2022, the total actuarial provision for future credit losses in insurance contract liabilities was \$3,386 million compared to \$3,271 million at December 31, 2021, an increase of \$115 million, primarily due to the acquisition of Prudential, partially offset by interest rate movements and the impacts of currency movements.

The aggregate of impairment provisions of \$44 million (\$33 million at December 31, 2021) and actuarial provision for future credit losses in insurance contract liabilities of \$3,386 million (\$3,271 million at December 31, 2021) represents 1.7% of bond and mortgage assets, including funds held by ceding insurers, at June 30, 2022 (1.8% at December 31, 2021).

Derivative Financial Instruments

During the second quarter of 2022, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by the International Swaps and Derivatives Association (ISDA) Master Agreement, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreement may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At June 30, 2022, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$970 million (\$318 million at December 31, 2021) and pledged on derivative liabilities was \$1,025 million (\$480 million at December 31, 2021). The increase in collateral received on derivatives assets was primarily driven by the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars. The increase in collateral pledged on derivatives liabilities was primarily driven by the impact of increases to market interest rates on interest rate swaps that receive fixed and pay floating rates.

During the six month period ended June 30, 2022, the outstanding notional amount of derivative contracts increased by \$9.1 billion to \$45.7 billion, primarily due to increases to cross-currency swaps related to the Prudential acquisition and regular hedging activities.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to \$1,596 million at June 30, 2022 from \$967 million at December 31, 2021. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars. There were no changes to derivative counterparty ratings during the second quarter of 2022 and all had investment grade ratings as of June 30, 2022.

LIABILITIES

Total liabilities	As at June 30, 2022	As at Dec. 31, 2021
Insurance and investment contract liabilities	\$ 244,282	\$ 220,833
Other general fund liabilities	23,969	21,753
Investment and insurance contracts on account of segregated fund policyholders	371,504	357,419
Total	\$ 639,755	\$ 600,005

Total liabilities increased by \$39.8 billion to \$639.8 billion at June 30, 2022 from December 31, 2021.

Insurance and investment contract liabilities increased by \$23.4 billion. The increase was primarily due to \$44.3 billion acquired through the Prudential acquisition, partially offset by fair value adjustments.

Investment and insurance contracts on account of segregated fund policyholders increased by \$14.1 billion, primarily due to the segregated fund policyholders acquired through the Prudential acquisition of \$79.5 billion. The increase was partially offset by net market value declines on investments of \$61.9 billion, negative impacts of currency movement of \$5.1 billion and net withdrawals of \$3.0 billion.

Other general fund liabilities increased by \$2.2 billion, primarily resulting from the Prudential acquisition and related financing.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of the 2021 Annual MD&A for further details.

Segregated Fund and Variable Annuity Guarantees

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

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company in the U.S. and Germany, and previously offered in Canada and Ireland, provide the policyholder with a guaranteed minimum level of annual income for life. The Company has a hedging program in place to manage a portion of the market and interest rate risk associated with options embedded in its GMWB products. At June 30, 2022, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was \$6,857 million (\$3,316 million at December 31, 2021). The increase in the in-force amount was primarily a result of the Prudential acquisition in the U.S. segment.

Segregated fund and variable annuity guarantee exposure

	June 30, 2022				
	Market Value	Investment deficiency by benefit type			Total ¹
		Income	Maturity	Death	
Canada	\$ 32,424	\$ —	\$ 34	\$ 612	\$ 612
United States	22,772	736	—	24	760
Europe	9,917	21	—	1,084	1,084
Capital and Risk Solutions ²	686	192	—	—	192
Total	\$ 65,799	\$ 949	\$ 34	\$ 1,720	\$ 2,648

¹ A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on June 30, 2022.

² Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at June 30, 2022 of \$2,648 million increased by \$1,686 million compared to December 31, 2021, primarily as a result of a decrease in market values and the Prudential acquisition in the U.S. segment. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on June 30, 2022 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were \$2 million in-quarter (\$2 million for the second quarter of 2021) and \$4 million year-to-date (\$5 million year-to-date for 2021), with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

LIFECO CAPITAL STRUCTURE

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

Debentures and Other Debt Instruments

At June 30, 2022, debentures and other debt instruments increased by \$962 million to \$9,766 million compared to December 31, 2021.

On March 30, 2022, Great-West Lifeco U.S LLC, a subsidiary of the Company, established a 2-year US\$500 million non-revolving credit facility. The facility is fully and unconditionally guaranteed by the Company. As at June 30, 2022, the \$645 million (US\$500 million) facility was fully drawn, along with \$416 million (US\$323 million) from an existing revolving credit facility, to finance a portion of the Prudential retirement service business acquisition. Subsequent to the second quarter of 2022, on July 1, 2022, Great-West Lifeco U.S. LLC made a payment of US\$150 million on its revolving credit facility.

Share Capital and Surplus

Share capital outstanding at June 30, 2022 was \$10,008 million, which comprises \$5,788 million of common shares and \$2,720 million of preferred shares, and \$1,500 million Limited Recourse Capital Notes (LRCN Series 1). Preferred shares included \$2,470 million of non-cumulative First Preferred Shares and \$250 million of 5-year rate reset First Preferred Shares.

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2022 for one year to purchase and cancel up to but not more than 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the six months ended June 30, 2022, the Company did not purchase any common shares under the current NCIB (nil during the six months ended June 30, 2021 under the previous NCIB).

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

Total Liquid Assets	As at June 30, 2022		
	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents ¹	\$ 7,924	\$ 96	\$ 7,828
Short-term bonds ²	2,998	28	2,970
Sub-total	\$ 10,922	\$ 124	\$ 10,798
Other assets and marketable securities			
Government bonds ²	\$ 40,286	\$ 11,460	\$ 28,826
Corporate bonds ²	112,942	53,963	58,979
Stocks ¹	13,836	2,421	11,415
Mortgage loans ¹	37,785	34,601	3,184
Sub-total	\$ 204,849	\$ 102,445	\$ 102,404
Total	\$ 215,771	\$ 102,569	\$ 113,202
	As at December 31, 2021		
	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents ¹	\$ 6,075	\$ 32	\$ 6,043
Short-term bonds ³	5,671	1,923	3,748
Sub-total	\$ 11,746	\$ 1,955	\$ 9,791
Other assets and marketable securities			
Government bonds ³	\$ 47,126	\$ 11,795	\$ 35,331
Corporate bonds ³	87,815	37,324	50,491
Stocks ¹	14,183	1,759	12,424
Mortgage loans ¹	28,852	25,446	3,406
Sub-total	\$ 177,976	\$ 76,324	\$ 101,652
Total	\$ 189,722	\$ 78,279	\$ 111,443

¹ Refer to the consolidated balance sheet in the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2022 for on-balance sheet amounts.

² Total short-term bonds, government bonds and corporate bonds as at June 30, 2022 was \$156.2 billion. Refer to the consolidated balance sheet in the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2022 for on-balance sheet bonds amounts.

³ Refer to note 8(ii) in the Company's 2021 annual consolidated financial statements for on-balance sheet amounts.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At June 30, 2022, the Company and its operating subsidiaries held liquid cash, cash equivalents and short-term bonds of \$10.8 billion (\$9.8 billion at December 31, 2021) and other liquid assets and marketable securities of \$102.4 billion (\$101.7 billion at December 31, 2021). Included in the cash, cash equivalents and short-term bonds at June 30, 2022 was \$0.8 billion (\$0.6 billion at December 31, 2021) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs, if required.

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

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

CASH FLOWS

Cash flows	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Cash flows relating to the following activities:				
Operations	\$ 2,543	\$ 1,062	\$ 3,959	\$ 2,855
Financing	(547)	(477)	5	(1,006)
Investment	(3,436)	556	(2,055)	(2,975)
	(1,440)	1,141	1,909	(1,126)
Effects of changes in exchange rates on cash and cash equivalents	107	(49)	(60)	(112)
Increase (decrease) in cash and cash equivalents in the period	(1,333)	1,092	1,849	(1,238)
Cash and cash equivalents, beginning of period	9,257	5,616	6,075	7,946
Cash and cash equivalents, end of period	\$ 7,924	\$ 6,708	\$ 7,924	\$ 6,708

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments and associated dividends and interest payments.

In the second quarter of 2022, cash and cash equivalents decreased by \$1.3 billion from March 31, 2022. Cash flows provided by operations during the second quarter of 2022 were \$2.5 billion, an increase of \$1.5 billion compared to the second quarter of 2021. Cash flows used by financing of \$0.5 billion were primarily due to payments of dividends to common and preferred shareholders. For the three months ended June 30, 2022, net cash outflows of \$3.4 billion were used by the Company for the Prudential acquisition and to acquire investment assets.

For the six months ended June 30, 2022, cash and cash equivalents increased by \$1.8 billion from December 31, 2021. Cash flows provided by operations were \$4.0 billion, an increase of \$1.1 billion compared to the same period in 2021. Cash flows used in financing were primarily used for the payment of dividends to common and preferred shareholders of \$1.0 billion, mostly offset by an increase in the line of credit of a subsidiary of \$1.0 billion. For the six months ended June 30, 2022, cash outflows of \$2.1 billion were used by the Company for the Prudential acquisition.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2021.

CAPITAL MANAGEMENT AND ADEQUACY

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

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

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

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT Ratio for Lifeco's major Canadian operating subsidiary, Canada Life, is 110% to 120% (on a consolidated basis).

Canada Life's consolidated LICAT Ratio at June 30, 2022 was 117% (124% at December 31, 2021). The LICAT Ratio does not take into account any impact from \$0.8 billion of liquidity at the Lifeco holding company level at June 30, 2022 (\$0.6 billion at December 31, 2021).

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

LICAT Ratio	June 30 2022	Dec. 31 2021
Tier 1 Capital	\$ 11,991	\$ 12,584
Tier 2 Capital	4,554	4,417
Total Available Capital	16,545	17,001
Surplus Allowance & Eligible Deposits	10,626	13,225
Total Capital Resources	\$ 27,171	\$ 30,226
Required Capital	\$ 23,285	\$ 24,323
Total LICAT Ratio (OSFI Supervisory Target = 100%)¹	117 %	124 %

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

The LICAT Ratio reduced by two points in the quarter from 119% at March 31, 2022 to 117% at June 30, 2022 driven by the material increase in interest rates. This resulted in a reduction in the fair value of actuarial margins (PfADs) within the Surplus Allowance component of LICAT total capital resources. This reduction was partially offset by the impact of earnings less dividends, refinement to asset liability management strategies and the phasing in of the impact of the LICAT interest rate scenario shift in North America. The interest rate scenario shift occurred during the fourth quarter of 2021, leading to a six point benefit which is being smoothed in at positive one point impact per quarter over six quarters.

LICAT Interest Rate Scenario Shift

The LICAT interest rate risk capital requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A shift in the interest rate scenario applied in the LICAT calculation can result in a discontinuity where capital requirements can change materially. OSFI prescribes a calculation to smooth potential volatility in the interest rate risk capital requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk capital requirements over the trailing six quarters, thereby reducing unwarranted volatility.

The Company last experienced a shift in the interest rate scenario in North America during the fourth quarter of 2021. As a result of the scenario change, a smoothing of the impact of reduced requirements for participating interest rate risk will continue to occur over the next three quarters. Assuming the Company remains on the current scenario, the smoothing calculation is expected to increase the Canada Life LICAT Ratio by approximately one point per quarter for the next three quarters.

LICAT Sensitivities

Caution Related to Sensitivities

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

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

For these reasons, the sensitivities should 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 the Canada Life consolidated LICAT Ratio will be as indicated.

LICAT sensitivities are rounded to the nearest point.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at June 30, 2022. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values

	June 30, 2022			
	20% increase	10% increase	10% decrease	20% decrease
Potential increase (decrease) on LICAT Ratio	(1 point)	0 point	(1 point)	(3 points)

Interest Rates

Canada Life's consolidated LICAT Ratio will generally reduce in an environment of rising interest rates and benefit from declining rates. Higher interest rates will decrease the fair value of the Company's surplus assets and other regulatory capital resources including actuarial margins within the Surplus Allowance. However, LICAT uses static interest rates for the calculation of insurance risk capital requirements, and hence these capital requirements do not change with interest rate movements. This means that while rising interest rates are generally favourable for the Company, they will lead to a decrease in the calculated LICAT ratio.

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

Immediate parallel shift in yield curve

	June 30, 2022	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(3 points)	3 points

OSFI Regulatory Capital Initiatives

The International Accounting Standards Board (IASB) has issued IFRS 17, which will replace IFRS 4 with an effective date of January 1, 2023. Refer to the "Accounting Policies - International Financial Reporting Standards" section of the Company's 2021 Annual MD&A for further details.

Subsequent to the second quarter of 2022, on July 21, 2022, OSFI released the 2023 LICAT Guideline. The Company will first report under this guideline in its March 31, 2023 LICAT filing. Based on an initial review of the guideline under the current market and economic conditions, the Company expects a positive impact to the March 31, 2023 LICAT Ratio¹. If the new LICAT guideline had been in effect, the estimated proforma LICAT ratio as at June 30, 2022 would have been in the mid 120s¹.

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

¹ Actual impact will depend on market and economic conditions and the Company's operating results at the time of transition.

RETURN ON EQUITY (ROE)¹

	June 30 2022	March 31 2022	June 30 2021
Base Return on Equity²			
Canada	16.1 %	16.5 %	17.4 %
U.S. Financial Services	10.1 %	10.4 %	8.6 %
U.S. Asset Management (Putnam)	3.1 %	5.0 %	3.4 %
Europe	16.1 %	15.0 %	13.0 %
Capital and Risk Solutions	34.5 %	36.6 %	38.9 %
Total Lifeco Base Earnings Basis²	14.5 %	14.7 %	13.9 %
Return on Equity¹			
Canada	16.0 %	16.3 %	16.5 %
U.S. Financial Services	5.9 %	7.6 %	6.0 %
U.S. Asset Management (Putnam)	3.1 %	4.8 %	14.2 %
Europe	18.7 %	17.1 %	16.2 %
Capital and Risk Solutions	33.0 %	35.6 %	42.7 %
Total Lifeco Net Earnings Basis¹	13.7 %	14.1 %	15.0 %

¹ Refer to the "Glossary" section of this document for additional details on the composition of this measure.

² This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

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

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings¹ are intended to provide investors with an independent measure of the credit quality of a corporation and securities of a corporation, and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation.

In the second quarter of 2022, the existing credit ratings for Lifeco and its major operating subsidiaries were unchanged¹. The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and strong capitalization.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco.

¹ These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

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

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life and its operating subsidiaries, GWL&A (Financial Services) and Putnam (Asset Management), together with Lifeco's corporate results. The following sections analyze the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe, and Capital and Risk Solutions.

TRANSLATION OF FOREIGN CURRENCY

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

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. There are two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada.

Developments

- On May 12, 2022, Canada Life announced the dividend scale interest rate will increase for the policies in the combined open participating account effective July 1, 2022 to 5.25%.
- Canada Life Group Customer and ClaimSecure Inc. (ClaimSecure) had their first significant joint sale in the second quarter of 2022. Integration is going well and quoting momentum is strong.

Selected Financial Information - Canada

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings (loss)¹					
Individual Customer	\$ 96	\$ 124	\$ 162	\$ 220	\$ 300
Group Customer	207	138	189	345	343
Canada Corporate	(7)	10	(58)	3	(52)
Base earnings¹	\$ 296	\$ 272	\$ 293	\$ 568	\$ 591
Items excluded from base earnings					
Actuarial assumption changes and other management actions ²	\$ 1	\$ —	\$ (6)	\$ 1	\$ (19)
Market-related impacts on liabilities ²	4	3	1	7	3
Net earnings - common shareholders	\$ 301	\$ 275	\$ 288	\$ 576	\$ 575
Sales²					
Individual Insurance	\$ 97	\$ 93	\$ 99	\$ 190	\$ 208
Individual Wealth	2,364	2,947	2,549	5,311	5,792
Group Insurance	101	255	101	356	377
Group Wealth	657	1,009	596	1,666	1,701
Sales²	\$ 3,219	\$ 4,304	\$ 3,345	\$ 7,523	\$ 8,078
Wealth Management net cash flows²					
Individual Customer	\$ (412)	\$ 173	\$ 222	\$ (239)	\$ 545
Group Customer	86	541	(198)	627	(502)
Wealth Management net cash flows²	\$ (326)	\$ 714	\$ 24	\$ 388	\$ 43
Fee and other income					
Individual Customer	\$ 284	\$ 292	\$ 284	\$ 576	\$ 550
Group Customer	206	208	192	414	380
Canada Corporate	8	8	16	16	31
Fee and other income	\$ 498	\$ 508	\$ 492	\$ 1,006	\$ 961
Total assets	\$ 188,037	\$ 199,781	\$ 194,528		
Other assets under management ^{2,3}	4,050	4,721	5,852		
Total assets under management¹	192,087	204,502	200,380		
Other assets under administration ^{2,4}	25,800	28,527	31,521		
Total assets under administration^{1,4}	\$ 217,887	\$ 233,029	\$ 231,901		

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

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

³ At June 30, 2022, other assets under management excluded \$2.9 billion in proprietary mutual funds accounted for as investments on account of segregated fund policyholders (\$3.1 billion at March 31, 2022 and \$1.9 billion at June 30, 2021). Excluding this consolidation adjustment, other assets under management were \$6.9 billion at June 30, 2022 (\$7.8 billion at March 31, 2022 and \$7.8 billion at June 30, 2021).

⁴ 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration.

Base and net earnings

In the second quarter of 2022, the Canada segment's net earnings of \$301 million increased by \$13 million compared to the same quarter last year. Base earnings of \$296 million increased by \$3 million compared to the same quarter last year, primarily due to favourable morbidity and investment experience in Group Customer, partially offset by lower fee income and unfavourable experience in Individual Customer.

Items excluded from base earnings were positive \$5 million compared to negative \$5 million for the same quarter last year. Actuarial assumption changes and other management actions were positive \$1 million compared to negative \$6 million for the same quarter last year. Market-related impacts were positive \$4 million compared to positive \$1 million for the same quarter last year.

For the six months ended June 30, 2022, net earnings increased by \$1 million to \$576 million compared to the same period last year. Base earnings of \$568 million decreased by \$23 million compared to the same period last year, primarily due to lower fee income, unfavourable impacts of new business and experience in Individual Customer, and lower surplus investment income on seed money, partially offset by higher investment experience in Group Customer.

For the six months ended June 30, 2022, items excluded from base earnings were positive \$8 million compared to negative \$16 million for the same period last year. Actuarial assumption changes and other management actions were positive \$1 million compared to negative \$19 million for the same period last year. Market-related impacts were positive \$7 million compared to positive \$3 million for the same period last year.

For the second quarter of 2022, the net loss attributable to the participating account was \$4 million compared to net earnings of \$195 million for the same quarter last year, primarily due to less favourable actuarial assumption changes and other management actions.

For the six months ended June 30, 2022, net earnings attributable to the participating account were \$23 million compared to net earnings of \$221 million for the same period last year, primarily due to the same reason discussed for the in-quarter result.

Sales

Sales for the second quarter of 2022 of \$3.2 billion decreased by \$0.1 billion compared to the same quarter last year, primarily due to lower individual mutual fund and segregated fund sales.

For the six months ended June 30, 2022, sales decreased by \$0.6 billion to \$7.5 billion compared to the same period last year, primarily due to the same reason discussed for the in-quarter results.

In the second quarter of 2022, wealth management net cash outflows were \$326 million compared to net inflows of \$24 million for the same quarter last year. The decrease was primarily due to higher mutual fund withdrawals in Individual Customer.

Net cash inflows for the six months ended June 30, 2022 were \$388 million compared to \$43 million for the same period last year, primarily due to the loss of an institutional mandate in 2021 that did not recur.

Fee and other income

Fee and other income for the second quarter of 2022 of \$498 million increased by \$6 million compared to the same quarter last year. The increase was primarily due to an increase in fee income in Group Customer as a result of the acquisition of ClaimSecure in the third quarter of 2021, partially offset by a decrease in fee income from wealth management businesses as a result of lower market levels and in Canada Corporate as a result of the sale of EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) in the fourth quarter of 2021.

For the six months ended June 30, 2022, fee and other income increased by \$45 million to \$1,006 million compared to the same period last year, primarily due to higher Individual Customer and Group Customer fee income as a result of higher average assets under administration driven by higher average equity market levels as well as the same reasons discussed for the in-quarter results.

UNITED STATES

The United States segment operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower'), Putnam Investments (Putnam) and the results of the insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results. Subsequent to the second quarter of 2022, Great-West Life & Annuity Insurance Company changed its legal name to Empower Annuity Insurance Company of America.

Through its Financial Services business unit, and specifically the Empower brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. In addition, a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance are also included in the Financial Services business unit.

Through its Asset Management business unit, and specifically the Putnam brand, the Company provides investment management services and related administrative functions and distribution services, through a broad range of investment products.

Developments

Financial Services Developments

- Empower assets under administration (AUA) increased to US\$1.3 trillion at June 30, 2022 from US\$1.1 trillion at December 31, 2021. Empower participant accounts have grown to 17.4 million at June 30, 2022, up from 13.0 million at December 31, 2021. The increases in AUA and participants were primarily the result of the Prudential acquisition.
- On April 1, 2022, Empower completed the previously announced acquisition of the full-service retirement services business of Prudential Financial, Inc. (Prudential). With the completion of the acquisition, Empower's reach in the U.S. has expanded to approximately 71,000 workplace savings plans.

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

Empower anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's recordkeeping platform. Estimated run-rate cost synergies of US\$180 million are expected to be phased in over 24 months primarily when systems migrations are completed. As of June 30, 2022, US\$25 million of pre-tax run rate cost synergies have been achieved. Revenue synergies of US\$20 million are expected on a run-rate basis by the end of 2024 and are expected to grow to US\$50 million by 2026.

Empower expects to incur one-time integration and restructuring expenses of US\$170 million pre-tax related to the Prudential acquisition, US\$35 million pre-tax of which were incurred in the second quarter of 2022. The integration is expected to be completed in the first half of 2024.

<i>(in US\$ millions)</i>	For the three months ended		For the six months ended	Total incurred to date
	June 30 2022	March 31 2022	June 30 2022	June 30 2022
Restructuring and integration (pre-tax)	\$ 35	\$ —	\$ 35	\$ 35
Restructuring and integration (post-tax)	26	—	26	26
Transaction costs (pre-tax)	52	2	54	61
Transaction costs (post-tax)	42	1	43	49

- As of June 30, 2022, US\$88 million of pre-tax run rate cost synergies have been achieved related to Empower's acquisition of MassMutual's retirement services business compared to US\$80 million pre-tax as of March 31, 2022. Empower remains on track to achieve run rate cost synergies of US\$160 million pre-tax at the end of integration in 2022 and to achieve run rate revenue synergies of US\$30 million in 2023 and continue to grow beyond 2023.

Empower expects to incur restructuring and integration expenses of US\$125 million pre-tax related to the MassMutual acquisition. The integration remains on track to be completed in the second half of 2022.

<i>(in US\$ millions)</i>	For the three months ended			For the six months ended	Total incurred to date
	June 30	March 31	June 30	June 30	June 30
	2022	2022	2021	2022	2022
Restructuring and integration (pre-tax)	\$ 10	\$ 7	\$ 8	\$ 17	\$ 91
Restructuring and integration (post-tax)	7	6	6	13	69

- As a result of the acquisition of Personal Capital in the third quarter of 2020, Empower expects to incur total integration expenses of US\$57 million pre-tax. The integration is expected to be completed in the second half of 2022. At June 30, 2022, Empower has recognized total pre-tax contingent consideration transaction expense of US\$102 million (nil during the six months ended June 30, 2022), primarily based on a higher best estimate of net new assets above the amount assumed in the purchase price.

<i>(in US\$ millions)</i>	For the three months ended			For the six months ended	Total incurred to date
	June 30	March 31	June 30	June 30	June 30
	2022	2022	2021	2022	2022
Restructuring and integration (pre-tax)	\$ 3	\$ 6	\$ 5	\$ 9	\$ 35
Restructuring and integration (post-tax)	2	4	3	6	25
Transaction costs (pre-tax)	—	—	17	—	102
Transaction costs (post-tax)	—	—	17	—	96

Asset Management Developments

- Putnam's ending other assets under management (AUM) at June 30, 2022 of US\$167.0 billion decreased by 13% compared to March 31, 2022, while average AUM for the three months ended June 30, 2022 of US\$177.9 billion decreased 10% compared to the same quarter last year.
- Putnam continues to sustain strong investment performance relative to its peers. As of June 30, 2022, approximately 65% and 79% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 42% and 64% of Putnam's fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 23 funds currently rated 4 or 5 stars by Morningstar Ratings.
- During the second quarter of 2022, Putnam made a series of product-related announcements to meet evolving market demand for sustainable investment options, which are expected to launch over the coming months:
 - The launching of three actively managed, transparent exchange traded funds (ETFs), each with a distinct investment focus.
 - The repositioning of Putnam's RetirementReady Funds target-date series as the Putnam Sustainable Retirement Funds, employing sustainability-focused or environmental, social and governance (ESG) principles and strategies.

- The launching of three active fixed income and two active quantitative equity ETFs with an ESG focus. These fixed income and quantitative equity ESG ETFs, along with the existing Putnam Sustainable Leaders ETF and Putnam Sustainable Future ETF, will serve as underlying investment components within the Putnam Sustainable Retirement Funds.

Selected Financial Information - United States

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings¹	\$ 143	\$ 120	\$ 190	\$ 263	\$ 294
Items excluded from base earnings					
Market-related impacts on liabilities ²	(17)	(2)	(1)	(19)	(3)
Restructuring and integration costs	(44)	(12)	(15)	(56)	(27)
Transaction costs related to acquisitions	(53)	(1)	(24)	(54)	(25)
Net earnings - common shareholders	\$ 29	\$ 105	\$ 150	\$ 134	\$ 239
Sales²	\$ 26,329	\$ 62,807	\$ 36,368	\$ 89,136	\$ 135,307
Fee and other income	1,071	949	960	2,020	1,887
Base earnings (US\$)¹	\$ 113	\$ 95	\$ 155	\$ 208	\$ 236
Items excluded from base earnings (US\$)					
Market-related impacts on liabilities ²	(13)	(2)	—	(15)	(1)
Restructuring and integration costs	(35)	(10)	(13)	(45)	(22)
Transaction costs related to acquisitions	(42)	(1)	(20)	(43)	(21)
Net earnings - common shareholders (US\$)	\$ 23	\$ 82	\$ 122	\$ 105	\$ 192
Sales (US\$)²	\$ 20,570	\$ 49,454	\$ 29,568	\$ 70,024	\$ 107,473
Fee and other income (US\$)	837	747	781	1,584	1,511
Total assets (US\$)³	\$ 230,480	\$ 157,947	\$ 165,027		
Other assets under management ^{2,3}	204,946	233,699	234,508		
Total assets under management^{1,3}	435,426	391,646	399,535		
Other assets under administration ^{2,3}	1,020,783	954,489	936,245		
Total assets under administration (US\$)^{1,3}	\$ 1,456,209	\$ 1,346,135	\$ 1,335,780		
Total assets under administration (C\$)^{1,3}	\$ 1,878,510	\$ 1,682,669	\$ 1,656,368		

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

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

³ The Prudential acquisition during the second quarter of 2022 added US\$90 billion (C\$116 billion) in total assets, US\$1 billion (C\$1 billion) in other assets under management and US\$193 billion (C\$250 billion) in other assets under administration as at June 30, 2022.

Financial Services Operating Results

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings¹	\$ 156	\$ 134	\$ 171	\$ 290	\$ 278
Items excluded from base earnings					
Market-related impact on liabilities ²	(17)	(2)	(1)	(19)	(3)
Restructuring and integration costs	(32)	(12)	(11)	(44)	(23)
Net earnings - common shareholders	\$ 107	\$ 120	\$ 159	\$ 227	\$ 252
Sales²	\$ 14,783	\$ 49,686	\$ 23,921	\$ 64,469	\$ 106,765
Fee and other income	797	653	660	1,450	1,287
Base earnings (US\$)¹	\$ 123	\$ 106	\$ 139	\$ 229	\$ 223
Items excluded from base earnings (US\$)					
Market-related impact on liabilities ²	(13)	(2)	—	(15)	(1)
Restructuring and integration costs	(26)	(10)	(9)	(36)	(18)
Net earnings - common shareholders (US\$)	\$ 84	\$ 94	\$ 130	\$ 178	\$ 204
Sales (US\$)²	\$ 11,549	\$ 39,123	\$ 19,448	\$ 50,672	\$ 84,679
Fee and other income (US\$)	623	514	537	1,137	1,030

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

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

Base and net earnings

In the second quarter of 2022, net earnings of US\$84 million decreased by US\$46 million compared to the same quarter last year. Base earnings of US\$123 million decreased by US\$16 million compared to the same quarter last year, primarily due to lower Empower net fee income and higher operating expenses to support participant growth. These items were partially offset by base earnings of US\$35 million related to the Prudential acquisition as well as higher contributions from investment experience.

Items excluded from base earnings for the second quarter of 2022 were negative US\$39 million compared to negative US\$9 million for the same quarter last year, primarily due to market volatility resulting in hedge ineffectiveness related to Prudential guaranteed lifetime withdrawal benefit products and higher integration costs related to the Prudential acquisition.

For the six months ended June 30, 2022, net earnings decreased by US\$26 million to US\$178 million compared to the same period last year. Base earnings of US\$229 million increased by US\$6 million compared to the same period last year, primarily due to base earnings of US\$35 million related to the Prudential acquisition as well as higher contributions from investment experience, partially offset by lower Empower net fee income as well as higher operating expenses to support participant growth.

For the six months ended June 30, 2022, items excluded from base earnings were negative US\$51 million compared to negative US\$19 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Sales

Sales in the second quarter of 2022 of US\$11.5 billion decreased by US\$7.9 billion compared to the same quarter last year. The decrease was primarily due to lower Empower large plan sales. Included in sales for the second quarter of 2021 was one Empower large plan sale. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

For the six months ended June 30, 2022, sales decreased by US\$34.0 billion to US\$50.7 billion compared to the same period last year, primarily due to the same reason discussed for the in-quarter results. Included in sales for the first quarter of 2021 was one Empower large plan sale relating to a new client with approximately 316,000 participants.

Fee and other income

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

Fee and other income for the second quarter of 2022 of US\$623 million increased by US\$86 million compared to the same quarter last year. The increase was primarily due to Prudential fee income of US\$148 million, partially offset by lower Empower fee income driven by lower AUA and transaction volumes.

For the six months ended June 30, 2022, fee and other income increased by US\$107 million to US\$1,137 million compared to the same period last year, primarily for the same reasons discussed for the in-quarter results.

Asset Management Operating Results

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Core net earnings (loss)¹	\$ (9)	\$ 1	\$ 30	\$ (8)	\$ 37
Non-core net earnings (loss) ¹	(3)	(6)	(9)	(9)	(19)
Net earnings (loss)²	\$ (12)	\$ (5)	\$ 21	\$ (17)	\$ 18
Sales³	\$ 11,546	\$ 13,121	\$ 12,447	\$ 24,667	\$ 28,542
Fee income					
Investment management fees	\$ 195	\$ 208	\$ 208	\$ 403	\$ 415
Performance fees	(3)	—	1	(3)	2
Service fees	35	36	36	71	72
Underwriting & distribution fees	47	52	55	99	111
Fee income	\$ 274	\$ 296	\$ 300	\$ 570	\$ 600
Core net earnings (loss) (US\$)¹	\$ (7)	\$ 1	\$ 25	\$ (6)	\$ 30
Non-core net earnings (loss) (US\$) ¹	(2)	(5)	(8)	(7)	(16)
Net earnings (loss) (US\$)²	\$ (9)	\$ (4)	\$ 17	\$ (13)	\$ 14
Sales (US\$)³	\$ 9,021	\$ 10,331	\$ 10,120	\$ 19,352	\$ 22,794
Fee income (US\$)					
Investment management fees	\$ 152	\$ 164	\$ 169	\$ 316	\$ 332
Performance fees	(2)	—	1	(2)	2
Service fees	27	28	29	55	58
Underwriting & distribution fees	37	41	45	78	89
Fee income (US\$)	\$ 214	\$ 233	\$ 244	\$ 447	\$ 481
Core margin (pre-tax)⁴	(4.5)%	0.4 %	13.1 %	(2.0)%	8.2 %

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

² For the Asset Management business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

³ Refer to the "Glossary" section of this document for additional details on the composition of this measure.

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

Net earnings

For the Asset Management business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

The net loss for the second quarter of 2022 was US\$9 million compared to net earnings of US\$17 million for the same period last year, primarily driven by lower other AUM-based fee revenue and lower net investment income, partially offset by lower expenses.

The net loss for the six months ended June 30, 2022 was US\$13 million compared to net earnings of US\$14 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Sales

Sales in the second quarter of 2022 decreased by US\$1.1 billion to US\$9.0 billion compared to the same quarter last year, primarily due to a decrease in institutional sales of US\$1.0 billion.

For the six months ended June 30, 2022, sales decreased by US\$3.4 billion to US\$19.4 billion compared to the same period last year, primarily due to a US\$2.0 billion decrease in institutional sales and a US\$1.4 billion decrease in mutual fund sales.

Fee income

Fee income is derived primarily from investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Generally, fees are earned based on AUM and may depend on financial markets, the relative performance of Putnam's investment products, the number of retail accounts and sales. Performance fees are generated on certain mutual funds and institutional portfolios and are generally based on a rolling 36-month performance period for mutual funds and a 12-month performance period for institutional portfolios. Performance fees on mutual funds are symmetric, and as a result, can be positive or negative.

Fee income for the second quarter of 2022 decreased by US\$30 million to US\$214 million compared to the same quarter last year. The decrease was primarily due to lower investment management fees and underwriting and distribution fees driven by lower other AUM as a result of lower equity markets. The decrease in underwriting and distribution fees was partially offset by lower distribution expenses.

For the six months ended June 30, 2022, fee income decreased by US\$34 million to US\$447 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Other Assets Under Management (AUM) - Putnam (US\$)^{1,2}

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Beginning other AUM	\$ 192,328	\$ 202,532	\$ 193,470	\$ 202,532	\$ 191,554
Sales - Mutual funds and ETFs ¹	\$ 5,396	\$ 5,584	\$ 5,525	\$ 10,980	\$ 12,394
Redemptions - Mutual funds and ETFs	(7,185)	(7,312)	(6,992)	(14,497)	(14,106)
Net asset flows - Mutual funds and ETFs ¹	(1,789)	(1,728)	(1,467)	(3,517)	(1,712)
Sales - Institutional ¹	\$ 3,625	\$ 4,747	\$ 4,595	\$ 8,372	\$ 10,400
Redemptions - Institutional	(6,210)	(5,454)	(6,811)	(11,664)	(14,347)
Net asset flows - Institutional ¹	(2,585)	(707)	(2,216)	(3,292)	(3,947)
Net asset flows - Total ¹	\$ (4,374)	\$ (2,435)	\$ (3,683)	\$ (6,809)	\$ (5,659)
Impact of market/performance	(20,989)	(7,769)	8,784	(28,758)	12,676
Ending other AUM³	\$ 166,965	\$ 192,328	\$ 198,571	\$ 166,965	\$ 198,571
Average other AUM¹					
Mutual funds and ETFs	\$ 85,250	\$ 92,643	\$ 97,139	\$ 88,946	\$ 95,763
Institutional assets	92,658	101,195	100,088	96,926	99,845
Total average other AUM¹	\$ 177,908	\$ 193,838	\$ 197,227	\$ 185,872	\$ 195,608

¹ Refer to the "Glossary" section of this document for additional details on the composition of this measure.

² Other assets under management excluded US\$707 million at June 30, 2022 in assets for which Putnam provides investment recommendations, but has no control over implementation of investment decisions and no trading authority, including model portfolios and model-only separately managed accounts, and Putnam-designed custom indices that serve as the reference benchmark for third-party insurance investment products (US\$602 million at March 31, 2022 and US\$208 million at June 30, 2021).

³ At June 30, 2022, ending other AUM included US\$20.7 billion of assets managed for other business units within the Lifeco group of companies (US\$22.1 billion at March 31, 2022 and US\$21.0 billion at June 30, 2021).

Putnam's average other AUM for the three months ended June 30, 2022 were US\$177.9 billion, a decrease of US\$19.3 billion compared to the same quarter last year, primarily due to the impact of lower equity markets. Net asset outflows for the second quarter of 2022 were US\$4.4 billion compared to net asset outflows of US\$3.7 billion in the same quarter last year.

United States Corporate Operating Results

U.S. Corporate consists of items not associated directly with or allocated to the United States business units, including the impact of certain non-continuing items related to the U.S. segment.

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings (loss)¹	\$ (1)	\$ (9)	\$ (2)	\$ (10)	\$ (2)
Items excluded from base earnings (loss)					
Transaction costs related to acquisitions	(53)	(1)	(24)	(54)	(25)
Restructuring and integration costs	(12)	—	(4)	(12)	(4)
Net earnings (loss) - common shareholders	\$ (66)	\$ (10)	\$ (30)	\$ (76)	\$ (31)
Base earnings (loss) (US\$)¹	\$ (1)	\$ (7)	\$ (1)	\$ (8)	\$ (1)
Items excluded from base earnings (loss) (US\$)					
Transaction costs related to acquisitions	(42)	(1)	(20)	(43)	(21)
Restructuring and integration costs	(9)	—	(4)	(9)	(4)
Net earnings (loss) - common shareholders (US\$)	\$ (52)	\$ (8)	\$ (25)	\$ (60)	\$ (26)

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

Net earnings

In the second quarter of 2022, the net loss was US\$52 million compared to a net loss of US\$25 million for the same quarter last year, primarily due to higher restructuring and transaction costs related to the Prudential acquisition.

For the six months ended June 30, 2022, the net loss increased by US\$34 million to US\$60 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

EUROPE

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany and offers protection and wealth management products, including payout annuity products. The U.K. and Germany business units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand.

The core products offered by the U.K. business unit are bulk and individual payout annuities, equity release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. These products are distributed through independent financial advisors and employee benefit consultants in the U.K. and Isle of Man.

The core products offered by Irish Life Group Limited (Irish Life) in Ireland are savings and investments, individual and group life insurance, health insurance and pension products. These products are distributed through independent brokers, a direct sales force and tied agent bank branches. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels. Irish Life Investment Managers (ILIM) is one of the Company's fund management operations in Ireland. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional clients including pension schemes, insurance companies, wealth managers, fiduciary managers and sovereign wealth funds across Europe and North America. Setanta Asset Management, a subsidiary of the Company, manages assets for third-party institutional clients and a number of companies in the Lifeco group. The Company also owns a number of employee benefits and wealth consultancy businesses in Ireland.

The core products offered by the Germany business unit are individual and group pensions and life insurance products. These products are distributed through independent brokers and multi-tied agents.

Developments

- In the second quarter of 2021, a 50:50 joint venture agreement was reached by Allied Irish Banks plc (AIB) and Canada Life Irish Holding Company Limited to form a new life assurance company. The new life assurance company is working towards being fully licensed and ready for launch by the end of 2022. In the second quarter of 2022, the Company incurred transaction costs of \$4 million (\$10 million incurred to date) related to this agreement. The joint venture agreement is subject to customary regulatory approval and authorization processes.
- In the second quarter of 2022, Irish Life invested in a minority shareholding in U.K.-based financial technology company Multiply.AI (Multiply). Multiply helps clients achieve their financial goals by connecting them through an automated digital advice service to their own individual financial plans with recommended next steps and access to their chosen advisor. This investment allows Irish Life to build on its existing digital capabilities by designing and building compliant digital customer journeys specific to the Irish market.
- The recent group protection industry survey 'Group Watch 2022' from Swiss Re confirmed Canada Life U.K. as the leading provider by in-force premium, policies and lives insured.
- In the second quarter of 2022, ASSEKURATA Assekuranz Rating-Agentur GmbH, a German financial strength rating agency, raised the credit rating of Canada Life Assurance Europe plc, a subsidiary of Canada Life, from AA- to AA, making Canada Life one of the highest rated life insurance companies in Germany.
- Beginning April 2022, Canada Life's Potters Bar and London offices are being supplied with 100% renewable REGO-certified electricity (Renewable Energy Guarantees of Origin), making the carbon emissions from electricity in these offices effectively zero.

Selected Financial Information - Europe

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings (loss)¹					
United Kingdom	\$ 101	\$ 138	\$ 53	\$ 239	\$ 173
Ireland	74	69	68	143	111
Germany	40	42	72	82	112
Europe Corporate	(7)	(4)	(9)	(11)	(11)
Base earnings¹	\$ 208	\$ 245	\$ 184	\$ 453	\$ 385
Items excluded from base earnings					
Actuarial assumption changes and other management actions ²	19	(8)	41	11	59
Market-related impact on liabilities ²	6	(12)	(19)	(6)	(43)
Transaction costs related to acquisitions	(4)	(6)	—	(10)	—
Tax legislative changes impact on liabilities	—	—	(21)	—	(21)
Net earnings - common shareholders	\$ 229	\$ 219	\$ 185	\$ 448	\$ 380
Sales²					
Insurance	\$ 924	\$ 1,198	\$ 766	\$ 2,122	\$ 1,363
Wealth Management	4,977	7,161	5,160	12,138	11,789
Sales²	\$ 5,901	\$ 8,359	\$ 5,926	\$ 14,260	\$ 13,152
Wealth and investment only net cash flows²					
United Kingdom	\$ 236	\$ 203	\$ 172	\$ 439	\$ 197
Ireland	(360)	2,402	95	2,042	598
Germany	194	282	219	476	433
Wealth and investment only net cash flows²	\$ 70	\$ 2,887	\$ 486	\$ 2,957	\$ 1,228
Fee and other income					
United Kingdom	\$ 47	\$ 42	\$ 39	\$ 89	\$ 85
Ireland	186	193	192	379	383
Germany	107	119	115	226	231
Fee and other income	\$ 340	\$ 354	\$ 346	\$ 694	\$ 699
Total assets	\$ 169,322	\$ 187,178	\$ 189,839		
Other assets under management ²	50,251	57,091	61,655		
Total assets under management¹	219,573	244,269	251,494		
Other assets under administration ^{2,3}	10,699	11,673	12,169		
Total assets under administration²	\$ 230,272	\$ 255,942	\$ 263,663		

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

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

³ At June 30, 2022, other assets under administration excluded \$9.6 billion of assets managed for other business units within the Lifeco group of companies (\$10.3 billion at March 31, 2022 and \$7.8 billion at June 30, 2021).

Base and net earnings

In the second quarter of 2022, the Europe segment's net earnings of \$229 million increased by \$44 million compared to the same quarter last year. Base earnings of \$208 million increased by \$24 million compared to the same quarter last year, primarily due to favourable investment experience in the U.K., favourable morbidity experience in Ireland as well as favourable mortality experience in the U.K. and Ireland, partially offset by the impact of currency movement. In addition, the Company had a revaluation of deferred taxes resulting in an increase in taxes in the second quarter of 2021; there was no revaluation in 2022.

Items excluded from base earnings for the second quarter of 2022 were positive \$21 million compared to positive \$1 million for the same quarter last year. The increase was primarily due to favourable market-related impacts driven by property cash flows in the U.K. in the second quarter of 2022 and unfavourable U.K. tax legislative changes in the second quarter of 2021. The increase was partially offset by lower actuarial assumption changes as well as transaction costs related to the joint venture agreement with AIB in Ireland.

For the six months ended June 30, 2022, net earnings increased by \$68 million to \$448 million compared to the same period last year. Base earnings of \$453 million increased by \$68 million compared to the same period last year. The increase was primarily due to higher fee income and favourable morbidity experience in Ireland, favourable investment experience in the U.K. and favourable mortality experience in Ireland and the U.K. The six months ended June 30, 2021 included a revaluation of deferred taxes discussed for the in-quarter results. The increase was partially offset by less favourable annuitant experience in the U.K. and the impact of currency movement.

For the six months ended June 30, 2022, items excluded from base earnings of negative \$5 million were comparable to the same period last year. Less unfavourable market-related impacts on liabilities, transaction costs and contingent consideration provisions related to recent acquisitions in Ireland as well as unfavourable U.K. tax legislative changes in the second quarter of 2021 were offset by lower actuarial assumption changes.

Sales

Sales for the second quarter of 2022 decreased by \$25 million to \$5.9 billion compared to the same quarter last year. Higher wealth management sales in the U.K. and Ireland as well as growth in equity release mortgage sales in the U.K. were more than offset by the negative impact of currency movement.

For the six months ended June 30, 2022, sales increased by \$1.1 billion to \$14.3 billion compared to the same period last year, primarily due to higher wealth management sales across all business units as well as growth in equity release mortgage and bulk annuity sales in the U.K., partially offset by the impact of currency movement.

In the second quarter of 2022, wealth and investment only net cash inflows were \$70 million compared to \$486 million for the same quarter last year. The decrease was primarily due to higher fund management outflows in Ireland and lower wealth management sales in Germany, partially offset by higher wealth management sales in the U.K. For the six months ended June 30, 2022, net cash inflows were \$2,957 million compared to \$1,228 million for the same period last year, primarily due to higher wealth management sales across all business units.

Fee and other income

Fee and other income for the second quarter of 2022 decreased by \$6 million to \$340 million compared to the same quarter last year, primarily due to the impact of currency movement, partially offset by higher management fees on segregated fund assets across all business units.

For the six months ended June 30, 2022, fee and other income decreased by \$5 million to \$694 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

CAPITAL AND RISK SOLUTIONS

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

Developments

- In the second quarter of 2022, Capital and Risk Solutions continued growing its international presence in Asia, Europe and the U.S. The Company entered into a second mortgage reinsurance agreement with an insurance company in Israel, completed new longevity contracts in the U.K. and added new structured transactions in the U.S. during the quarter.

Selected Financial Information - Capital and Risk Solutions

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings (loss)¹					
Reinsurance	\$ 176	\$ 171	\$ 151	\$ 347	\$ 297
Capital and Risk Solutions Corporate	(2)	(1)	(1)	(3)	(2)
Base earnings¹	\$ 174	\$ 170	\$ 150	\$ 344	\$ 295
Items excluded from base earnings					
Actuarial assumption changes and other management actions ²	1	(1)	2	—	2
Market-related impact on liabilities ²	(8)	—	—	(8)	—
Net earnings - common shareholder	\$ 167	\$ 169	\$ 152	\$ 336	\$ 297
Total net premiums					
Reinsurance	\$ 8,752	\$ 7,308	\$ 6,278	\$ 16,060	\$ 13,740
Capital and Risk Solutions Corporate	4	4	4	8	8
Total net premiums	\$ 8,756	\$ 7,312	\$ 6,282	\$ 16,068	\$ 13,748
Total assets³	\$ 15,627	\$ 16,066	\$ 15,175		

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

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

³ The Capital and Risk Solutions segment does not have other assets under management or other assets under administration.

Base and net earnings

In the second quarter of 2022, the Capital and Risk Solutions segment's net earnings of \$167 million increased by \$15 million compared to the same quarter last year. Base earnings of \$174 million increased by \$24 million compared to the same quarter last year. The increase was primarily due to growth in business in-force, favourable claims experience in the U.S. life business and the commutation of a reinsurance treaty, partially offset by the impact of currency movement.

Items excluded from base earnings were negative \$7 million compared to positive \$2 million for the same quarter last year. The second quarter of 2022 included an increase in actuarial liabilities on a legacy block of business with investment performance guarantees, reflecting negative market-related experience during the quarter.

For the six months ended June 30, 2022, net earnings increased by \$39 million to \$336 million compared to the same period last year. Base earnings of \$344 million increased by \$49 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

For the six months ended June 30, 2022, items excluded from base earnings were negative \$8 million compared to positive \$2 million for the same period last year, primarily due to the same reason discussed for the in-quarter results.

Total net premiums

Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Total net premiums for the second quarter of 2022 of \$8.8 billion increased by \$2.5 billion compared to the same quarter last year, primarily due to new reinsurance agreements.

For the six months ended June 30, 2022, total net premiums increased by \$2.3 billion to \$16.1 billion compared to the same period last year, primarily due to the same reason discussed for the in-quarter results.

LIFECO CORPORATE OPERATING RESULTS

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

In the second quarter of 2022, Lifeco Corporate net earnings of \$9 million were comparable to the same quarter last year.

For the six months ended June 30, 2022, Lifeco Corporate net earnings were \$11 million compared to nil for the same period last year, primarily due to higher net investment income, partially offset by lower operating expenses. There were no differences between Lifeco Corporate net earnings and base earnings in the periods presented.

RISK MANAGEMENT AND CONTROL PRACTICES

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

During the second quarter of 2022, there were no significant changes to the Company's risk management and control practices, including the risks (financial, operational, regulatory and other risks) related to the COVID-19 pandemic and geopolitical tensions.

Refer to the Company's 2021 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

There were IFRS changes in 2022 which did not have a significant impact on the Company. As well, due to the evolving nature of IFRS, there are changes to standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the amendments to IFRS for IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and *Annual Improvements 2018-2020 Cycle* for the amendment to IFRS 16, *Leases* effective January 1, 2022. The adoption of these amendments did not have a significant impact on the Company's financial statements.

There have been no other significant changes to the future accounting policies, including IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*, that are expected to impact the Company, in addition to the disclosure in the Company's December 31, 2021 Annual MD&A.

IFRS 17, *Insurance Contracts* (IFRS 17), will replace IFRS 4, *Insurance Contracts* effective January 1, 2023. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company expects its insurance contract liabilities, including the contractual service margin, to increase upon adoption. The January 1, 2022 shareholders' equity is expected to decrease by 10% to 15% on the retroactive application of IFRS 17 on January 1, 2023, primarily due to the establishment of the contractual service margin. The Company continues to assess the impacts through its global implementation plan, however the accounting policy change will not impact the economics of the affected businesses or the Company's business model. The Company continues to make progress in implementing its project plan and will be compliant with the standard effective January 1, 2023.

IFRS 9, *Financial Instruments* (IFRS 9) will replace IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. The standard provides changes to financial instruments accounting for the following:

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

The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. Upon adoption of IFRS 9 on January 1, 2023, the Company does not expect a material change in the level of invested assets, nor a material increase in earnings volatility. The Company anticipates electing the option of presenting comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period, as permitted by the amendment to IFRS 17 published by the IASB in December 2021. The Company continues to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2022.

OTHER INFORMATION

NON-GAAP FINANCIAL MEASURES AND RATIOS

Non-GAAP Financial Measures

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

Base earnings (loss)

Base earnings (loss) reflect management's view of the underlying business performance of the Company and provide an alternate measure to understand the underlying business performance compared to IFRS net earnings (loss). Base earnings (loss) exclude the following items:

- The impact of actuarial assumption changes and other management actions;
- The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
 - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
 - the impact on segregated fund guarantee liabilities not hedged;
 - the impact on general fund equity and investment properties supporting insurance contract liabilities;
 - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements; and
- Certain items that, when removed, assist in explaining the Company's underlying business performance including restructuring costs, integration costs related to business acquisitions, material legal settlements, material impairment charges related to goodwill and intangible assets, impact of substantially enacted income tax rate changes and other tax impairments and net gains, losses or costs related to the disposition or acquisition of a business.

Lifeco ¹	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings	\$ 830	\$ 809	\$ 826	\$ 1,639	\$ 1,565
Items excluded from Lifeco base earnings					
Actuarial assumption changes and other management actions (pre-tax)	\$ 24	\$ (9)	\$ 42	\$ 15	\$ 46
Income tax (expense) benefit	(3)	—	(5)	(3)	(4)
Market-related impacts on liabilities (pre-tax)	(19)	(14)	(14)	(33)	(39)
Income tax (expense) benefit	4	3	(5)	7	(4)
Transaction costs related to acquisitions (pre-tax)	(71)	(8)	(25)	(79)	(27)
Income tax (expense) benefit	14	1	1	15	2
Restructuring and integration costs (pre-tax)	(60)	(17)	(21)	(77)	(37)
Income tax (expense) benefit	16	5	6	21	10
Tax legislative changes impact on liabilities	—	—	(21)	—	(21)
Total pre-tax items excluded from base earnings	\$ (126)	\$ (48)	\$ (18)	\$ (174)	\$ (57)
Impact of items excluded from base earnings on income taxes	31	9	(24)	40	(17)
Net earnings - common shareholders	\$ 735	\$ 770	\$ 784	\$ 1,505	\$ 1,491

¹ There is no difference between base earnings and net earnings for Lifeco Corporate in the periods presented.

Canada	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
	Base earnings	\$ 296	\$ 272	\$ 293	\$ 568
Items excluded from base earnings					
Actuarial assumption changes and other management actions (pre-tax)	\$ 1	\$ 1	\$ (7)	\$ 2	\$ (25)
Income tax (expense) benefit	—	(1)	1	(1)	6
Market-related impacts on liabilities (pre-tax)	6	4	1	10	3
Income tax (expense) benefit	(2)	(1)	—	(3)	—
Net earnings - common shareholders	\$ 301	\$ 275	\$ 288	\$ 576	\$ 575

United States	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
	Base earnings	\$ 143	\$ 120	\$ 190	\$ 263
Items excluded from base earnings					
Market-related impacts on liabilities (pre-tax)	\$ (21)	\$ (3)	\$ (1)	\$ (24)	\$ (3)
Income tax (expense) benefit	4	1	—	5	—
Restructuring and integration costs (pre-tax)	(60)	(17)	(21)	(77)	(37)
Income tax (expense) benefit	16	5	6	21	10
Transaction costs related to acquisitions (pre-tax)	(67)	(2)	(25)	(69)	(27)
Income tax (expense) benefit	14	1	1	15	2
Net earnings - common shareholders	\$ 29	\$ 105	\$ 150	\$ 134	\$ 239

Europe	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
	Base earnings	\$ 208	\$ 245	\$ 184	\$ 453
Items excluded from base earnings					
Actuarial assumption changes and other management actions (pre-tax)	\$ 22	\$ (9)	\$ 48	\$ 13	\$ 70
Income tax (expense) benefit	(3)	1	(7)	(2)	(11)
Market-related impacts on liabilities (pre-tax)	4	(15)	(14)	(11)	(39)
Income tax (expense) benefit	2	3	(5)	5	(4)
Transaction costs related to acquisitions (pre-tax)	(4)	(6)	—	(10)	—
Income tax (expense) benefit	—	—	—	—	—
Tax legislative changes impact on liabilities	—	—	(21)	—	(21)
Net earnings - common shareholders	\$ 229	\$ 219	\$ 185	\$ 448	\$ 380

Capital and Risk Solutions

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Base earnings	\$ 174	\$ 170	\$ 150	\$ 344	\$ 295
Items excluded from base earnings					
Actuarial assumption changes and other management actions (pre-tax)	\$ 1	\$ (1)	\$ 1	\$ —	\$ 1
Income tax (expense) benefit	—	—	1	—	1
Market-related impact on liabilities (pre-tax)	(8)	—	—	(8)	—
Income tax (expense) benefit	—	—	—	—	—
Net earnings - common shareholder	\$ 167	\$ 169	\$ 152	\$ 336	\$ 297

Premiums and deposits

Total premiums and deposits include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS as net premium income), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top-line growth.

Premiums and deposits

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Total net premiums	\$ 16,305	\$ 14,051	\$ 11,751	\$ 30,356	\$ 24,903
Policyholder deposits (segregated funds) ¹	6,847	8,273	6,634	15,120	14,587
Self-funded premium equivalents (ASO contracts) and other	2,739	2,893	2,021	5,632	3,724
Proprietary mutual funds and institutional deposits	15,700	18,941	16,398	34,641	38,653
Total premiums and deposits	\$ 41,591	\$ 44,158	\$ 36,804	\$ 85,749	\$ 81,867

¹ Refer to note 9(b) of the Company's condensed interim unaudited financial statements for the period ended June 30, 2022 for further details.

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

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

Total assets under administration includes total assets per financial statements, other assets under management and other assets under administration.

Assets under administration

	As at			
	June 30 2022	March 31 2022	Dec. 31 2021	June 30 2021
Total assets per financial statements	\$ 670,305	\$ 600,459	\$ 630,488	\$ 604,176
Other AUM	318,681	353,936	377,155	358,297
Total AUM	988,986	954,395	1,007,643	962,473
Other AUA ¹	1,353,310	1,233,311	1,283,949	1,204,634
Total AUA¹	\$ 2,342,296	\$ 2,187,706	\$ 2,291,592	\$ 2,167,107

¹ 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration in the Canada segment.

Canada

	As at		
	June 30 2022	March 31 2022	June 30 2021
Canada wealth fee business AUA¹			
Segregated fund assets	\$ 90,741	\$ 99,522	\$ 96,953
Other AUM	4,050	4,721	5,852
Wealth fee business other AUA ¹	23,443	26,248	24,895
Total Canada wealth fee business AUA¹	\$ 118,234	\$ 130,491	\$ 127,700
Add: Other balance sheet assets	\$ 97,296	\$ 100,259	\$ 97,575
Add: Other AUA	2,357	2,279	6,626
Consolidated Canada balance sheet assets	\$ 188,037	\$ 199,781	\$ 194,528
Consolidated Canada other AUM	4,050	4,721	5,852
Consolidated Canada other AUA ¹	25,800	28,527	31,521
Total Canada AUA¹	\$ 217,887	\$ 233,029	\$ 231,901

¹ 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration.

United States

	As at		
	June 30 2022	March 31 2022	June 30 2021
Financial Services			
Personal Capital other AUM	\$ 27,439	\$ 29,034	\$ 24,625
Empower AUA			
General account	\$ 96,352	\$ 47,457	\$ 43,776
Segregated fund assets	157,695	98,391	110,301
Other AUM	48,295	50,262	45,970
Other AUA	1,316,811	1,193,111	1,160,944
Empower AUA	\$ 1,619,153	\$ 1,389,221	\$ 1,360,991
Putnam other AUM	\$ 215,385	\$ 240,410	\$ 246,228
Subtotal	\$ 1,861,977	\$ 1,658,665	\$ 1,631,844
Add: Other AUM consolidation adjustment	\$ (26,739)	\$ (27,583)	\$ (26,033)
Add: Other balance sheet assets	43,272	51,587	50,557
Consolidated United States balance sheet assets	\$ 297,319	\$ 197,434	\$ 204,634
Consolidated United States other AUM	264,380	292,124	290,790
Consolidated United States other AUA	1,316,811	1,193,111	1,160,944
Total United States AUA	\$ 1,878,510	\$ 1,682,669	\$ 1,656,368

Europe

	As at		
	June 30 2022	March 31 2022	June 30 2021
Europe wealth and investment only AUA			
Segregated fund assets	\$ 116,918	\$ 129,496	\$ 129,342
Other AUM	50,251	57,091	61,655
Other AUA	10,699	11,673	12,169
Total Europe wealth and investment only AUA	\$ 177,868	\$ 198,260	\$ 203,166
Add: Other balance sheet assets	\$ 52,404	\$ 57,682	\$ 60,497
Consolidated Europe balance sheet assets	\$ 169,322	\$ 187,178	\$ 189,839
Consolidated Europe other AUM	50,251	57,091	61,655
Consolidated Europe other AUA	10,699	11,673	12,169
Total Europe AUA	\$ 230,272	\$ 255,942	\$ 263,663

Core net earnings (loss)

For its Asset Management (Putnam) business unit in the U.S. segment, the Company discloses core net earnings (loss), which is a measure of the business unit's performance. Core net earnings (loss) include the impact of dealer commissions and software amortization and exclude the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions.

Core net earnings (loss)¹

(In US\$ million, unless otherwise noted)

	For the three months ended			For the six months ended	
	June 30 2022	March 31 2022	June 30 2021	June 30 2022	June 30 2021
Fee and net investment income	\$ 204	\$ 229	\$ 255	\$ 433	\$ 486
Less: Expenses	213	228	221	441	446
Core earnings (loss)	(9)	1	34	(8)	40
Less: Income taxes	(2)	—	9	(2)	10
Core net earnings (loss)	\$ (7)	\$ 1	\$ 25	\$ (6)	\$ 30
Non-core net earnings (loss)	(2)	(5)	(8)	(7)	(16)
Net earnings (loss)	\$ (9)	\$ (4)	\$ 17	\$ (13)	\$ 14
Net earnings (loss) (C\$)	\$ (12)	\$ (5)	\$ 21	\$ (17)	\$ 18

¹ For the Asset Management (Putnam) business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

Non-GAAP Ratios

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

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

- **Base dividend payout ratio** - Dividends paid to common shareholders are divided by base earnings (loss).

- **Base earnings per share** - Base earnings (loss) for the period is divided by the number of average common shares outstanding for the period.
- **Base earnings per share (diluted)** - Base earnings (loss) for the period is divided by the number of average common shares outstanding on a diluted basis for the period.
- **Base return on equity** - Base earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Core margin (pre-tax)** - The metrics relates to the Asset Management (Putnam) business unit in the United States segment and is calculated by dividing core earnings (loss) by fee and net investment income.
- **Effective income tax rate - base earnings - common shareholders** - Calculated by adjusting the Company's reported income taxes and net earnings before income taxes attributable to common shareholders to remove the impact of items excluded from base earnings, to calculate the effective tax rates for common shareholders.
- **Effective income tax rate - base earnings - total Lifeco** - Calculated by adjusting the Company's reported income taxes and net earnings before income taxes to remove the impact of items excluded from base earnings, to calculate the effective tax rates for total Lifeco.

GLOSSARY

- **Actuarial assumption changes and other management actions** - In accordance with the OSFI "Source of Earnings Disclosure (Life Insurance Company)" Guideline D-9, actuarial assumption changes and other management actions represent the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors. Within the Source of Earnings Disclosure, management actions include the net gain or charge on business dispositions and transactions costs related to acquisition. The reconciliation between net earnings (loss) - common shareholders and base earnings (loss) presents the net gain or charge on business dispositions and transactions costs related to acquisition separately from actuarial assumption changes and other management actions.
- **Book value per common share** - Calculated by dividing Lifeco's common shareholder's equity by the number of average common shares outstanding for the period.
- **Common shareholder's equity** - A financial measure that comprises the following items from Lifeco's consolidated balance sheets: share capital - common shares, accumulated surplus, accumulated other comprehensive income and contributed surplus.
- **Dividend payout ratio** - Dividends paid to common shareholders are divided by net earnings - common shareholders.
- **Impact of currency movement (constant currency basis)** - Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average rates, as shown below, in effect at the date of the comparative period. These measures provide useful information as they facilitate the comparability of results between periods.

	Period ended	
	June 30, 2022	June 30, 2021
United States dollar	1.28	1.23
British pound	1.60	1.72
Euro	1.36	1.48

- **Market-related impacts on liabilities** - The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
 - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
 - the impact on segregated fund guarantee liabilities not hedged;
 - the impact on general fund equity and investment properties supporting insurance contract liabilities;
 - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements.
- **Office of the Superintendent of Financial Institutions Canada (OSFI)** - An independent Canadian federal government agency that regulates and supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting their requirements.
- **Return on common shareholder's equity (ROE)** - Net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Sales** - Sales are measured according to product type:
 - For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
 - Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
 - For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
 - For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.
- **Segmented common shareholder's equity** - The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada, Europe and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available.
- **Other assets under management** - Includes external client funds where the Company has oversight of the investment policies. Services provided in respect of proprietary mutual funds, exchange traded funds (ETFs) and institutional assets include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.

- **Other assets under administration** - Includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.
- **Net cash flows and net asset flows** - Indicator of the Company's ability to attract and retain business. Net cash flows and net asset flows are measured by the following:
 - Canada wealth management net cash flows include cash inflows and outflows related to segregated fund assets and proprietary and non-proprietary mutual funds.
 - Europe wealth and investment only net cash flows include cash inflows and outflows related to segregated fund assets, other assets under management as well as other assets under administration.
 - Empower net cash flows include cash inflows and outflows related to segregated fund assets, general fund assets, other assets under management as well as other assets under management.
 - Putnam net asset flows include other assets under management sales and redemptions.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes during the six month period ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation on Disclosure Controls and Procedures & Internal Control Over Financial Reporting

As permitted by securities legislation, for the period ended June 30, 2022, the Company's management has limited the scope of its design of the Company's disclosure controls and procedures and the Company's internal control over financial reporting to exclude controls, policies and procedures of the Prudential's full-service retirement services business, which the Company acquired on April 1, 2022.

For the three months ended June 30, 2022, the acquired Prudential retirement services business had revenue of \$962 million, net earnings of \$8 million post-tax (base earnings of \$45 million post-tax excluding negative market-related impact on liabilities of \$16 million and integration costs of \$21 million post-tax) and other comprehensive loss of \$27 million. The initial amounts assigned to the assets acquired, goodwill and intangible assets on April 1, 2022 and reported as at June 30, 2022 were \$126,849 million. The initial amounts assigned to the liabilities assumed on April 1, 2022 and reported as at June 30, 2022 were \$124,105 million with the final valuation of the assets acquired and liabilities assumed expected to occur by the end of the first quarter of 2023.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2021.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information

(in Canadian \$ millions, except per share amounts)

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	\$ 9,188	\$ 9,030	\$ 18,122	\$ 17,432	\$ 17,955	\$ 10,908	\$ 16,860	\$ 13,740
Common shareholders								
Base earnings								
Total ²	\$ 830	\$ 809	\$ 825	\$ 870	\$ 826	\$ 739	\$ 741	\$ 679
Basic - per share ¹	0.893	0.869	0.887	0.934	0.889	0.796	0.799	0.732
Diluted - per share ¹	0.892	0.868	0.885	0.932	0.888	0.796	0.799	0.732
Net earnings								
Total	\$ 735	\$ 770	\$ 765	\$ 872	\$ 784	\$ 707	\$ 912	\$ 826
Basic - per share	0.789	0.827	0.822	0.938	0.844	0.762	0.983	0.891
Diluted - per share	0.788	0.825	0.820	0.936	0.842	0.761	0.983	0.891

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

² This metric is a non-GAAP financial measure. The following items were excluded from base earnings in each quarter:

Items excluded from base earnings

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Actuarial assumption changes and other management actions (pre-tax)	\$ 24	\$ (9)	\$ 28	\$ 74	\$ 42	\$ 4	\$ (71)	\$ 73
Income tax (expense) benefit	(3)	—	(5)	(5)	(5)	1	48	(7)
Market-related impacts on liabilities (pre-tax)	(19)	(14)	22	52	(14)	(25)	(21)	13
Income tax (expense) benefit	4	3	(2)	(5)	(5)	1	(10)	5
Transaction costs related to acquisitions (pre-tax)	(71)	(8)	(76)	(104)	(25)	(2)	(59)	(36)
Income tax (expense) benefit	14	1	2	14	1	1	12	5
Restructuring and integration costs (pre-tax)	(60)	(17)	(21)	(32)	(21)	(16)	(88)	—
Income tax (expense) benefit	16	5	6	8	6	4	21	—
Net gain/charge on business dispositions (pre-tax)	—	—	(14)	—	—	—	137	95
Income tax (expense) benefit	—	—	—	—	—	—	6	(1)
Tax legislative changes impact on liabilities	—	—	—	—	(21)	—	—	—
Revaluation of deferred tax asset	—	—	—	—	—	—	196	—
Total post-tax items excluded from base earnings	\$ (95)	\$ (39)	\$ (60)	\$ 2	\$ (42)	\$ (32)	\$ 171	\$ 147

Lifeco's consolidated net earnings attributable to common shareholders were \$735 million for the second quarter of 2022 compared to \$784 million reported a year ago. On a per share basis, this represents \$0.789 per common share (\$0.788 diluted) for the second quarter of 2022 compared to \$0.844 per common share (\$0.842 diluted) a year ago.

Total revenue for the second quarter of 2022 was \$9,188 million and comprises premium income of \$16,305 million, regular net investment income of \$2,153 million, a negative change in fair value through profit or loss on investment assets of \$11,179 million and fee and other income of \$1,909 million.

TRANSLATION OF FOREIGN CURRENCY

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

Translation of foreign currency						
Period ended	June 30 2022	Mar. 31 2022	Dec. 31 2021	Sept. 30 2021	June 30 2021	Mar. 31 2021
United States dollar						
Balance sheet	\$ 1.29	\$ 1.25	\$ 1.27	\$ 1.27	\$ 1.24	\$ 1.26
Income and expenses	\$ 1.28	\$ 1.27	\$ 1.26	\$ 1.26	\$ 1.23	\$ 1.27
British pound						
Balance sheet	\$ 1.57	\$ 1.64	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.73
Income and expenses	\$ 1.60	\$ 1.70	\$ 1.70	\$ 1.74	\$ 1.72	\$ 1.75
Euro						
Balance sheet	\$ 1.35	\$ 1.38	\$ 1.44	\$ 1.47	\$ 1.47	\$ 1.47
Income and expenses	\$ 1.36	\$ 1.42	\$ 1.44	\$ 1.48	\$ 1.48	\$ 1.53

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

CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

(in Canadian \$ millions except per share amounts)

	For the three months ended		For the six months ended	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021
Income				
Premium income				
Gross premiums written	\$ 17,076	\$ 12,811	\$ 32,283	\$ 27,202
Ceded premiums	(771)	(1,060)	(1,927)	(2,299)
Total net premiums	16,305	11,751	30,356	24,903
Net investment income (note 5)				
Regular net investment income	2,153	1,611	3,774	3,167
Changes in fair value through profit or loss	(11,179)	2,793	(19,634)	(2,758)
Total net investment income (loss)	(9,026)	4,404	(15,860)	409
Fee and other income	1,909	1,800	3,722	3,551
	9,188	17,955	18,218	28,863
Benefits and expenses				
Policyholder benefits				
Gross	15,377	12,565	28,538	25,197
Ceded	(676)	(819)	(1,467)	(1,858)
Total net policyholder benefits	14,701	11,746	27,071	23,339
Changes in insurance and investment contract liabilities				
Gross	(11,048)	2,130	(19,564)	(3,616)
Ceded	1,524	29	2,849	1,427
Total net changes in insurance and investment contract liabilities	(9,524)	2,159	(16,715)	(2,189)
Policyholder dividends and experience refunds	329	416	706	757
Total paid or credited to policyholders	5,506	14,321	11,062	21,907
Commissions	652	655	1,332	1,316
Operating and administrative expenses	1,855	1,559	3,455	3,092
Premium taxes	114	121	235	244
Financing charges	96	77	186	156
Amortization of finite life intangible assets	94	86	179	165
Restructuring and integration expenses (note 4)	60	21	77	37
Earnings before income taxes	811	1,115	1,692	1,946
Income taxes (note 14)	51	106	103	163
Net earnings before non-controlling interests	760	1,009	1,589	1,783
Attributable to non-controlling interests	(8)	192	19	226
Net earnings	768	817	1,570	1,557
Preferred share dividends (note 11)	33	33	65	66
Net earnings - common shareholders	\$ 735	\$ 784	\$ 1,505	\$ 1,491
Earnings per common share (note 11)				
Basic	\$ 0.789	\$ 0.844	\$ 1.616	\$ 1.605
Diluted	\$ 0.788	\$ 0.842	\$ 1.613	\$ 1.604

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian \$ millions)

	For the three months ended		For the six months ended	
	June 30	June 30	June 30	June 30
	2022	2021	2022	2021
Net earnings	\$ 768	\$ 817	\$ 1,570	\$ 1,557
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	4	(186)	(603)	(532)
Income tax (expense) benefit	—	1	—	—
Unrealized gains (losses) on hedges of the net investment in foreign operations	91	(36)	221	44
Income tax (expense) benefit	5	(1)	(7)	(12)
Unrealized gains (losses) on available-for-sale assets	(329)	152	(699)	(50)
Income tax (expense) benefit	68	(24)	142	17
Realized (gains) losses on available-for-sale assets	(1)	(1)	2	(11)
Income tax expense (benefit)	(2)	1	(2)	3
Unrealized gains (losses) on cash flow hedges	(43)	25	(51)	44
Income tax (expense) benefit	12	(7)	14	(12)
Realized (gains) losses on cash flow hedges	13	(15)	6	(26)
Income tax expense (benefit)	(4)	4	(2)	7
Non-controlling interests	96	(15)	270	86
Income tax (expense) benefit	(26)	3	(71)	(21)
Total items that may be reclassified	(116)	(99)	(780)	(463)
Items that will not be reclassified to Consolidated Statements of Earnings				
Re-measurements on defined benefit pension and other post-employment benefit plans (note 13)	150	33	562	664
Income tax (expense) benefit	(32)	(7)	(143)	(165)
Non-controlling interests	(12)	(4)	(45)	(59)
Income tax (expense) benefit	3	—	12	15
Total items that will not be reclassified	109	22	386	455
Total other comprehensive income (loss)	(7)	(77)	(394)	(8)
Comprehensive income	\$ 761	\$ 740	\$ 1,176	\$ 1,549

CONSOLIDATED BALANCE SHEETS (unaudited)

(in Canadian \$ millions)

	June 30 2022	December 31 2021
Assets		
Cash and cash equivalents	\$ 7,924	\$ 6,075
Bonds (note 5)	156,226	140,612
Mortgage loans (note 5)	37,785	28,852
Stocks (note 5)	13,836	14,183
Investment properties (note 5)	8,387	7,763
Loans to policyholders	8,496	8,319
	<u>232,654</u>	<u>205,804</u>
Funds held by ceding insurers	15,389	17,194
Reinsurance assets (note 8)	17,663	21,138
Goodwill	10,212	9,081
Intangible assets	6,273	5,514
Derivative financial instruments	1,596	967
Owner occupied properties	728	736
Fixed assets	399	422
Other assets	5,418	4,522
Premiums in course of collection, accounts and interest receivable	7,029	6,366
Current income taxes	321	268
Deferred tax assets	1,119	1,057
Investments on account of segregated fund policyholders (note 9)	371,504	357,419
Total assets	<u>\$ 670,305</u>	<u>\$ 630,488</u>
Liabilities		
Insurance contract liabilities (note 8)	\$ 231,522	\$ 208,378
Investment contract liabilities (note 8)	12,760	12,455
Debentures and other debt instruments	9,766	8,804
Funds held under reinsurance contracts	1,240	1,542
Derivative financial instruments	1,539	1,030
Accounts payable	3,221	3,032
Other liabilities	6,931	6,063
Current income taxes	223	193
Deferred tax liabilities	1,049	1,089
Investment and insurance contracts on account of segregated fund policyholders (note 9)	371,504	357,419
Total liabilities	<u>639,755</u>	<u>600,005</u>
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	2,990	3,138
Non-controlling interests in subsidiaries	48	129
Shareholders' equity		
Share capital		
Limited recourse capital notes	1,500	1,500
Preferred shares	2,720	2,720
Common shares (note 10)	5,788	5,748
Accumulated surplus	17,069	16,424
Accumulated other comprehensive income	238	632
Contributed surplus	197	192
Total equity	<u>30,550</u>	<u>30,483</u>
Total liabilities and equity	<u>\$ 670,305</u>	<u>\$ 630,488</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian \$ millions)

	June 30, 2022					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non- controlling interests	Total equity
Balance, beginning of year	\$ 9,968	\$ 192	\$ 16,424	\$ 632	\$ 3,267	\$ 30,483
Net earnings	—	—	1,570	—	19	1,589
Other comprehensive income (loss)	—	—	—	(394)	(166)	(560)
	9,968	192	17,994	238	3,120	31,512
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(65)	—	—	(65)
Common shareholders	—	—	(913)	—	—	(913)
Shares exercised and issued under share-based payment plans (note 10)	40	(32)	—	—	28	36
Share-based payment plans expense	—	36	—	—	—	36
Equity settlement of Putnam share-based plans	—	—	—	—	(53)	(53)
Shares cancelled under Putnam share-based plans	—	1	—	—	(1)	—
Preferred share redemption costs	—	—	(3)	—	—	(3)
Dilution gain on non-controlling interests	—	—	56	—	(56)	—
Balance, end of period	\$ 10,008	\$ 197	\$ 17,069	\$ 238	\$ 3,038	\$ 30,550

	June 30, 2021					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non- controlling interests	Total equity
Balance, beginning of year	\$ 8,365	\$ 186	\$ 14,990	\$ 487	\$ 2,987	\$ 27,015
Net earnings	—	—	1,557	—	226	1,783
Other comprehensive income (loss)	—	—	—	(8)	(21)	(29)
	8,365	186	16,547	479	3,192	28,769
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(66)	—	—	(66)
Common shareholders	—	—	(814)	—	—	(814)
Shares exercised and issued under share-based payment plans (note 10)	62	(44)	—	—	35	53
Share-based payment plans expense	—	36	—	—	—	36
Equity settlement of Putnam share-based plans	—	—	—	—	(22)	(22)
Shares cancelled under Putnam share-based plans	—	1	—	—	(1)	—
Dilution loss on non-controlling interests	—	—	(7)	—	7	—
Balance, end of period	\$ 8,427	\$ 179	\$ 15,660	\$ 479	\$ 3,211	\$ 27,956

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in Canadian \$ millions)

	For the six months ended June 30	
	2022	2021
Operations		
Earnings before income taxes	\$ 1,692	\$ 1,946
Income taxes paid, net of refunds received	(169)	(248)
Adjustments:		
Change in insurance and investment contract liabilities	(19,059)	(3,286)
Change in funds held by ceding insurers	(587)	396
Change in funds held under reinsurance contracts	(205)	(49)
Change in reinsurance assets	3,298	1,418
Changes in fair value through profit or loss	19,634	2,758
Other	(645)	(80)
	<u>3,959</u>	<u>2,855</u>
Financing Activities		
Issue of common shares (note 10)	40	62
Increase (decrease) in credit line of subsidiaries	965	(188)
Decrease in debentures and other debt instruments	(19)	—
Preferred share redemption costs	(3)	—
Dividends paid on common shares	(913)	(814)
Dividends paid on preferred shares	(65)	(66)
	<u>5</u>	<u>(1,006)</u>
Investment Activities		
Bond sales and maturities	16,638	14,788
Mortgage loan repayments	1,646	1,611
Stock sales	1,882	2,004
Investment property sales	5	10
Change in loans to policyholders	(95)	55
Business acquisition, net of cash and cash equivalents acquired (note 3)	(2,149)	—
Investment in bonds	(14,155)	(15,902)
Investment in mortgage loans	(3,466)	(2,526)
Investment in stocks	(1,903)	(2,571)
Investment in investment properties	(458)	(444)
	<u>(2,055)</u>	<u>(2,975)</u>
Effect of changes in exchange rates on cash and cash equivalents	(60)	(112)
Increase (decrease) in cash and cash equivalents	1,849	(1,238)
Cash and cash equivalents, beginning of period	6,075	7,946
Cash and cash equivalents, end of period	\$ 7,924	\$ 6,708
Supplementary cash flow information		
Interest income received	\$ 2,549	\$ 2,522
Interest paid	195	171
Dividend income received	183	159

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

(in Canadian \$ millions except per share amounts)

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, investment management and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam). Subsequent to the reporting date, Great-West Life & Annuity Insurance Company changed its legal name to Empower Annuity Insurance Company of America.

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and six months ended June 30, 2022 were approved by the Board of Directors on August 3, 2022.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2021 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at June 30, 2022 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2021 except as described below.

Changes in Accounting Policies

The Company adopted the amendments to International Financial Reporting Standards (IFRS) for IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and *Annual Improvements 2018-2020 Cycle* for the amendment to IFRS 16, *Leases* effective January 1, 2022. The adoption of these amendments did not have a significant impact on the Company's financial statements.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. No standards have been released since the year ended December 31, 2021 that impact the Company's financial reporting. The following sets out significant standards that will be adopted on January 1, 2023:

Standard	Summary of Future Changes
IFRS 17 - Insurance Contracts	<p>IFRS 17, <i>Insurance Contracts</i> (IFRS 17), will replace IFRS 4, <i>Insurance Contracts</i> effective January 1, 2023.</p> <p>The adoption of IFRS 17 is a significant initiative for the Company supported by a formal governance framework and project plan, for which substantial resources are being dedicated. The Company continues to make progress in implementing its project plan, and will be compliant with the standard effective January 1, 2023.</p> <p>IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.</p> <p>The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities, including the contractual service margin, to increase upon adoption. The January 1, 2022 shareholders' equity is expected to decrease by 10% to 15% on the retroactive application of IFRS 17 on January 1, 2023, primarily due to the establishment of the contractual service margin.</p> <p>IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. The Office of the Superintendent of Financial Institutions (OSFI) has stated that it intends to maintain capital frameworks consistent with current capital policies and minimizing potential industry-wide capital impacts. The Company continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or our business model.</p>

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Standard	Summary of Future Changes
IFRS 9 - <i>Financial Instruments</i>	<p>IFRS 9, <i>Financial Instruments</i> (IFRS 9) will replace IAS 39, <i>Financial Instruments: Recognition and Measurement</i> effective January 1, 2023. The standard provides changes to financial instruments accounting for the following:</p> <ul style="list-style-type: none"> • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. <p>The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. Upon adoption of IFRS 9 on January 1, 2023, the Company does not expect a material change in the level of invested assets, nor a material increase in earnings volatility. The Company anticipates electing the option of presenting comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period, as permitted by the amendment to IFRS 17 published by the IASB in December 2021. The Company continues to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.</p>

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2021 consolidated annual audited financial statements and notes thereto.

2. *Basis of Presentation and Summary of Accounting Policies (cont'd)*

Impact of COVID-19 and the Conflict Between Russia and Ukraine on Significant Judgments, Estimates and Assumptions

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Company operates. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

Global financial markets continued to be volatile during 2022, in part due to Russia's military invasion of Ukraine and the related sanctions and economic fallout. The Company continues to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks, and risks related to the global supply chain.

The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties, foreign exchange and inflation, as well as prevailing health and mortality experience.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, the Company's practice is to use third party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third party credit rating. Given rapid market changes, third party credit rating changes may lag developments in the current environment.

The fair value of portfolio investments (note 5), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities (note 8) and the recoverability of deferred tax asset carrying values reflect management's judgment.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

3. Business Acquisitions

(a) Acquisition of Personal Capital Corporation

On August 17, 2020, GWL&A completed the acquisition of 100% of the equity of Personal Capital Corporation. Upon completion of the purchase price allocation in the fourth quarter of 2020, a contingent consideration earn-out provision of \$26 (U.S. \$20) was recognized, representing management's best estimate of growth in assets under management metrics defined in the Merger Agreement. The contingent consideration provision was increased by \$101 (U.S. \$80) in 2021 for a total contingent consideration provision of \$127 (U.S. \$100) at December 31, 2021. The increase in 2021 was due to growth in net new assets above the amount assumed at the date of acquisition.

The Merger Agreement allows for contingent consideration of up to \$226 (U.S. \$175) based on the achievement of growth in assets under management metrics, payable following measurements through December 31, 2021 and December 31, 2022. Changes in the fair value of the contingent consideration measured in accordance with the Merger Agreement subsequent to the completion of the purchase price allocation are recognized in operating and administrative expenses in the Consolidated Statements of Earnings. During the first quarter of 2022, the Company made its first payment of U.S. \$59 based on assets under management metrics achieved through December 31, 2021. The remaining contingent consideration provision is \$53 (U.S. \$41) at June 30, 2022.

(b) Acquisition of Prudential Retirement Services Business

On April 1, 2022, GWL&A completed the purchase, through a share purchase and a reinsurance transaction, of the full-service retirement business of Prudential Financial, Inc. (Prudential). The acquisition further solidifies the Company's position as a leader in the U.S. retirement market. The Company assumed the economics and risks associated with the business, while Prudential continues to retain the obligation to the contract holders of the reinsured portion. The Company acquired the business for \$4,350 (U.S. \$3,480) of total value which includes purchase consideration of \$2,744 (U.S. \$2,195) including the base purchase price, ceding commission and working capital adjustments and \$1,606 (U.S. \$1,285) of required capital to support the business. The assets acquired, liabilities assumed and purchase consideration paid are subject to future adjustments.

The transaction was funded with \$1,500 (U.S. \$1,193) of limited recourse capital notes and U.S. \$823 of short-term debt, in addition to existing resources. On March 30, 2022, Great-West Lifeco U.S. LLC, a subsidiary of the Company, established a 2-year U.S. \$500 non-revolving credit facility with interest on the drawn balance equal to a floating rate based on Adjusted Term Secured Overnight Financing Rate (SOFR). The facility is fully and unconditionally guaranteed by the Company. As at June 30, 2022, the \$645 (U.S. \$500) facility was fully drawn, along with \$416 (U.S. \$323) from an existing revolving credit facility, to finance a portion of the acquisition. The existing revolving credit facility incurs interest on the drawn balance equal to a floating rate based on Adjusted Term SOFR. On July 1, 2022, Great-West Lifeco U.S. LLC made a payment of U.S. \$150 on its revolving credit facility.

3. Business Acquisitions (cont'd)

The initial amounts assigned to the assets acquired, goodwill, intangible assets and liabilities assumed on April 1, 2022, and reported as at June 30, 2022 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	\$ 484
Bonds	36,288
Mortgage loans	8,029
Stocks	381
Goodwill	1,109
Intangible assets	735
Other assets	100
Premiums in the course of collection, accounts and interest receivable	268
Investments on account of segregated fund policyholders	79,455
Total assets acquired and goodwill	\$ 126,849
Liabilities assumed	
Insurance contract liabilities	\$ 43,571
Investment contract liabilities	690
Accounts payable	13
Other liabilities	376
Investment and insurance contracts on account of segregated fund policyholders	79,455
Total liabilities assumed	\$ 124,105

Accounting for the acquisition is not finalized, and there remains some measurement uncertainty on the acquisition and June 30, 2022 balances, pending completion of a comprehensive evaluation of the net assets acquired. The financial statements at June 30, 2022 reflect management's current best estimate of the purchase price allocation. The Company has identified and allocated provisional amounts for intangible assets within the purchase price allocation, net of \$13 (U.S. \$10) of amortization. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation will occur by the end of the first quarter of 2023.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$1,109 (U.S. \$887) as at June 30, 2022, will be adjusted in future periods.

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

During the three and six months ended June 30, 2022, the Company incurred acquisition expenses of \$67 (U.S. \$52) and \$69 (U.S. \$54) respectively, which are included within operating and administrative expenses in the Consolidated Statements of Earnings.

The Company completed the acquisition on April 1, 2022. From April 2, 2022 to June 30, 2022, Prudential contributed revenue of \$962 (U.S. \$751), net earnings of \$8 (U.S. \$6) and an other comprehensive loss of \$27 (U.S. \$21). These amounts are included in the Consolidated Statements of Earnings and Comprehensive Income for the three and six months ended June 30, 2022.

Supplemental pro-forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as of the beginning of the annual reporting period, has not been included as it is impracticable as Prudential had a different financial reporting basis than the Company.

3. Business Acquisitions (cont'd)

(c) Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life Group Limited (Irish Life), an indirect wholly-owned subsidiary of the Company, completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of \$332 (€230). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021, reported as at June 30, 2022 are as follows:

Assets acquired and goodwill

Cash and cash equivalents	\$	17
Bonds		333
Goodwill		21
Reinsurance assets		1,238
Premiums in the course of collection, accounts and interest receivable		89
Investments on account of segregated fund policyholders		2,844
Total assets acquired and goodwill	\$	4,542

Liabilities assumed

Insurance contract liabilities	\$	1,257
Investment contract liabilities		43
Other liabilities		66
Investment and insurance contracts on account of segregated fund policyholders		2,844
Total liabilities assumed	\$	4,210

As at June 30, 2022, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at June 30, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2022. As at June 30, 2022, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$21 (€15) on the date of acquisition, will be adjusted in future periods.

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

4. Restructuring and Integration Expenses

(a) Canada Restructuring

At June 30, 2022, the Company has a restructuring provision of \$39 remaining in other liabilities. The change in the restructuring provision for the Canada restructuring is set out below:

	June 30 2022	December 31 2021
Balance, beginning of year	\$ 56	\$ 86
Amounts used	(17)	(30)
Balance, end of period	\$ 39	\$ 56

The Company expects to pay out a significant portion of these amounts during the year.

(b) GWL&A Restructuring and Integration

The Company recorded integration expenses in the Consolidated Statements of Earnings of \$44 for the three months ended June 30, 2022 (\$15 for the three months ended June 30, 2021) and \$61 for the six months ended June 30, 2022 (\$31 for the six months ended June 30, 2021). The Company recorded restructuring expenses in the Consolidated Statements of Earnings of \$16 for the three and six months ended June 30, 2022 (nil for the three and six months ended June 30, 2021). The restructuring is primarily attributable to staff reductions and other exit costs related to the Company's acquisitions of the retirement services businesses of Massachusetts Mutual Life Insurance Company (MassMutual) and Prudential (note 3). At June 30, 2022, the Company has a restructuring provision of \$32 remaining in other liabilities. The change in the restructuring provision for the GWL&A restructuring is set out below:

	June 30 2022	December 31 2021
Balance, beginning of year	\$ 19	\$ 37
Restructuring expenses	16	10
Amounts used	(4)	(28)
Changes in foreign exchange rates	1	—
Balance, end of period	\$ 32	\$ 19

The Company expects to pay out a significant portion of these amounts during the year. The Company expects to incur further restructuring and integration expenses associated with the MassMutual and Prudential acquisitions during the year.

5. Portfolio Investments

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

	June 30, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss ¹	\$ 112,129	\$ 112,129	\$ 103,645	\$ 103,645
Classified fair value through profit or loss ¹	339	339	168	168
Available-for-sale	10,913	10,913	12,123	12,123
Loans and receivables	32,845	30,912	24,676	26,717
	156,226	154,293	140,612	142,653
Mortgage loans				
Residential				
Designated fair value through profit or loss ¹	2,544	2,544	2,609	2,609
Loans and receivables	11,886	11,262	9,580	9,860
	14,430	13,806	12,189	12,469
Commercial	23,355	22,105	16,663	17,189
	37,785	35,911	28,852	29,658
Stocks				
Designated fair value through profit or loss ¹	12,866	12,866	13,269	13,269
Available-for-sale	238	238	209	209
Available-for-sale, at cost ²	120	120	124	124
Equity method	612	556	581	633
	13,836	13,780	14,183	14,235
Investment properties	8,387	8,387	7,763	7,763
Total	\$ 216,234	\$ 212,371	\$ 191,410	\$ 194,309

¹ A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

² Fair value cannot be reliably measured, therefore the investments are held at cost.

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	June 30 2022	December 31 2021
Impaired amounts by classification		
Fair value through profit or loss	\$ 13	\$ 14
Available-for-sale	3	7
Loans and receivables	86	71
Total	\$ 102	\$ 92

The carrying amount of impaired investments includes \$16 bonds and \$86 mortgage loans at June 30, 2022 (\$18 bonds, \$71 mortgage loans and \$3 stocks at December 31, 2021). The above carrying values for loans and receivables are net of allowances of \$38 at June 30, 2022 and \$28 at December 31, 2021.

(c) Net investment income comprises the following:

For the three months ended June 30, 2022	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,537	\$ 311	\$ 103	\$ 112	\$ 199	\$ 2,262
Net realized gains (losses)						
Available-for-sale	(13)	—	14	—	—	1
Other classifications	(4)	2	—	—	2	—
Net allowances for credit losses on loans and receivables	—	(11)	—	—	—	(11)
Other income (expenses)	—	—	—	(37)	(62)	(99)
	1,520	302	117	75	139	2,153
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	(22)	—	—	—	—	(22)
Designated fair value through profit or loss	(9,232)	(304)	(1,242)	—	(471)	(11,249)
Recorded at fair value through profit or loss	—	—	—	92	—	92
	(9,254)	(304)	(1,242)	92	(471)	(11,179)
Total	\$ (7,734)	\$ (2)	\$ (1,125)	\$ 167	\$ (332)	\$ (9,026)

5. Portfolio Investments (cont'd)

For the three months ended June 30, 2021	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,094	\$ 227	\$ 84	\$ 101	\$ 177	\$ 1,683
Net realized gains						
Available-for-sale	1	—	—	—	—	1
Other classifications	1	20	6	—	7	34
Net allowances for credit losses on loans and receivables	—	(26)	—	—	—	(26)
Other income (expenses)	—	—	—	(32)	(49)	(81)
	<u>1,096</u>	<u>221</u>	<u>90</u>	<u>69</u>	<u>135</u>	<u>1,611</u>
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	2	—	—	—	—	2
Designated fair value through profit or loss	1,665	46	738	—	193	2,642
Recorded at fair value through profit or loss	—	—	—	149	—	149
	<u>1,667</u>	<u>46</u>	<u>738</u>	<u>149</u>	<u>193</u>	<u>2,793</u>
Total	\$ 2,763	\$ 267	\$ 828	\$ 218	\$ 328	\$ 4,404

For the six months ended June 30, 2022	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,623	\$ 543	\$ 190	\$ 221	\$ 399	\$ 3,976
Net realized gains (losses)						
Available-for-sale	(25)	—	23	—	—	(2)
Other classifications	(4)	10	—	—	(5)	1
Net allowances for credit losses on loans and receivables	—	(11)	—	—	—	(11)
Other income (expenses)	—	—	—	(76)	(114)	(190)
	<u>2,594</u>	<u>542</u>	<u>213</u>	<u>145</u>	<u>280</u>	<u>3,774</u>
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	(22)	—	—	—	—	(22)
Designated fair value through profit or loss	(17,578)	(528)	(866)	—	(1,052)	(20,024)
Recorded at fair value through profit or loss	—	—	—	412	—	412
	<u>(17,600)</u>	<u>(528)</u>	<u>(866)</u>	<u>412</u>	<u>(1,052)</u>	<u>(19,634)</u>
Total	\$ (15,006)	\$ 14	\$ (653)	\$ 557	\$ (772)	\$ (15,860)

5. Portfolio Investments (cont'd)

For the six months ended June 30, 2021	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,116	\$ 455	\$ 161	\$ 204	\$ 355	\$ 3,291
Net realized gains						
Available-for-sale	11	—	—	—	—	11
Other classifications	6	31	6	—	11	54
Net allowances for credit losses on loans and receivables						
	—	(32)	—	—	—	(32)
Other income (expenses)	—	—	—	(67)	(90)	(157)
	<u>2,133</u>	<u>454</u>	<u>167</u>	<u>137</u>	<u>276</u>	<u>3,167</u>
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss						
	(46)	—	—	—	—	(46)
Designated fair value through profit or loss						
	(3,978)	(88)	1,360	—	(224)	(2,930)
Recorded at fair value through profit or loss						
	—	—	—	218	—	218
	<u>(4,024)</u>	<u>(88)</u>	<u>1,360</u>	<u>218</u>	<u>(224)</u>	<u>(2,758)</u>
Total	<u>\$ (1,891)</u>	<u>\$ 366</u>	<u>\$ 1,527</u>	<u>\$ 355</u>	<u>\$ 52</u>	<u>\$ 409</u>

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc. 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 income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2021 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2021 consolidated annual audited financial statements.

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

(a) Credit Risk

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

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. No significant changes have occurred from the year ended December 31, 2021.

(b) Liquidity Risk

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

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

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument 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:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,

6. Financial Instruments Risk Management (cont'd)

- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

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

(i) Currency Risk

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

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

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

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk because the Company's sensitivity to interest rate movements varies at different terms.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

6. Financial Instruments Risk Management (cont'd)

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities. Actual movements in interest rates may produce different impacts on the value of liabilities, net of changes in the value of assets supporting liabilities, depending on the extent of the change in interest rates in different geographies and at different durations. An immediate 1% increase in interest rates in Canada could lead to an increase in the value of liabilities, net of changes in the value of assets supporting liabilities, and a decrease in net earnings, but the impact would not be expected to be material.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	June 30, 2022		December 31, 2021	
	1% increase	1% decrease ¹	1% increase	1% decrease ¹
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (150)	\$ 488	\$ (219)	\$ 678
Increase (decrease) in net earnings	\$ 128	\$ (382)	\$ 197	\$ (555)

¹ For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

(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 pricing 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. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

6. Financial Instruments Risk Management (cont'd)

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 insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	June 30, 2022				December 31, 2021			
	20% increase	10% increase	10% decrease	20% decrease	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (58)	\$ (38)	\$ 52	\$ 218	\$ (26)	\$ (16)	\$ 22	\$ 76
Increase (decrease) in net earnings	\$ 51	\$ 34	\$ (46)	\$ (180)	\$ 21	\$ 13	\$ (19)	\$ (66)

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 insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	June 30, 2022				December 31, 2021			
	10% increase	5% increase	5% decrease	10% decrease	10% increase	5% increase	5% decrease	10% decrease
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (97)	\$ (49)	\$ 34	\$ 135	\$ (92)	\$ (46)	\$ 38	\$ 144
Increase (decrease) in net earnings	\$ 83	\$ 42	\$ (28)	\$ (107)	\$ 79	\$ 39	\$ (30)	\$ (112)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best estimate return assumptions for publicly traded common stocks and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	June 30, 2022		December 31, 2021	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	\$ (698)	\$ 819	\$ (715)	\$ 829
Increase (decrease) in net earnings	\$ 551	\$ (640)	\$ 567	\$ (649)

6. *Financial Instruments Risk Management (cont'd)*

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. The Company hedges its exposure to the equity risk associated with its Performance Share Unit Plan through the use of total return swaps.

7. Fair Value Measurement

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

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

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

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

7. Fair Value Measurement (cont'd)

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	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 7,924	\$ —	\$ —	\$ 7,924
Financial assets at fair value through profit or loss				
Bonds	—	112,370	98	112,468
Mortgage loans	—	—	2,544	2,544
Stocks	10,607	11	2,248	12,866
Total financial assets at fair value through profit or loss	<u>10,607</u>	<u>112,381</u>	<u>4,890</u>	<u>127,878</u>
Available-for-sale financial assets				
Bonds	—	10,913	—	10,913
Stocks	7	23	208	238
Total available-for-sale financial assets	<u>7</u>	<u>10,936</u>	<u>208</u>	<u>11,151</u>
Investment properties	—	—	8,387	8,387
Funds held by ceding insurers	153	12,135	—	12,288
Derivatives ¹	4	1,592	—	1,596
Reinsurance assets	—	87	—	87
Other assets:				
Trading account assets	272	762	863	1,897
Other ²	49	180	—	229
Total assets measured at fair value	<u>\$ 19,016</u>	<u>\$ 138,073</u>	<u>\$ 14,348</u>	<u>\$ 171,437</u>
Liabilities measured at fair value				
Derivatives ³	\$ 1	\$ 1,538	\$ —	\$ 1,539
Investment contract liabilities	—	12,760	—	12,760
Other liabilities	49	180	—	229
Total liabilities measured at fair value	<u>\$ 50</u>	<u>\$ 14,478</u>	<u>\$ —</u>	<u>\$ 14,528</u>

¹ Excludes collateral received from counterparties of \$970.

² Includes collateral received under securities lending agreements.

³ Excludes collateral pledged to counterparties of \$781.

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

7. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,075	\$ —	\$ —	\$ 6,075
Financial assets at fair value through profit or loss				
Bonds	—	103,713	100	103,813
Mortgage loans	—	—	2,609	2,609
Stocks	11,577	12	1,680	13,269
Total financial assets at fair value through profit or loss	11,577	103,725	4,389	119,691
Available-for-sale financial assets				
Bonds	—	12,123	—	12,123
Stocks	4	1	204	209
Total available-for-sale financial assets	4	12,124	204	12,332
Investment properties	—	—	7,763	7,763
Funds held by ceding insurers	336	14,663	—	14,999
Derivatives ¹	1	966	—	967
Reinsurance assets	—	106	—	106
Other assets:				
Trading account assets	307	833	531	1,671
Other ²	76	93	—	169
Total assets measured at fair value	\$ 18,376	\$ 132,510	\$ 12,887	\$ 163,773
Liabilities measured at fair value				
Derivatives ³	\$ 3	\$ 1,027	\$ —	\$ 1,030
Investment contract liabilities	—	12,455	—	12,455
Other liabilities	76	93	—	169
Total liabilities measured at fair value	\$ 79	\$ 13,575	\$ —	\$ 13,654

¹ Excludes collateral received from counterparties of \$317.

² Includes collateral received under securities lending arrangements.

³ Excludes collateral pledged to counterparties of \$370.

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

7. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis which the Company classifies as Level 3 in the fair value hierarchy:

	June 30, 2022						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ³	Available- for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	\$ 100	\$ 2,609	\$ 1,680	\$ 204	\$ 7,763	\$ 531	\$ 12,887
Total gains (losses)							
Included in net earnings	(4)	(600)	94	23	412	(32)	(107)
Included in other comprehensive income ¹	(5)	(126)	4	(7)	(226)	6	(354)
Purchases	7	—	509	13	458	446	1,433
Issues	—	741	—	—	—	—	741
Sales	—	—	(39)	(25)	(5)	(38)	(107)
Settlements	—	(80)	—	—	—	—	(80)
Other	—	—	—	—	(15)	—	(15)
Transfers into Level 3 ²	—	—	—	—	—	—	—
Transfers out of Level 3 ²	—	—	—	—	—	(50)	(50)
Balance, end of period	\$ 98	\$ 2,544	\$ 2,248	\$ 208	\$ 8,387	\$ 863	\$ 14,348
Total gains (losses) for the period included in net investment income	\$ (4)	\$ (600)	\$ 94	\$ 23	\$ 412	\$ (32)	\$ (107)
Change in unrealized gains (losses) for the period included in earnings for assets held at June 30, 2022	\$ (4)	\$ (597)	\$ 94	\$ —	\$ 412	\$ (32)	\$ (127)

¹ Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and stocks, investment properties and trading account assets 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.

7. Fair Value Measurement (cont'd)

	December 31, 2021						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ⁴	Available- for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	\$ 73	\$ 2,020	\$ 1,374	\$ 16	\$ 6,270	\$ 58	\$ 9,811
Total gains (losses)							
Included in net earnings	4	(121)	164	7	615	16	685
Included in other comprehensive income ^{1,2}	(5)	(21)	—	117	(52)	—	39
Purchases	28	—	798	31	970	597	2,424
Issues	—	896	—	—	—	—	896
Sales	—	—	(199)	(7)	(40)	(140)	(386)
Settlements	—	(165)	—	—	—	—	(165)
Transfers into Level 3 ^{2,3}	—	—	—	40	—	—	40
Transfers out of Level 3 ^{3,5}	—	—	(457)	—	—	—	(457)
Balance, end of year	<u>\$ 100</u>	<u>\$ 2,609</u>	<u>\$ 1,680</u>	<u>\$ 204</u>	<u>\$ 7,763</u>	<u>\$ 531</u>	<u>\$ 12,887</u>
Total gains (losses) for the year included in net investment income	<u>\$ 4</u>	<u>\$ (121)</u>	<u>\$ 164</u>	<u>\$ 7</u>	<u>\$ 615</u>	<u>\$ 16</u>	<u>\$ 685</u>
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2021	<u>\$ 4</u>	<u>\$ (115)</u>	<u>\$ 161</u>	<u>\$ —</u>	<u>\$ 621</u>	<u>\$ 16</u>	<u>\$ 687</u>

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

² During 2021, certain stocks previously classified as available-for-sale, at cost were remeasured at a fair value of \$147, are now classified as available-for-sale, and have been transferred into Level 3 as reliable measure of fair value was identified during the period. The carrying value of \$40 was transferred into Level 3 and the difference between the carrying value and fair value of \$107 was recognized as an unrealized gain on available-for-sale assets with an income tax expense of \$15 in the Consolidated Statements of Comprehensive Income.

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

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

⁵ On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, the Company's investment in these funds with a fair value of \$457 was transferred on April 19, 2021 from Level 3 to Level 1.

7. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at period-end in measuring assets 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 3.3% - 11.6%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 3.5% - 10.0%	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 1.9%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long term care of the loanholders.	Discount rate	Range of 4.6% - 6.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance and Investment Contract Liabilities

	June 30, 2022		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 231,522	\$ 17,576	\$ 213,946
Investment contract liabilities	12,760	87	12,673
Total	\$ 244,282	\$ 17,663	\$ 226,619
	December 31, 2021		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 208,378	\$ 21,032	\$ 187,346
Investment contract liabilities	12,455	106	12,349
Total	\$ 220,833	\$ 21,138	\$ 199,695

9. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	June 30 2022	December 31 2021
Cash and cash equivalents	\$ 14,738	\$ 12,500
Bonds	66,652	60,647
Mortgage loans	2,202	2,377
Stocks and units in unit trusts	110,964	134,568
Mutual funds	162,330	133,916
Investment properties	13,122	12,776
	<u>370,008</u>	<u>356,784</u>
Accrued income	590	442
Other liabilities	(2,746)	(2,932)
Non-controlling mutual funds interest	3,652	3,125
Total ¹	<u>\$ 371,504</u>	<u>\$ 357,419</u>

¹ At June 30, 2022, \$65,394 of investments on account of segregated fund policyholders are reinsured by the Company on a modified coinsurance basis (\$83,754 at December 31, 2021). Included in this amount are \$131 of cash and cash equivalents, \$12,665 of bonds, \$15 of stocks and units in unit trusts, \$52,523 of mutual funds, \$89 of accrued income and \$(29) of other liabilities.

(b) Investment and insurance contracts on account of segregated fund policyholders

	For the six months ended June 30	
	2022	2021
Balance, beginning of year	\$ 357,419	\$ 334,032
Additions (deductions):		
Policyholder deposits	15,120	14,587
Net investment income	1,258	966
Net realized capital gains on investments	2,826	7,548
Net unrealized capital gains (losses) on investments	(61,881)	13,668
Unrealized losses due to changes in foreign exchange rates	(5,109)	(8,070)
Policyholder withdrawals	(18,169)	(20,124)
Business acquisition ¹	79,455	—
Change in Segregated Fund investment in General Fund	63	(54)
Change in General Fund investment in Segregated Fund	(14)	(14)
Net transfer from General Fund	9	16
Non-controlling mutual funds interest	527	1,124
Total	<u>14,085</u>	<u>9,647</u>
Balance, end of period	<u>\$ 371,504</u>	<u>\$ 343,679</u>

¹ Investment and insurance contracts on account of segregated fund policyholders acquired through the Prudential acquisition (note 3).

9. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 7)

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ¹	\$ 258,953	\$ 102,539	\$ 14,054	\$ 375,546

¹ Excludes other liabilities, net of other assets, of \$4,042.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ¹	\$ 249,543	\$ 96,575	\$ 13,822	\$ 359,940

¹ Excludes other liabilities, net of other assets, of \$2,521.

During the first six months of 2022, certain foreign stock holdings valued at \$620 have been transferred from Level 2 to Level 1 (\$2,137 were transferred from Level 2 to Level 1 during the year ended December 31, 2021) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

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

	June 30 2022	December 31 2021
Balance, beginning of year	\$ 13,822	\$ 13,556
Total gains included in segregated fund investment income	5	415
Purchases	355	333
Sales	(128)	(482)
Transfers into Level 3	—	5
Transfers out of Level 3	—	(5)
Balance, end of period	\$ 14,054	\$ 13,822

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.

10. Share Capital

Common Shares

	For the six months ended June 30			
	2022		2021	
	Number	Carrying value	Number	Carrying value
Common shares				
Balance, beginning of year	930,620,338	\$ 5,748	927,853,106	\$ 5,651
Exercised and issued under stock option plan	1,156,072	40	1,791,000	62
Balance, end of period	931,776,410	\$ 5,788	929,644,106	\$ 5,713

During the six months ended June 30, 2022, 1,156,072 common shares were exercised under the Company's stock plan with a carrying value of \$40, including \$4 from contributed surplus transferred upon exercise (1,791,000 with a carrying value of \$62, including \$8 from contributed surplus transferred upon exercise during the six months ended June 30, 2021).

On January 25, 2022, the Company announced the renewal of its normal course issuer bid (NCIB) commencing January 27, 2022 and terminating January 26, 2023 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the six months ended June 30, 2022, the Company did not purchase any common shares under the current NCIB (nil during the six months ended June 30, 2021 under the previous NCIB).

11. Earnings per Common Share

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
	Earnings			
Net earnings	\$ 768	\$ 817	\$ 1,570	\$ 1,557
Preferred share dividends	(33)	(33)	(65)	(66)
Net earnings - common shareholders	\$ 735	\$ 784	\$ 1,505	\$ 1,491
Number of common shares				
Average number of common shares outstanding	931,775,201	929,067,870	931,547,619	928,603,750
Add: Potential exercise of outstanding stock options	693,769	1,608,286	1,319,106	865,344
Average number of common shares outstanding - diluted basis	932,468,970	930,676,156	932,866,725	929,469,094
Basic earnings per common share	\$ 0.789	\$ 0.844	\$ 1.616	\$ 1.605
Diluted earnings per common share	\$ 0.788	\$ 0.842	\$ 1.613	\$ 1.604
Dividends per common share	\$ 0.490	\$ 0.438	\$ 0.980	\$ 0.876

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

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.

12. Capital Management (cont'd)

(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 ratios for Canada Life:

	June 30 2022	December 31 2021
Tier 1 Capital	\$ 11,991	\$ 12,584
Tier 2 Capital	4,554	4,417
Total Available Capital	16,545	17,001
Surplus Allowance & Eligible Deposits	10,626	13,225
Total Capital Resources	\$ 27,171	\$ 30,226
Required Capital	\$ 23,285	\$ 24,323
Total LICAT Ratio (OSFI Supervisory Target = 100%)¹	117 %	124 %

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

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

13. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Pension plans				
Service costs	\$ 68	\$ 67	\$ 137	\$ 138
Net interest costs	1	5	2	11
Curtailments	(1)	(1)	(1)	—
	68	71	138	149
Other post-employment benefits				
Service costs	—	1	1	2
Net interest costs	3	3	6	5
	3	4	7	7
Pension plans and other post-employment benefits (income) expense - Consolidated Statements of Earnings	71	75	145	156
Pension plans - re-measurements (gain) loss				
Actuarial (gain) loss	(1,164)	190	(2,009)	(498)
Return on assets (greater) less than assumed	868	(229)	1,335	(148)
Change in the asset ceiling	181	(1)	192	11
Pension plans re-measurement (gain) loss	(115)	(40)	(482)	(635)
Other post-employment benefits - re-measurements				
Actuarial (gain) loss	(35)	7	(80)	(29)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	(150)	(33)	(562)	(664)
Total pension plans and other post-employment benefits (income) expense including re-measurements	\$ (79)	\$ 42	\$ (417)	\$ (508)

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

	June 30		December 31	
	2022	2021	2021	2020
Weighted average discount rate	4.7 %	2.7 %	2.6 %	2.2 %

14. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Current income taxes	\$ 107	\$ (163)	\$ 238	\$ (67)
Deferred income taxes	(56)	269	(135)	230
Total income tax expense	\$ 51	\$ 106	\$ 103	\$ 163

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.50% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended June 30, 2022 was 6.3% compared to 9.5% for the three months ended June 30, 2021. The effective income tax rate for the three months ended June 30, 2022 was lower than the effective income tax rate for the three months ended June 30, 2021 primarily due to jurisdictional mix of earnings and the impact of the revaluation of deferred tax liabilities in the U.K. in the second quarter of 2021. This impact was partially offset by lower non-taxable investment income.

The overall effective income tax rate for the six months ended June 30, 2022 was 6.1% compared to 8.4% for the six months ended June 30, 2021. The effective income tax rate for the six months ended June 30, 2022 was lower than the effective income tax rate for the six months ended June 30, 2021 primarily due to jurisdictional mix of earnings.

The effective income tax rate for the shareholder account for the three months ended June 30, 2022 was 7.5% compared to 12.1% for the three months ended June 30, 2021.

The effective income tax rate for the shareholder account for the six months ended June 30, 2022 was 8.4% compared to 10.9% for the six months ended June 30, 2021.

15. Segmented Information

(a) Consolidated Net Earnings

For the three months ended June 30, 2022

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,507	\$ 3,162	\$ 880	\$ 8,756	\$ —	\$ 16,305
Net investment income						
Regular net investment income	797	850	421	65	20	2,153
Changes in fair value through profit or loss	(4,288)	(3,576)	(2,682)	(638)	5	(11,179)
Total net investment income (loss)	(3,491)	(2,726)	(2,261)	(573)	25	(9,026)
Fee and other income	498	1,071	340	—	—	1,909
	<u>514</u>	<u>1,507</u>	<u>(1,041)</u>	<u>8,183</u>	<u>25</u>	<u>9,188</u>
Benefits and expenses						
Paid or credited to policyholders	(854)	175	(1,753)	7,938	—	5,506
Other ¹	943	1,189	422	62	5	2,621
Financing charges	34	54	5	2	1	96
Amortization of finite life intangible assets	27	54	13	—	—	94
Restructuring and integration expenses	—	60	—	—	—	60
Earnings (loss) before income taxes	<u>364</u>	<u>(25)</u>	<u>272</u>	<u>181</u>	<u>19</u>	<u>811</u>
Income taxes	60	(43)	21	8	5	51
Net earnings before non-controlling interests	<u>304</u>	<u>18</u>	<u>251</u>	<u>173</u>	<u>14</u>	<u>760</u>
Non-controlling interests	(4)	(4)	—	—	—	(8)
Net earnings	<u>308</u>	<u>22</u>	<u>251</u>	<u>173</u>	<u>14</u>	<u>768</u>
Preferred share dividends	28	—	5	—	—	33
Net earnings before capital allocation	<u>280</u>	<u>22</u>	<u>246</u>	<u>173</u>	<u>14</u>	<u>735</u>
Impact of capital allocation	21	7	(17)	(6)	(5)	—
Net earnings - common shareholders	<u>\$ 301</u>	<u>\$ 29</u>	<u>\$ 229</u>	<u>\$ 167</u>	<u>\$ 9</u>	<u>\$ 735</u>

¹ Includes commissions, operating and administrative expenses, and premium taxes.

15. Segmented Information (cont'd)

For the three months ended June 30, 2021

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,290	\$ 1,245	\$ 934	\$ 6,282	\$ —	\$ 11,751
Net investment income						
Regular net investment income	703	481	360	71	(4)	1,611
Changes in fair value through profit or loss	1,518	822	314	138	1	2,793
Total net investment income (loss)	2,221	1,303	674	209	(3)	4,404
Fee and other income	492	960	346	2	—	1,800
	<u>6,003</u>	<u>3,508</u>	<u>1,954</u>	<u>6,493</u>	<u>(3)</u>	<u>17,955</u>
Benefits and expenses						
Paid or credited to policyholders	4,489	2,353	1,204	6,275	—	14,321
Other ¹	936	873	446	55	25	2,335
Financing charges	34	34	6	2	1	77
Amortization of finite life intangible assets	30	42	14	—	—	86
Restructuring and integration expenses	—	21	—	—	—	21
Earnings (loss) before income taxes	514	185	284	161	(29)	1,115
Income taxes	30	39	75	3	(41)	106
Net earnings before non-controlling interests	484	146	209	158	12	1,009
Non-controlling interests	195	(4)	1	—	—	192
Net earnings	289	150	208	158	12	817
Preferred share dividends	28	—	5	—	—	33
Net earnings before capital allocation	261	150	203	158	12	784
Impact of capital allocation	27	—	(18)	(6)	(3)	—
Net earnings - common shareholders	<u>\$ 288</u>	<u>\$ 150</u>	<u>\$ 185</u>	<u>\$ 152</u>	<u>\$ 9</u>	<u>\$ 784</u>

¹ Includes commissions, operating and administrative expenses, and premium taxes.

15. Segmented Information (cont'd)

For the six months ended June 30, 2022

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	\$ 6,924	\$ 5,213	\$ 2,151	\$ 16,068	\$ —	\$ 30,356
Net investment income						
Regular net investment income	1,555	1,304	768	117	30	3,774
Changes in fair value through profit or loss	(7,480)	(6,382)	(4,549)	(1,230)	7	(19,634)
Total net investment income (loss)	(5,925)	(5,078)	(3,781)	(1,113)	37	(15,860)
Fee and other income	1,006	2,020	694	2	—	3,722
	<u>2,005</u>	<u>2,155</u>	<u>(936)</u>	<u>14,957</u>	<u>37</u>	<u>18,218</u>
Benefits and expenses						
Paid or credited to policyholders	(717)	(311)	(2,376)	14,466	—	11,062
Other ¹	1,905	2,111	874	125	7	5,022
Financing charges	68	102	11	4	1	186
Amortization of finite life intangible assets	54	100	25	—	—	179
Restructuring and integration expenses	—	77	—	—	—	77
Earnings before income taxes	695	76	530	362	29	1,692
Income taxes	82	(39)	38	14	8	103
Net earnings before non-controlling interests	613	115	492	348	21	1,589
Non-controlling interests	23	(5)	1	—	—	19
Net earnings	590	120	491	348	21	1,570
Preferred share dividends	56	—	9	—	—	65
Net earnings before capital allocation	534	120	482	348	21	1,505
Impact of capital allocation	42	14	(34)	(12)	(10)	—
Net earnings - common shareholders	\$ 576	\$ 134	\$ 448	\$ 336	\$ 11	\$ 1,505

¹ Includes commissions, operating and administrative expenses, and premium taxes.

15. Segmented Information (cont'd)

For the six months ended June 30, 2021

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	\$ 6,486	\$ 2,791	\$ 1,878	\$ 13,748	\$ —	\$ 24,903
Net investment income						
Regular net investment income	1,416	964	659	136	(8)	3,167
Changes in fair value through profit or loss	(730)	(402)	(1,380)	(249)	3	(2,758)
Total net investment income (loss)	686	562	(721)	(113)	(5)	409
Fee and other income	961	1,887	699	4	—	3,551
	<u>8,133</u>	<u>5,240</u>	<u>1,856</u>	<u>13,639</u>	<u>(5)</u>	<u>28,863</u>
Benefits and expenses						
Paid or credited to policyholders	5,294	2,992	414	13,207	—	21,907
Other ¹	1,858	1,760	890	114	30	4,652
Financing charges	67	71	12	4	2	156
Amortization of finite life intangible assets	53	85	27	—	—	165
Restructuring and integration expenses	—	37	—	—	—	37
Earnings (loss) before income taxes	861	295	513	314	(37)	1,946
Income taxes	63	53	86	4	(43)	163
Net earnings before non-controlling interests	798	242	427	310	6	1,783
Non-controlling interests	221	3	2	—	—	226
Net earnings	577	239	425	310	6	1,557
Preferred share dividends	57	—	9	—	—	66
Net earnings before capital allocation	520	239	416	310	6	1,491
Impact of capital allocation	55	—	(36)	(13)	(6)	—
Net earnings - common shareholders	<u>\$ 575</u>	<u>\$ 239</u>	<u>\$ 380</u>	<u>\$ 297</u>	<u>\$ —</u>	<u>\$ 1,491</u>

¹ Includes commissions, operating and administrative expenses, and premium taxes.

15. Segmented Information (cont'd)

Income by source currency for Capital and Risk Solutions:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Income				
United States	\$ 7,741	\$ 5,458	\$ 13,922	\$ 10,470
United Kingdom	67	458	179	615
Japan ¹	(224)	7	(333)	1,453
Other	599	570	1,189	1,101
Total income	\$ 8,183	\$ 6,493	\$ 14,957	\$ 13,639

¹ The negative income in the Japanese currency in 2022 is primarily due to unrealized fair value losses through profit or loss on Japanese bonds, which are largely offset through changes in insurance contract liabilities.

(b) Consolidated Total Assets and Liabilities

	June 30, 2022				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 86,870	\$ 97,516	\$ 40,459	\$ 7,809	\$ 232,654
Goodwill and intangible assets	5,742	7,789	2,954	—	16,485
Other assets	4,684	28,169	8,991	7,818	49,662
Investments on account of segregated fund policyholders	90,741	163,845	116,918	—	371,504
Total	\$ 188,037	\$ 297,319	\$ 169,322	\$ 15,627	\$ 670,305
Liabilities					
Insurance and investment contract liabilities	\$ 79,185	\$ 114,128	\$ 38,866	\$ 12,103	\$ 244,282
Other liabilities	7,551	11,425	3,894	1,099	23,969
Investment and insurance contracts on account of segregated fund policyholders	90,741	163,845	116,918	—	371,504
Total	\$ 177,477	\$ 289,398	\$ 159,678	\$ 13,202	\$ 639,755

15. Segmented Information (cont'd)

	December 31, 2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 92,400	\$ 55,376	\$ 48,669	\$ 9,359	\$ 205,804
Goodwill and intangible assets	5,722	5,826	3,047	—	14,595
Other assets	4,323	30,090	10,220	8,037	52,670
Investments on account of segregated fund policyholders	101,537	116,919	138,963	—	357,419
Total	\$ 203,982	\$ 208,211	\$ 200,899	\$ 17,396	\$ 630,488
Liabilities					
Insurance and investment contract liabilities	\$ 84,829	\$ 74,632	\$ 47,356	\$ 14,016	\$ 220,833
Other liabilities	7,752	8,800	4,309	892	21,753
Investment and insurance contracts on account of segregated fund policyholders	101,537	116,919	138,963	—	357,419
Total	\$ 194,118	\$ 200,351	\$ 190,628	\$ 14,908	\$ 600,005

Assets by source currency for Capital and Risk Solutions:

	June 30 2022	December 31 2021
Assets		
United Kingdom	\$ 5,079	\$ 6,507
United States	6,387	5,902
Japan	3,283	4,102
Other	878	885
Total assets	\$ 15,627	\$ 17,396

IGM Financial Inc.

PART C

Management's Discussion and Analysis

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Financial Statements and Notes

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Please note that the bottom of each page in Part C contains two different page numbers. A page number with the prefix "C" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by IGM Financial Inc.

The attached documents concerning IGM Financial Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Forward-Looking Statements. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three and six months ended June 30, 2022 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements) as well as the 2021 IGM Financial Inc. Annual Report and the 2022 IGM Financial Inc. First Quarter Report to Shareholders filed on www.sedar.com. Commentary in the MD&A as at and for the three and six months ended June 30, 2022 is as of August 4, 2022.

Basis of Presentation and Summary of Accounting Policies

The Interim Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IFRS) and are presented in Canadian dollars (Note 2 of the Interim Financial Statements).

Forward-looking Statements

Certain statements in this report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided to assist the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and

results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Non-IFRS Financial Measures and Other Financial Measures

This report contains Non-IFRS financial measures and non-IFRS ratios that do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies. These measures and ratios are used to provide management, investors and investment analysts with additional measures to assess earnings performance.

Non-IFRS financial measures include, but are not limited to, "Adjusted net earnings available to common shareholders", "adjusted net earnings", "adjusted earnings before income taxes", "adjusted earnings before interest and taxes" (Adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions). These measures exclude other items which are items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful. EBITDA before sales commissions excludes all sales commissions. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows.

Non-IFRS ratios include the following:

Ratio	Numerator	Denominator
Adjusted earnings per share (Adjusted EPS)	Adjusted net earnings available to common shareholders	Average number of outstanding common shares on a diluted basis
Return (Adjusted return) on equity (ROE, Adjusted ROE)	Net earnings (Adjusted net earnings) available to common shareholders	Average shareholders' equity excluding non-controlling interest
ROE (Adjusted ROE) excluding the impact of fair value through other comprehensive income investments	Net earnings (Adjusted net earnings) available to common shareholders	Average shareholders' equity excluding non-controlling interest and the impact of fair value through other comprehensive income investments net of tax

Refer to the appropriate reconciliations of non-IFRS financial measures, including as components of non-IFRS ratios, to reported results in accordance with IFRS in Tables 1 to 4.

This report also contains other financial measures which include:

- **Assets under Management and Advisement (AUM&A)** represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM Financial's operating companies.
- **Assets under Advisement (AUA)** are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.
- **Assets under Management (AUM)** are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.
- **Working Capital** which consists of current assets less current liabilities.

IGM Financial Inc.

Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management (IG) and asset manager Mackenzie Investments (Mackenzie). The Company also operates through wealth manager Investment Planning Counsel (IPC) and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

IGM Financial's assets under management and advisement were \$242.1 billion as at June 30, 2022, compared with \$262.0 billion at June 30, 2021 and \$277.1 billion at December 31, 2021, as detailed in Table 6 and 7. Average total assets under management and advisement for the second quarter of 2022 were \$255.3 billion compared to \$255.4 billion in the second quarter of 2021. Average total assets under management and advisement for the six months ended June 30, 2022 were \$262.3 billion compared to \$249.7 billion for the six months ended June 30, 2021.

Total assets under management were \$213.1 billion at June 30, 2022, compared with \$233.6 billion at June 30, 2021 and \$245.3 billion at December 31, 2021. Average total assets under management for the second quarter of 2022 were \$225.2 billion compared to \$227.8 billion in the second quarter of 2021. Average total assets under management for the six months ended June 30, 2022 were \$231.7 billion compared to \$222.8 billion for the comparative period in 2021.

Net earnings available to common shareholders for the three months ended June 30, 2022 were \$207.1 million or \$0.87 per share compared with net earnings available to common shareholders of \$237.4 million or \$0.99 per share for the comparative period in 2021, representing a decrease of 12.1% in earnings per share. Net earnings available to common shareholders for the six months ended June 30, 2022 were \$426.4 million or \$1.78 per share compared to net earnings available to common shareholders of \$439.6 million or \$1.84 per share for the comparative period in 2021, representing a decrease of 3.3% in earnings per share.

Shareholders' equity was \$6.0 billion as at June 30, 2022, compared to \$6.5 billion at December 31, 2021. ROE (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the six months ended June 30, 2022 was 13.6% compared with 15.5% for the comparative period in 2021. ROE excluding the impact of fair value through other comprehensive income investments (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the six months ended June 30, 2022 was 15.2% compared with 17.9% for the comparative period in 2021. The quarterly dividend per common share declared in the second quarter of 2022 was 56.25 cents, unchanged from the first quarter of 2022.

China Asset Management Co., Ltd. (ChinaAMC)

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM Financial will sell 15,200,662 common shares of Lifeco to Power for cash consideration of \$575 million, which will reduce the Company's equity interest in Lifeco from 4% to 2.4%. These transactions are expected to close in 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco shares is conditional on IGM Financial's purchase of the ChinaAMC shares.

Benefits of the ChinaAMC acquisition include:

- Enhancing participation in the rapidly growing Chinese asset management industry, through a meaningful ownership position in one of the leading asset managers in China.
- Reinforcing relationships and business opportunities between Mackenzie and ChinaAMC as Mackenzie builds global, fully diversified and differentiated solutions for its clients and strengthens distribution opportunities in China.
- Simplifying the IGM Financial and Power organization structure by consolidating the ChinaAMC ownership position at Mackenzie.
- Providing a financially attractive outcome that is expected to be accretive to IGM Financial's earnings in the first year of increased ownership.

Market Overview

Following an extended period of strong financial market returns that began during the second quarter of 2020, negative returns during the first and second quarters of 2022 were reflective of the current volatility in global markets:

- The S&P TSX Composite total return index increased by 3.8% in the first quarter of 2022 and decreased by 13.2% in the second quarter.
- U.S. equity markets, as measured by the S&P 500 total return index, decreased by 4.6% in the first quarter of 2022 and by 16.1% in the second quarter.
- European equity markets, as measured by the MSCI Europe net total return index, decreased by 5.3% in the first quarter of 2022 and 9.0% in the second quarter.
- Asian equity markets, as measured by the MSCI AC Asia Pacific net total return index, decreased by 6.0% in the first quarter of 2022 and 11.9% in the second quarter.
- The FTSE TMX Canada Universe Bond total return Index decreased by 7.0% in the first quarter of 2022 and 5.7% in the second quarter as interest rates increased.
- Our clients experienced average investment returns of -4.6% in the first quarter of 2022 and -9.7% in the second quarter.

IGM Financial's assets under management and advisement decreased by 12.6% from \$277.1 billion at December 31, 2021 to \$242.1 billion at June 30, 2022. See Table 29 for the composition of IGM Financial's assets under management by asset class.

Reportable Segments

The Company's reportable segments are Wealth Management, Asset Management and Strategic Investments & Other and reflect the Company's internal financial reporting and performance measurement (Tables 2, 3 and 4):

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations that serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors.

Table 1: Reconciliation of Non-IFRS Financial Measures

	Three months ended			Six months ended	
	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30
(\$ millions except EPS)					
Net earnings available to common shareholders	\$ 207.1	\$ 219.3	\$ 237.4	\$ 426.4	\$ 439.6
Net earnings per share⁽¹⁾ available to common shareholders	\$ 0.87	\$ 0.91	\$ 0.99	\$ 1.78	\$ 1.84
Average outstanding shares – Diluted (thousands)	239,242	241,251	239,821	240,215	239,048
EBITDA before sales commissions⁽²⁾	\$ 343.5	\$ 360.0	\$ 379.7	\$ 703.5	\$ 712.9
Sales-based commissions paid	(33.5)	(49.5)	(42.7)	(83.0)	(89.8)
EBITDA after sales commissions⁽²⁾	310.0	310.5	337.0	620.5	623.1
Sales-based commissions paid subject to amortization	31.2	44.5	37.7	75.7	77.9
Amortization of capitalized sales commissions	(18.9)	(17.7)	(13.6)	(36.6)	(25.7)
Amortization of capital, intangible and other assets	(26.1)	(25.3)	(25.5)	(51.4)	(49.5)
Adjusted earnings before interest and income taxes⁽²⁾	296.2	312.0	335.6	608.2	625.8
Interest expense ⁽³⁾	28.4	28.1	28.5	56.5	56.6
Adjusted earnings before income taxes⁽²⁾	267.8	283.9	307.1	551.7	569.2
Income taxes	59.4	63.8	69.3	123.2	129.0
Net earnings	\$ 208.4	\$ 220.1	\$ 237.8	\$ 428.5	\$ 440.2

(1) Diluted earnings per share.

(2) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

(3) Interest expense includes interest on long-term debt and leases.

Table 2: Consolidated Operating Results by Segment – Q2 2022 vs. Q2 2021

Three months ended (\$ millions)	Wealth Management		Asset Management		Strategic Investments & Other		Intersegment Eliminations		Total	
	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30
Revenues										
Wealth management	\$ 615.8	\$ 632.4	\$ -	\$ -	\$ -	\$ -	\$ (4.7)	\$ (4.8)	\$ 611.1	\$ 627.6
Asset management	-	-	269.7	276.3	-	-	(28.1)	(28.0)	241.6	248.3
Dealer compensation expense	-	-	(82.1)	(87.4)	-	-	4.7	4.7	(77.4)	(82.7)
Net asset management	-	-	187.6	188.9	-	-	(23.4)	(23.3)	164.2	165.6
Net investment income and other	(1.3)	0.6	(1.1)	1.1	1.8	0.8	-	-	(0.6)	2.5
Proportionate share of associates' earnings	-	-	-	-	50.0	48.2	-	-	50.0	48.2
	614.5	633.0	186.5	190.0	51.8	49.0	(28.1)	(28.1)	824.7	843.9
Expenses										
Advisory and business development	282.3	266.0	21.5	25.1	-	-	-	-	303.8	291.1
Operations and support	116.0	115.0	88.4	80.5	2.0	1.3	-	-	206.4	196.8
Sub-advisory	45.2	46.5	1.2	1.9	-	-	(28.1)	(28.0)	18.3	20.4
	443.5	427.5	111.1	107.5	2.0	1.3	(28.1)	(28.0)	528.5	508.3
Adjusted earnings before interest and taxes ⁽¹⁾										
	171.0	205.5	75.4	82.5	49.8	47.7	-	(0.1)	296.2	335.6
Interest expense ⁽²⁾	22.5	22.5	5.9	6.0	-	-	-	-	28.4	28.5
Adjusted earnings before income taxes ⁽¹⁾										
	148.5	183.0	69.5	76.5	49.8	47.7	-	(0.1)	267.8	307.1
Income taxes	39.7	48.7	18.2	20.0	1.3	0.7	0.2	(0.1)	59.4	69.3
Adjusted net earnings ⁽¹⁾										
	108.8	134.3	51.3	56.5	48.5	47.0	(0.2)	-	208.4	237.8
Non-controlling interest	-	-	-	-	1.3	0.4	-	-	1.3	0.4
Adjusted net earnings available to common shareholders ⁽¹⁾										
	\$ 108.8	\$ 134.3	\$ 51.3	\$ 56.5	\$ 47.2	\$ 46.6	\$ (0.2)	\$ -	\$ 207.1	\$ 237.4
Other items ⁽¹⁾ , net of tax										
									-	-
Net earnings available to common shareholders										
									\$ 207.1	\$ 237.4

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

(2) Interest expense includes interest on long-term debt and leases.

• **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portage Ventures LPs, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

Assets under Management and Advisement (AUM&A) represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or

distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM Financial's operating companies.

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where

Table 3: Consolidated Operating Results by Segment – Six Months Ended

Six months ended (\$ millions)	Wealth Management		Asset Management		Strategic Investments & Other		Intersegment Eliminations		Total	
	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30
Revenues										
Wealth management	\$ 1,261.9	\$ 1,240.4	\$ -	\$ -	\$ -	\$ -	\$ (9.6)	\$ (9.3)	\$ 1,252.3	\$ 1,231.1
Asset management	-	-	554.5	536.2	-	-	(57.1)	(54.9)	497.4	481.3
Dealer compensation expense	-	-	(173.2)	(172.7)	-	-	9.6	9.3	(163.6)	(163.4)
Net asset management	-	-	381.3	363.5	-	-	(47.5)	(45.6)	333.8	317.9
Net investment income and other	(1.3)	2.4	(3.7)	2.3	2.5	1.0	(0.1)	(0.1)	(2.6)	5.6
Proportionate share of associates' earnings	-	-	-	-	98.4	89.8	-	-	98.4	89.8
	1,260.6	1,242.8	377.6	365.8	100.9	90.8	(57.2)	(55.0)	1,681.9	1,644.4
Expenses										
Advisory and business development	571.2	529.7	41.7	45.4	-	-	-	-	612.9	575.1
Operations and support	237.1	237.0	181.5	164.0	3.4	2.4	(0.1)	(0.1)	421.9	403.3
Sub-advisory	93.3	91.5	2.7	3.6	-	-	(57.1)	(54.9)	38.9	40.2
	901.6	858.2	225.9	213.0	3.4	2.4	(57.2)	(55.0)	1,073.7	1,018.6
Adjusted earnings before interest and taxes⁽¹⁾	359.0	384.6	151.7	152.8	97.5	88.4	-	-	608.2	625.8
Interest expense ⁽²⁾	44.8	44.8	11.7	11.8	-	-	-	-	56.5	56.6
Adjusted earnings before income taxes ⁽¹⁾	314.2	339.8	140.0	141.0	97.5	88.4	-	-	551.7	569.2
Income taxes	84.0	90.7	36.6	36.5	2.4	1.8	0.2	-	123.2	129.0
Adjusted net earnings⁽¹⁾	230.2	249.1	103.4	104.5	95.1	86.6	(0.2)	-	428.5	440.2
Non-controlling interest	-	-	-	-	2.1	0.6	-	-	2.1	0.6
Adjusted net earnings available to common shareholders⁽¹⁾	\$ 230.2	\$ 249.1	\$ 103.4	\$ 104.5	\$ 93.0	\$ 86.0	\$ (0.2)	\$ -	\$ 426.4	\$ 439.6
Other items⁽¹⁾, net of tax									-	-
Net earnings available to common shareholders									\$ 426.4	\$ 439.6

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

(2) Interest expense includes interest on long-term debt and leases.

we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

Financial Presentation

The financial presentation includes revenues and expenses to align with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The categories are as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and

related administration fees, distribution revenue associated with insurance and banking products and services, and revenue relating to mortgage lending activities.

- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment and wholesale distribution activities

Table 4: Consolidated Operating Results by Segment – Q2 2022 vs. Q1 2022

Three months ended (\$ millions)	Wealth Management		Asset Management		Strategic Investments & Other		Intersegment Eliminations		Total	
	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022
	Jun. 30	Mar. 31	Jun. 30	Mar. 31	Jun. 30	Mar. 31	Jun. 30	Mar. 31	Jun. 30	Mar. 31
Revenues										
Wealth management	\$ 615.8	\$ 646.1	\$ -	\$ -	\$ -	\$ -	\$ (4.7)	\$ (4.9)	\$ 611.1	\$ 641.2
Asset management	-	-	269.7	284.8	-	-	(28.1)	(29.0)	241.6	255.8
Dealer compensation expense	-	-	(82.1)	(91.1)	-	-	4.7	4.9	(77.4)	(86.2)
Net asset management	-	-	187.6	193.7	-	-	(23.4)	(24.1)	164.2	169.6
Net investment income and other	(1.3)	-	(1.1)	(2.6)	1.8	0.7	-	(0.1)	(0.6)	(2.0)
Proportionate share of associates' earnings	-	-	-	-	50.0	48.4	-	-	50.0	48.4
	614.5	646.1	186.5	191.1	51.8	49.1	(28.1)	(29.1)	824.7	857.2
Expenses										
Advisory and business development	282.3	288.9	21.5	20.2	-	-	-	-	303.8	309.1
Operations and support	116.0	121.1	88.4	93.1	2.0	1.4	-	(0.1)	206.4	215.5
Sub-advisory	45.2	48.1	1.2	1.5	-	-	(28.1)	(29.0)	18.3	20.6
	443.5	458.1	111.1	114.8	2.0	1.4	(28.1)	(29.1)	528.5	545.2
Adjusted earnings before interest and taxes ⁽¹⁾										
	171.0	188.0	75.4	76.3	49.8	47.7	-	-	296.2	312.0
Interest expense ⁽²⁾	22.5	22.3	5.9	5.8	-	-	-	-	28.4	28.1
Adjusted earnings before income taxes ⁽¹⁾										
	148.5	165.7	69.5	70.5	49.8	47.7	-	-	267.8	283.9
Income taxes	39.7	44.3	18.2	18.4	1.3	1.1	0.2	-	59.4	63.8
Adjusted net earnings ⁽¹⁾										
	108.8	121.4	51.3	52.1	48.5	46.6	(0.2)	-	208.4	220.1
Non-controlling interest	-	-	-	-	1.3	0.8	-	-	1.3	0.8
Adjusted net earnings available to common shareholders ⁽¹⁾										
	\$ 108.8	\$ 121.4	\$ 51.3	\$ 52.1	\$ 47.2	\$ 45.8	\$ (0.2)	\$ -	\$ 207.1	\$ 219.3
Other items ⁽¹⁾ , net of tax										
									-	-
Net earnings available to common shareholders										
									\$ 207.1	\$ 219.3

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

(2) Interest expense includes interest on long-term debt and leases.

performed by the Asset Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising. A significant component of these expenses varies directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.

- **Operations and support expenses** – expenses associated with business operations, including technology and business processes; in-house investment management and product

shelf management; corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses.

- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

Interest expense represents interest expense on long-term debt and leases. Interest expense is allocated to each segment

Table 5: Effective Income Tax Rate

	<i>Three months ended</i>			<i>Six months ended</i>	
	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30
Income taxes at Canadian federal and provincial statutory rates	26.63 %	26.63 %	26.61 %	26.63 %	26.62 %
Effect of:					
Proportionate share of associates' earnings	(4.44)	(4.08)	(3.69)	(4.25)	(3.73)
Other	0.01	(0.10)	(0.34)	(0.05)	(0.22)
Effective income tax rate – net earnings	22.20 %	22.45 %	22.58 %	22.33 %	22.67 %

based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced.

Income taxes are reported in each segment. IGM Financial consolidated changes in the effective tax rates are detailed in Table 5.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

Other items include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful. There were no Other items in the periods under review as reflected in Tables 2, 3 and 4.

Total Assets Under Management and Advisement

Assets under management and advisement were \$242.1 billion at June 30, 2022 compared to \$262.0 billion at June 30, 2021, a decrease of 7.6%, as detailed in Table 6. Total assets under management were \$213.1 billion at June 30, 2022 compared to \$233.6 billion at June 30, 2021, a decrease of 8.8%.

Net outflows in the second quarter of 2022 were \$0.5 billion compared to net inflows of \$2.9 billion in the second quarter of 2021, as detailed in Table 6. Second quarter investment fund net redemptions were \$1.0 billion compared to net sales of \$1.9 billion in 2021. Net inflows for the six months ended June 30, 2022 were \$1.9 billion compared to \$5.2 billion in the second quarter of 2021, as detailed in Table 6. Investment fund net sales for the six month period were \$1.5 billion in 2022 compared to net sales of \$4.2 billion in 2021. Net flows and net sales are based on assets under management and advisement excluding sub-advisory assets to Canada Life and to the Wealth Management segment.

The Company also benefits from the underlying assets under management of the Company's investments in associates, including ChinaAMC and Northleaf. This AUM is not currently reported as the Company's AUM&A.

At June 30, 2022, ChinaAMC's AUM was RMB¥ 1,740.2 billion (\$334.5 billion) compared to RMB¥ 1,606.6 billion (\$308.5 billion) at June 30, 2021, an increase of 8.3% (CAD\$ 8.4%). IGM Financial holds a 13.9% interest in ChinaAMC.

At June 30, 2022, Northleaf's AUM was \$22.0 billion compared to \$17.4 billion at June 30, 2021, an increase of 26.4%. IGM Financial holds a 56% economic interest in Northleaf.

Changes in assets under management for the Wealth Management and Asset Management segments are discussed further in each of their respective Review of the Business sections in the MD&A.

Table 6: Assets Under Management and Advisement

	Wealth Management				Asset Management ⁽¹⁾				Consolidated	
	IG Wealth Management		Investment Planning Counsel		Mackenzie Investments		Intercompany Eliminations ⁽²⁾			
	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30
<i>(\$ millions)</i>										
Three months ended										
Gross flows										
Mutual fund gross sales ⁽³⁾⁽⁴⁾	\$ 2,590	\$ 2,794	\$ 153	\$ 182	\$ 1,735	\$ 2,923	\$ -	\$ -	\$ 4,478	\$ 5,899
Dealer gross inflows	3,068	3,220	1,043	1,121	-	-	-	-	4,111	4,341
Net flows										
Mutual fund net sales ⁽³⁾⁽⁴⁾	(99)	279	(72)	(60)	(758)	1,107	-	-	(929)	1,326
ETF net creations ⁽⁵⁾	-	-	-	-	(61)	562	-	-	(61)	562
Investment fund net sales	(99)	279	(72)	(60)	(819)	1,669	-	-	(990)	1,888
Institutional SMA net sales ⁽⁶⁾	-	-	-	-	(133)	617	-	-	(133)	617
Mackenzie net sales through Wealth Management	(6)	118	(17)	38	-	-	23	(156)	-	-
IGM product net sales	(105)	397	(89)	(22)	(952)	2,286	23	(156)	(1,123)	2,505
Other dealer net flows	494	273	100	138	-	-	2	1	596	412
Total net flows	389	670	11	116	(952)	2,286	25	(155)	(527)	2,917
Six months ended										
Gross flows										
Mutual fund gross sales ⁽³⁾⁽⁴⁾	\$ 6,492	\$ 6,145	\$ 356	\$ 412	\$ 4,656	\$ 6,954	\$ -	\$ -	\$ 11,504	\$ 13,511
Dealer gross inflows	7,068	6,856	2,385	2,720	-	-	-	-	9,453	9,576
Net flows										
Mutual fund net sales ⁽³⁾⁽⁴⁾	1,165	780	(134)	(169)	(176)	2,597	-	-	855	3,208
ETF net creations ⁽⁵⁾	-	-	-	-	657	967	-	-	657	967
Investment fund net sales	1,165	780	(134)	(169)	481	3,564	-	-	1,512	4,175
Institutional SMA net sales ⁽⁶⁾	-	-	-	-	(560)	297	-	-	(560)	297
Mackenzie net sales through Wealth Management	(1)	330	12	106	-	-	(11)	(436)	-	-
IGM product net sales	1,164	1,110	(122)	(63)	(79)	3,861	(11)	(436)	952	4,472
Other dealer net flows	691	575	293	170	-	-	3	2	987	747
Total net flows	1,855	1,685	171	107	(79)	3,861	(8)	(434)	1,939	5,219

(1) Asset Management flows activity excludes sub-advisory to Canada Life and the Wealth Management segment.

(2) Consolidated results eliminate double counting where business is reflected within multiple segments.

(3) IG Wealth Management and Investment Planning Counsel AUM and net sales include separately managed accounts.

(4) During the six month period in 2021, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes which resulted in redemptions and net redemptions of \$361 million.

(5) ETFs - During the six month period of 2022, Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs.

(6) Sub-advisory, institutional and other accounts:

2022 Q1 - an institutional investor redeemed \$291 million within products Mackenzie sub-advises.

2021 Q2 - Mackenzie was awarded \$680 million of sub-advisory wins.

Table 6: Assets Under Management and Advisement (continued)

	Wealth Management				Asset Management		Intercompany Eliminations ⁽¹⁾		Consolidated	
	IG Wealth Management		Investment Planning Counsel		Mackenzie Investments					
	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30	2022 Jun. 30	2021 Jun. 30
<i>(\$ millions)</i>										
Assets under Management and Advisement										
Wealth Management⁽²⁾										
AUM	\$ 96,603	\$105,218	\$ 4,635	\$ 5,485			\$ -	\$ -	\$101,238	\$ 110,703
Mackenzie assets sold through Wealth Management	820	822	3,119	3,430			-	-	3,939	4,252
Other AUA	8,051	6,145	20,938	22,256			(7)	(11)	28,982	28,390
AUA	105,474	112,185	28,692	31,171			(7)	(11)	134,159	143,345
Asset Management										
Mutual funds					\$ 53,576	\$ 58,765			53,576	58,765
ETFs					5,368	4,889			5,368	4,889
Investment funds					58,944	63,654			58,944	63,654
Institutional SMA					6,344	8,167			6,344	8,167
Sub-Advisory to Canada Life					46,575	51,092			46,575	51,092
Total Institutional SMA					52,919	59,259			52,919	59,259
Total ex sub-advisory to Wealth Management					111,863	122,913			111,863	122,913
Sub-advisory to Wealth Management					72,855	78,788			72,855	78,788
Total AUM					184,718	201,701			184,718	201,701
ETFs										
Distributed to third parties					5,368	4,889			5,368	4,889
Held within IGM managed products					6,230	5,748	(6,230)	(5,748)	-	-
Total ETFs					11,598	10,637	(6,230)	(5,748)	5,368	4,889
Consolidated										
AUM	96,603	105,218	4,635	5,485	184,718	201,701	(72,855)	(78,788)	213,101	233,616
Mackenzie assets sold through Wealth Management	820	822	3,119	3,430	-	-	(3,939)	(4,252)	-	-
Other AUA	8,051	6,145	20,938	22,256	-	-	(7)	(11)	28,982	28,390
AUM&A	105,474	112,185	28,692	31,171	184,718	201,701	(76,801)	(83,051)	242,083	262,006

(1) Consolidated results eliminate double counting where business is reflected within multiple segments.

(2) IG Wealth Management and Investment Planning Counsel AUM include separately managed accounts.

Summary of Quarterly Results

The Summary of Quarterly Results in Table 7 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 7, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

Table 7: Summary of Quarterly Results

	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Consolidated statements of earnings (\$ millions)								
Revenues								
Wealth management	\$ 611.1	\$ 641.2	\$ 667.5	\$ 655.0	\$ 627.6	\$ 603.5	\$ 594.2	\$ 571.6
Asset management	241.6	255.8	266.8	263.4	248.3	233.0	216.3	207.4
Dealer compensation expense	(77.4)	(86.2)	(86.7)	(85.9)	(82.7)	(80.7)	(74.3)	(71.3)
Net asset management	164.2	169.6	180.1	177.5	165.6	152.3	142.0	136.1
Net investment income and other	(0.6)	(2.0)	3.8	2.5	2.5	3.1	3.2	2.2
Proportionate share of associates' earnings	50.0	48.4	50.7	55.9	48.2	41.6	40.1	43.5
	824.7	857.2	902.1	890.9	843.9	800.5	779.5	753.4
Expenses								
Advisory and business development	303.8	309.1	308.9	294.0	291.1	284.0	283.1	252.6
Operations and support	206.4	215.5	205.5	197.6	196.8	206.5	189.0	181.9
Sub-advisory	18.3	20.6	21.1	20.7	20.4	19.8	18.3	18.5
Interest ⁽¹⁾	28.4	28.1	28.6	28.7	28.5	28.1	27.9	27.9
	556.9	573.3	564.1	541.0	536.8	538.4	518.3	480.9
Earnings before undernoted	267.8	283.9	338.0	349.9	307.1	262.1	261.2	272.5
Gain on sale of Personal Capital	-	-	10.6	-	-	-	-	37.2
Gain on sale of Quadrus Group of Funds net of acquisition costs	-	-	-	-	-	-	25.2	-
Proportionate share of associate's adjustments	-	-	-	-	-	-	3.4	-
Restructuring and other	-	-	-	-	-	-	-	(74.5)
Earnings before income taxes	267.8	283.9	348.6	349.9	307.1	262.1	289.8	235.2
Income taxes	59.4	63.8	79.4	78.4	69.3	59.7	60.5	44.3
Net earnings	208.4	220.1	269.2	271.5	237.8	202.4	229.3	190.9
Non-controlling interest	1.3	0.8	0.7	0.7	0.4	0.2	0.2	-
Net earnings available to common shareholders	\$ 207.1	\$ 219.3	\$ 268.5	\$ 270.8	\$ 237.4	\$ 202.2	\$ 229.1	\$ 190.9
Reconciliation of Non-IFRS financial measures (\$ millions)								
Adjusted net earnings available to common shareholders ⁽²⁾	\$ 207.1	\$ 219.3	\$ 260.8	\$ 270.8	\$ 237.4	\$ 202.2	\$ 204.3	\$ 214.2
Other items ⁽²⁾ :								
Gain on sale of Personal Capital, net of tax (Q4 2021 – \$2.9 million; Q3 2020 – \$5.8 million)	-	-	7.7	-	-	-	-	31.4
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax (\$3.8 million)	-	-	-	-	-	-	21.4	-
Proportionate share of associate's adjustments	-	-	-	-	-	-	3.4	-
Restructuring and other, net of tax (\$19.8 million)	-	-	-	-	-	-	-	(54.7)
Net earnings available to common shareholders	\$ 207.1	\$ 219.3	\$ 268.5	\$ 270.8	\$ 237.4	\$ 202.2	\$ 229.1	\$ 190.9
Earnings per Share (\$)								
Adjusted earnings per share ⁽²⁾								
- Basic	\$ 0.87	\$ 0.91	\$ 1.09	\$ 1.13	\$ 0.99	\$ 0.85	\$ 0.86	\$ 0.90
- Diluted	0.87	0.91	1.08	1.13	0.99	0.85	0.86	0.90
Earnings per share								
- Basic	0.87	0.91	1.12	1.13	0.99	0.85	0.96	0.80
- Diluted	0.87	0.91	1.11	1.13	0.99	0.85	0.96	0.80
Average outstanding shares – Diluted (thousands)	239,242	241,251	241,443	240,575	239,821	238,474	238,308	238,308
Average assets under management and advisement (\$ billions)								
Investment fund assets under management	\$ 169.3	\$ 179.0	\$ 181.9	\$ 178.6	\$ 170.2	\$ 162.7	\$ 169.8	\$ 163.7
Total assets under management	225.2	238.4	241.9	238.3	227.8	217.6	177.6	171.4
Assets under management and advisement	255.3	269.5	272.0	267.4	255.4	243.9	202.2	194.9
Ending assets under management and advisement (\$ billions)								
Investment fund assets under management	\$ 160.2	\$ 178.5	\$ 184.5	\$ 176.8	\$ 174.4	\$ 165.5	\$ 159.5	\$ 164.9
Total assets under management	213.1	237.1	245.3	236.2	233.6	221.6	214.0	172.6
Assets under management and advisement	242.1	268.3	277.1	265.2	262.0	248.5	240.0	196.4

(1) Interest expense includes interest on long-term debt and leases.

(2) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Wealth Management

The Wealth Management segment consists of both IG Wealth Management (IG) and Investment Planning Counsel, Inc. (IPC).

Wealth Management revenue consists of:

- **Advisory fees** are related to providing financial advice to clients including fees related to the distribution of products and depend largely on the level and composition of assets under advisement.
- **Product and program fees** are related to the management of investment products and include management, administration and other related fees and depend largely on the level and composition of assets under management.

- **Other financial planning revenues** are fees related to providing clients other financial products including mortgages, insurance and banking products.

Sub-advisory fees are paid between segments and to third parties for investment management services provided to our investment products. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Debt and interest expense is allocated to each IGM Financial segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

IG Wealth Management, founded in 1926, provides comprehensive personal financial planning and wealth management services to Canadians through our exclusive network of 3,298 advisors. IG Wealth Management clients are more than one million individuals, families and business owners.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 684 financial advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management and IPC advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 97% of adjusted net earnings of the total segment.

2022 Developments

In April 2022, IG Wealth Management launched two new suites of products, consisting of a total of eight funds. IG U.S. Taxpayer Portfolios (Portfolios) offer investors a comprehensive investment solution that help simplify tax reporting for Canadian residents who pay taxes in the U.S. The second suite, IG Mackenzie U.S. Dollar Funds (Funds), is designed for investors who are seeking to invest in U.S. dollar investments. The new Funds will provide clients with comprehensive diversification for their U.S. dollars and the new Portfolios have been designed to help simplify a tax reporting process

that is typically complicated and costly. IG Wealth Management has collaborated with industry leading investment managers at Mackenzie and BlackRock Asset Management to deliver these suites of diversified investment solutions that will offer Canadians new and innovative ways to meet their financial goals.

IG Wealth Management Strategy

IG Wealth Management's promise is to inspire financial confidence.

Our strategic mandate is to be Canada's financial partner of choice.

Canadians hold \$6.5 trillion in discretionary financial assets with financial institutions at December 31, 2021, based on the most recent report from Investor Economics, and we view these savings as IG Wealth Management's addressable market. 77% of these savings are held by households with over \$1 million, which are referred to as high net worth, and another 20% reside with households with between \$100,000 and \$1 million, which are referred to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

Our value proposition is to deliver better Gamma, better Beta and better Alpha.

We seek to deliver our value proposition through:

- Superior Advice – Acquiring a deep knowledge of Canadian investors and using those insights to shape everything we do.
- Segmented Client Experiences – Creating segmented experiences personalized throughout our clients' lifetimes.
- Entrepreneurial Advisors – Inspiring our entrepreneurial advisors to constantly deliver an engaging experience and a holistic plan that seeks to deliver superior outcomes.
- Powerful Financial Solutions – Providing our clients with a comprehensive suite of well-constructed, high-performing and competitively priced solutions.
- Business processes that are simple, easy and digitized – Re-designing client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- A high-performing and diverse culture.

Delivering Gamma

The value of all efforts that sit outside of investment portfolio construction. This includes the value that a financial advisor adds to a client relationship, and comes from the creation and follow through of a well-constructed financial plan.

Entrepreneurial Advisors, Superior Advice

Our financial advisors provide value to clients by developing insight into their specific needs, creating and implementing well-constructed financial plans and offering superior advice. IG Wealth Management has a national distribution network of more than 3,000 highly qualified financial advisors in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

IG Wealth Management advisor practices are industry leaders in holding a credentialed financial planning designation. These designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

The following provides a breakdown of the IG Wealth Management advisor network into its significant components at June 30, 2022:

- 1,758 advisor practices (1,775 at June 30, 2021), which reflect advisors with more than four years of experience. These practices may include Associates as described below. The level and productivity of advisor practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.

- 389 new advisors (439 at June 30, 2021), which are those advisors with less than four years of experience.
- 1,151 Associates and Regional Directors (1,105 at June 30, 2021). Associates are licensed team members of advisor practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total advisor network of 3,298 (3,319 at June 30, 2021).

IG Wealth Management's recruiting standards increase the likelihood of success while also enhancing our culture and brand.

Our training curriculum is reviewed and refreshed each year to offer new advisors important building blocks to develop client relationships. As advisors progress, they develop their skills as financial planners and business managers through a selection of focused educational programs.

We also support advisors and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed advisors or specialists.

Segmented Client Experiences

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients within the context of long-term relationships. A primary focus is on advising and attracting high net worth and mass affluent clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ is our holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan Portal, which is based on Conquest Planning, provides a single, integrated view of a client's entire financial picture and uses predictive tools to determine planning strategies customized to the individual.

The IG Living Plan leverages the expertise of IG Wealth Management's advisors who serve approximately one million clients located in communities throughout Canada.

IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time. These products include:

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of policy types from the leading insurers in Canada.
- Mortgage and banking solutions that are offered as part of a comprehensive financial plan.
- Charitable Giving Program, a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

IG Wealth Management's National Service Centre is focused on supporting more than 200,000 clients with less complex requirements while allowing our advisor practices to focus on those clients with more complex needs.

IG Wealth Management advisors are focused on the high net worth and mass affluent segments of the market, which we define as households with over \$1 million and between \$100 thousand and \$1 million, respectively.

Assets under advisement for clients with household assets greater than \$1 million (defined as "high net worth") totalled \$34.1 billion at June 30, 2022, a decrease of 10.1% from one year ago, and represented 32% of total assets under advisement.

Assets under advisement for clients with household assets between \$100 thousand and \$1 million (defined as "mass affluent") totalled \$61.7 billion at June 30, 2022, a decrease of 4.5% from one year ago, and represented 59% of total assets under advisement.

Assets under advisement for clients with household assets less than \$100 thousand (defined as "mass market") totalled \$9.7 billion at June 30, 2022, an increase of 0.5% from one year ago, and represented 9% of total assets under advisement.

Business Processes

IG Wealth Management continually seeks to enhance our systems and business processes so our advisors can serve clients more effectively. We look to enhance client and advisor interactions on an ongoing basis to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.

The IG Wealth Management Advisor Portal is a customer relationship management platform based on Salesforce. It

enables our advisors to manage client relationships, improve their efficiency through digitized workflows, and access data-driven reporting to help better run their practices.

IG Wealth Management has a partnership with CapIntel that provides IG advisors access to a powerful investment analysis and proposal tool. Portfolio comparisons and product information is integrated with our Advisor Portal (Salesforce) to quickly and transparently deliver on demand analysis and generate compliant and compelling investment proposals to our clients. CapIntel also monitors daily investment funds and equities and notifies our advisors (through advisor portal) of any significant changes to investments that should be reviewed (for example, but not inclusive – material change reports, change in risk category, fund merger, corporate action, etc.)

IG Wealth Management's dealer platform provides increased automation and supports both MFDA and IIROC licensed advisors as well as new products on our investment dealer platform designed to support the high net worth segment of our client base.

A High-performing and Diverse Culture

It is essential that we offer competitive compensation and benefits to attract and retain outstanding people. Our training and development approach, along with our use of feedback from periodic employee and advisor surveys, positions our employees and advisors to better serve our clients.

Delivering Beta and Alpha

Beta – The value created by well-constructed investment portfolios – achieving expected investment returns for the lowest possible risk.

Alpha – The value of active management – achieving returns superior to passive benchmarks with a similar composition and risk profile.

IG Wealth Management strives to achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios (Beta), and to create value for clients through active management (Alpha). To do this, we select and engage high-quality sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

IG Wealth Management's relationships include Mackenzie Investments and other world class investment firms such as BlackRock, T. Rowe Price, PIMCO, ChinaAMC, Northleaf, Sagard, Putnam and JP Morgan Asset Management.

Powerful Financial Solutions

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals.

Our solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed portfolios that rebalance investments to ensure that a chosen mix of investments and risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, IG Climate Action Portfolios, IG U.S. Taxpayer Portfolios and IG Managed Risk Portfolios.
- *iProfile™ Portfolios* – iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification and are designed to suit personal preferences for risk tolerance and investment goals. These portfolios provide exposure similar to the investments of the iProfile Private Pools. These portfolios are offered in both the IGAA and iProfile account structures.
- *iProfile™ Private Portfolios* – iProfile Private Portfolios are model portfolios comprised of iProfile Private Pools, available for households with investments held at IG Wealth Management in excess of \$250,000. iProfile Private Portfolios have been designed to deliver strong risk-adjusted returns by diversifying across asset classes, management styles and geographic regions. Recent enhancements include the launch of new discretionary model portfolios and six new iProfile Private Pools to support the new models: three iProfile Active Allocation Private Pools, iProfile Alternatives Private Pool with mandates including long-short, global macro and global equity hedge strategies, iProfile ETF Private Pool providing exposure through exchange traded funds (ETF) and iProfile Low Volatility Private Pool with Canadian, U.S., International and Emerging Market geographic coverage.
- In addition, we have incorporated investments in private assets with the introduction of a Private Credit Mandate in the iProfile Fixed Income Private Pool. The pool has committed to three Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe, as well as to BlackRock, PIMCO and Sagard. We have also introduced Private Investment Mandates into both the iProfile Canadian Equity Private Pool and the iProfile U.S. Equity Private Pool. Both of these mandates intend to provide investors with enhanced diversification and long-term capital appreciation through exposure to investments in privately held companies. The

iProfile Canadian Equity Private Pool has currently made a commitment to the Northleaf Growth Fund and the iProfile U.S. Equity Private Pool has made a commitment to the Northleaf Capital Opportunities Fund.

- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with a transparent advisory fee. IGAA accounts increase fee transparency and can hold most securities and investment products available in the marketplace to individual investors.
- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.
- Separately managed accounts (discretionary dealer-managed accounts).

In support of the global goal to reach net zero by 2050, IG Wealth Management is a founding Signatory to Responsible Investment Association's Canadian Investor Statement on Climate Change. To support this initiative, in the fourth quarter of 2021, IG Wealth Management launched the IG Climate Action Portfolios, a suite of four diversified managed solutions.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. This separation provides clients with greater transparency into the fees they pay, and allows IG Wealth Management to differentiate pricing by client segment to ensure that it is competitive.

We have discontinued offering the bundled purchase option of mutual funds on substantially all of our investment account types.

IG Wealth Management monitors its investment performance by comparing to certain benchmarks. Morningstar[†] fund ranking service is one of the rankings monitored when determining fund performance.

At June 30, 2022, 82.2% of IG Wealth Management mutual fund assets had a rating of three stars or better from Morningstar[†] fund ranking service and 50.3% had a rating of four or five stars. This compared to the Morningstar[†] universe of 85.4% for three stars or better and 53.2% for four and five star funds at June 30, 2022. Morningstar Ratings[†] are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Wealth Management Assets Under Management and Advisement

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were \$134.2 billion at June 30, 2022, a decrease of 6.4% from June 30, 2021. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were \$101.2 billion, a decrease of 8.5% from June 30, 2021. The level of assets under management are influenced by sales, redemptions and investment returns.

Changes in Wealth Management assets under advisement and assets under management for the periods under review are reflected in Tables 8 and 9.

IG Wealth Management Assets Under Management and Advisement

Assets under advisement (AUA) are a key performance indicator for IG Wealth Management. AUA represents savings and investment products, including Assets Under Management where we provide investment management services, that are held within our clients' accounts. Advisory fees are charged based on an annual percentage of substantially all AUA, through the IG Advisory Account fee, and represent the majority of the fees earned from our clients. Our advisors' compensation is also based on AUA and net assets contributed by our clients.

Assets under advisement were \$105.5 billion at June 30, 2022, a decrease of 6.0% from June 30, 2021, and mutual fund assets under management were \$96.6 billion, a decrease of 8.2%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 10 and 11.

Table 8: Change in Assets Under Advisement – Wealth Management

<i>Three months ended</i> (\$ millions)	2022		2021		Change	
	Jun. 30	Mar. 31	Jun. 30	Mar. 31	2022 Mar. 31	2021 Jun. 30
Gross client inflows	\$ 4,111	\$ 5,342	\$ 4,341		(23.0)%	(5.3)%
Gross client outflows	3,709	3,715	3,554		(0.2)	4.4
Net flows	402	1,627	787		(75.3)	(48.9)
Investment returns	(14,248)	(6,245)	5,682		(128.2)	N/M
Net change in assets	(13,846)	(4,618)	6,469		(199.8)	N/M
Beginning assets	148,005	152,623	136,876		(3.0)	8.1
Ending assets under advisement	\$ 134,159	\$ 148,005	\$ 143,345		(9.4)%	(6.4)%
IG Wealth Management	105,474	116,281	112,185		(9.3)	(6.0)
Investment Planning Counsel	28,692	31,734	31,171		(9.6)	(8.0)
Average assets under advisement	\$ 140,997	\$ 148,319	\$ 140,158		(4.9)%	0.6 %
IG Wealth Management	110,700	116,300	109,667		(4.8)	0.9
Investment Planning Counsel	30,306	32,029	30,501		(5.4)	(0.6)
<i>Six months ended</i> (\$ millions)			2022 Jun. 30	2021 Jun. 30	Change	
Gross client inflows			\$ 9,453	\$ 9,576	(1.3)%	
Gross client outflows			7,424	7,782	(4.6)	
Net flows			2,029	1,794	13.1	
Investment returns			(20,493)	8,968	N/M	
Net change in assets			(18,464)	10,762	N/M	
Beginning assets			152,623	132,583	15.1	
Ending assets under advisement			\$ 134,159	\$ 143,345	(6.4)%	
IG Wealth Management			105,474	112,185	(6.0)	
Investment Planning Counsel			28,692	31,171	(8.0)	
Average assets under advisement			\$ 144,637	\$ 137,530	5.2 %	
IG Wealth Management			113,484	107,591	5.5	
Investment Planning Counsel			31,162	29,949	4.1	

Table 9: Change in Assets Under Management – Wealth Management

<i>Three months ended</i> (\$ millions)	Change				
	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	2022 Mar. 31	2021 Jun. 30
Sales	\$ 2,743	\$ 4,105	\$ 2,976	(33.2)%	(7.8)%
Redemptions	2,914	2,903	2,757	0.4	5.7
Net sales (redemptions)	(171)	1,202	219	N/M	N/M
Investment returns	(10,979)	(4,984)	4,431	(120.3)	N/M
Net change in assets	(11,150)	(3,782)	4,650	(194.8)	N/M
Beginning assets	112,388	116,170	106,053	(3.3)	6.0
Ending assets under management	\$ 101,238	\$ 112,388	\$ 110,703	(9.9)%	(8.5)%
IG Wealth Management	96,603	107,187	105,218	(9.9)	(8.2)
Investment Planning Counsel	4,635	5,201	5,485	(10.9)	(15.5)
Daily average mutual fund assets	\$ 106,737	\$ 112,723	\$ 108,470	(5.3)%	(1.6)%
IG Wealth Management	101,810	107,410	103,068	(5.2)	(1.2)
Investment Planning Counsel	4,927	5,313	5,402	(7.3)	(8.8)
<i>Six months ended</i> (\$ millions)			2022 Jun. 30	2021 Jun. 30	Change
Sales			\$ 6,848	\$ 6,557	4.4 %
Redemptions			5,817	5,946	(2.2)
Net sales (redemptions)			1,031	611	68.7
Investment returns			(15,963)	7,059	N/M
Net change in assets			(14,932)	7,670	N/M
Beginning assets			116,170	103,033	12.8
Ending assets under management			\$ 101,238	\$ 110,703	(8.5)%
IG Wealth Management			96,603	105,218	(8.2)
Investment Planning Counsel			4,635	5,485	(15.5)
Daily average mutual fund assets			\$ 109,713	\$ 106,697	2.8 %
IG Wealth Management			104,594	101,326	3.2
Investment Planning Counsel			5,119	5,371	(4.7)

For the quarter ended June 30, 2022, gross client inflows of IG Wealth Management assets under advisement were \$3.1 billion, a decrease of 4.7% from \$3.2 billion in the comparable period in 2021. Net client inflows were \$389 million, a decrease of \$281 million from net client inflows of \$670 million in the comparable period in 2021. During the second quarter, investment returns resulted in a decrease of \$11.2 billion in assets under advisement compared to an increase of \$4.5 billion in the second quarter of 2021.

Gross client inflows of IG Wealth Management assets under advisement were \$7.1 billion, a record high for the six months ended June 30, 2022, and represented an increase of 3.1% from \$6.9 billion in the comparable period in 2021. Net client inflows were \$1.9 billion in the six month period, an improvement of \$0.2 billion from net client inflows of \$1.7 billion in the comparable period in 2021. During 2022, investment returns resulted in a decrease of \$15.9 billion in assets under advisement compared to an increase of \$7.2 billion in 2021.

Changes in mutual fund assets under management for the periods under review are reflected in Table 11.

At June 30, 2022, \$72.2 billion, or 75% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 8.7% from \$66.4 billion at June 30, 2021 which represented 63% of assets under management.

Change in Assets Under Management and Advisement – 2022 vs. 2021

IG Wealth Management's assets under advisement were \$105.5 billion at June 30, 2022, a decrease of 6.0% from \$112.2 billion at June 30, 2021. IG Wealth Management's mutual fund assets under management were \$96.6 billion at June 30, 2022, representing a decrease of 8.2% from \$105.2 billion at June 30, 2021. Average daily mutual fund assets were \$101.8 billion in the second quarter of 2022, down 1.2% from \$103.1 billion in the second quarter of 2021. Average daily mutual fund assets were \$104.6 billion for the six months ended June 30, 2022, up 3.2% from \$101.3 billion in 2021.

For the quarter ended June 30, 2022, sales of IG Wealth Management mutual funds through its advisor network were

Table 10: Change in Assets Under Advisement – IG Wealth Management

<i>Three months ended</i> (\$ millions)	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	Change	
				2022 Mar. 31	2021 Jun. 30
Gross client inflows	\$ 3,068	\$ 4,000	\$ 3,220	(23.3)%	(4.7)%
Gross client outflows	2,679	2,534	2,550	5.7	5.1
Net flows	389	1,466	670	(73.5)	(41.9)
Investment returns	(11,196)	(4,742)	4,520	(136.1)	N/M
Net change in assets	(10,807)	(3,276)	5,190	(229.9)	N/M
Beginning assets	116,281	119,557	106,995	(2.7)	8.7
Ending assets	\$ 105,474	\$ 116,281	\$ 112,185	(9.3) %	(6.0)%
Daily average assets under advisement	\$ 110,700	\$ 116,300	\$ 109,667	(4.8) %	0.9 %

<i>Six months ended</i> (\$ millions)			2022 Jun. 30	2021 Jun. 30	Change
Gross client outflows			5,213	5,171	0.8
Net flows			1,855	1,685	10.1
Investment returns			(15,938)	7,227	N/M
Net change in assets			(14,083)	8,912	N/M
Beginning assets			119,557	103,273	15.8
Ending assets			\$ 105,474	\$ 112,185	(6.0)%
Average assets under advisement			\$ 113,484	\$ 107,591	5.5 %

Table 11: Change in Assets Under Management – IG Wealth Management

<i>Three months ended</i> (\$ millions)	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	Change	
				2022 Mar. 31	2021 Jun. 30
Sales	\$ 2,590	\$ 3,902	\$ 2,794	(33.6) %	(7.3) %
Redemptions	2,689	2,638	2,515	1.9	6.9
Net sales (redemptions)	(99)	1,264	279	N/M	N/M
Investment returns	(10,485)	(4,618)	4,194	(127.0)	N/M
Net change in assets	(10,584)	(3,354)	4,473	N/M	N/M
Beginning assets	107,187	110,541	100,745	(3.0)	6.4
Ending assets	\$ 96,603	\$ 107,187	\$ 105,218	(9.9) %	(8.2) %
Daily average assets under management	\$ 101,810	\$ 107,410	\$ 103,068	(5.2) %	(1.2) %
Managed asset net sales					
Investment fund net sales	\$ (99)	\$ 1,264	\$ 279	N/M %	N/M %
Mackenzie net sales through Wealth Management	(6)	5	118	N/M	N/M
	\$ (105)	\$ 1,269	\$ 397	N/M %	N/M %

<i>Six months ended</i> (\$ millions)			2022 Jun. 30	2021 Jun. 30	Change
Redemptions			5,327	5,365	(0.7)
Net sales (redemptions)			1,165	780	49.4
Investment returns			(15,103)	6,725	N/M
Net change in assets			(13,938)	7,505	N/M
Beginning assets			110,541	97,713	13.1
Ending assets			\$ 96,603	\$ 105,218	(8.2) %
Daily average assets under management			\$ 104,594	\$ 101,326	3.2 %
Managed asset net sales					
Investment fund net sales			\$ 1,165	\$ 780	49.4 %
Mackenzie net sales through Wealth Management			(1)	330	N/M
			\$ 1,164	\$ 1,110	4.9 %

\$2.6 billion, a decrease of 7.3% from the comparable period in 2021. Mutual fund redemptions totalled \$2.7 billion, an increase of 6.9% from 2021. IG Wealth Management mutual fund net redemptions for the second quarter of 2022 were \$99 million compared with net sales of \$279 million in 2021. During the second quarter, investment returns resulted in a decrease of \$10.5 billion in mutual fund assets compared to an increase of \$4.2 billion in the second quarter of 2021.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 10.2% in the second quarter of 2022, compared to 9.4% in the second quarter of 2021. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.1% at June 30, 2022, compared to 10.0% at June 30, 2021, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 14.6% at June 30, 2022. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

For the six months ended June 30, 2022, sales of IG Wealth Management mutual funds through its Consultant network were \$6.5 billion, an increase of 5.6% from 2021. Mutual fund redemptions totalled \$5.3 billion, a decrease of 0.7% from 2021. Net sales of IG Wealth Management mutual funds were \$1.2 billion compared with net sales of \$780 million in 2021. During 2022, investment returns resulted in a decrease of \$15.1 billion in mutual fund assets compared to an increase of \$6.7 billion in 2021.

Change in Assets Under Management and Advisement – Q2 2022 vs. Q1 2022

IG Wealth Management's assets under advisement were \$105.5 billion at June 30, 2022, a decrease of 9.3% from \$116.3 billion at March 31, 2022. IG Wealth Management's mutual fund assets under management were \$96.6 billion at June 30, 2022, a decrease of 9.9% from \$107.2 billion at March 31, 2022. Average daily mutual fund assets were \$101.8 billion in the second quarter of 2022 compared to \$107.4 billion in the first quarter of 2022, a decrease of 5.2%.

For the quarter ended June 30, 2022, sales of IG Wealth Management mutual funds through its advisor network were \$2.6 billion, a decrease of 33.6% from the first quarter of 2022. Mutual fund redemptions, which totalled \$2.7 billion for the second quarter, increased 1.9% from the previous quarter, and the annualized quarterly redemption rate was 10.2% in the second quarter compared to 9.6% in the first quarter of 2022. IG Wealth Management mutual fund net redemptions were \$99 million for the current quarter compared to net sales of \$1.3 billion in the previous quarter.

IG Wealth Management Other Products and Services

Segregated Funds

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At June 30, 2022, total segregated fund assets were \$1.3 billion, compared to \$1.6 billion at June 30, 2021.

Insurance

IG Wealth Management continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, IG Wealth Management offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance.

At June 30, 2022, total in-force policies were 378 thousand with an insured value of \$103 billion, compared to 380 thousand with an insured value of \$102 billion at June 30, 2021. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist advisors with advanced estate planning solutions for high net worth clients.

Securities Operations

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management advisors can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

Mortgage and Banking Operations

IG Wealth Management Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their advisors to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

Mortgages are offered to clients by IG Wealth Management, a national mortgage lender, and through IG Wealth Management's Solutions Banking[†], provided by National Bank of Canada under a long-term distribution agreement. An All-in-One product, a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving

line of credit and deposit account, is also offered through Solutions Banking[†].

Mortgage fundings offered through IG Wealth Management and through Solutions Banking[†] for the three and six months ended June 30, 2022 were \$250 million and \$415 million compared to \$371 million and \$604 million in 2021, a decrease of 32.5% and 31.2%, respectively. At June 30, 2022, mortgages offered through both sources totalled \$8.1 billion, compared to \$8.9 billion at June 30, 2021, a decrease of 9.6%.

Available credit associated with Solutions Banking[†] All-in-One accounts originated for the three and six month periods ended June 30, 2022 were \$278 million and \$494 million, respectively, compared to \$422 million and \$748 million, in 2021. At June 30, 2022, the balance outstanding of Solutions Banking[†] All-in-One products was \$4.1 billion, compared to \$3.7 billion one year

ago, and represented approximately 52% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking[†] include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking[†], clients have access to a network of banking machines, as well as a private labelled client website and client service centre. The Solutions Banking[†] offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total outstanding lending products of IG Wealth Management clients in the Solutions Banking[†] offering, including Solutions Banking[†] mortgages totalled \$5.9 billion at June 30, 2022, compared to \$5.5 billion at June 30, 2021.

Review of Segment Operating Results

The Wealth Management segment's adjusted net earnings are presented in Table 12 and include the operations of IG Wealth Management and Investment Planning Counsel.

IG Wealth Management

IG Wealth Management adjusted net earnings are presented in Table 13. Adjusted net earnings for the second quarter of 2022 were \$105.7 million, a decrease of 18.9% from the second quarter in 2021 and a decrease of 10.1% from the prior quarter.

Adjusted earnings before interest and taxes for the second quarter of 2022 were \$166.8 million, a decrease of 16.6% from the second quarter in 2021 and a decrease of 8.6% from the prior quarter.

2022 vs. 2021

Fee Income

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were \$284.6 million in the second quarter of 2022, a decrease of \$0.4 million or 0.1% from \$285.0 million in 2021. For the six months ended June 30, 2022, advisory fees were \$576.9 million, an increase of \$20.6 million or 3.7% from \$556.3 million in 2021.

The decrease in advisory fees in the three months ending June 30, 2022 was primarily due to a decrease in the advisory fee rate offset by the increase in average assets under

Table 12: Operating Results – Wealth Management

Three months ended (\$ millions)				Change	
	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	2022 Mar. 31	2021 Jun. 30
Revenues					
Wealth Management					
Advisory fees	\$ 346.7	\$ 358.2	\$ 349.1	(3.2)%	(0.7)%
Product and program fees	231.2	241.4	235.1	(4.2)	(1.7)
	577.9	599.6	584.2	(3.6)	(1.1)
Redemption fees	1.1	1.4	2.7	(21.4)	(59.3)
Other financial planning revenues	36.8	45.1	45.5	(18.4)	(19.1)
Total Wealth Management	615.8	646.1	632.4	(4.7)	(2.6)
Net investment income and other	(1.3)	–	0.6	N/M	N/M
	614.5	646.1	633.0	(4.9)	(2.9)
Expenses					
Advisory and business development					
Asset-based compensation	186.5	195.5	180.6	(4.6)	3.3
Sales-based compensation	18.6	17.4	13.4	6.9	38.8
Other					
Other product commissions	17.4	20.2	17.5	(13.9)	(0.6)
Business development	59.8	55.8	54.5	7.2	9.7
	77.2	76.0	72.0	1.6	7.2
Total advisory and business development	282.3	288.9	266.0	(2.3)	6.1
Operations and support	116.0	121.1	115.0	(4.2)	0.9
Sub-advisory	45.2	48.1	46.5	(6.0)	(2.8)
	443.5	458.1	427.5	(3.2)	3.7
Adjusted earnings before interest and taxes ⁽¹⁾	171.0	188.0	205.5	(9.0)	(16.8)
Interest expense	22.5	22.3	22.5	0.9	–
Adjusted earnings before income taxes ⁽¹⁾	148.5	165.7	183.0	(10.4)	(18.9)
Income taxes	39.7	44.3	48.7	(10.4)	(18.5)
Adjusted net earnings⁽¹⁾	\$ 108.8	\$ 121.4	\$ 134.3	(10.4)%	(19.0)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Table 12: Operating Results – Wealth Management (continued)

<i>Six months ended</i> (\$ millions)	2022 Jun. 30	2021 Jun. 30	Change
Revenues			
Wealth Management			
Advisory fees	\$ 704.9	\$ 682.1	3.3 %
Product and program fees	472.6	459.9	2.8
	1,177.5	1,142.0	3.1
Redemption fees	2.5	6.5	(61.5)
Other financial planning revenues	81.9	91.9	(10.9)
Total Wealth Management	1,261.9	1,240.4	1.7
Net investment income and other	(1.3)	2.4	N/M
	1,260.6	1,242.8	1.4
Expenses			
Advisory and business development			
Asset-based compensation	382.0	353.3	8.1
Sales-based compensation	36.0	25.5	41.2
Other			
Other product commissions	37.6	37.7	(0.3)
Business development	115.6	113.2	2.1
	153.2	150.9	1.5
Total advisory and business development	571.2	529.7	7.8
Operations and support	237.1	237.0	–
Sub-advisory	93.3	91.5	2.0
	901.6	858.2	5.1
Adjusted earnings before interest and taxes ⁽¹⁾	359.0	384.6	(6.7)
Interest expense	44.8	44.8	–
Adjusted earnings before income taxes ⁽¹⁾	314.2	339.8	(7.5)
Income taxes	84.0	90.7	(7.4)
Adjusted net earnings⁽¹⁾	\$ 230.2	\$ 249.1	(7.6)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

advisement of 0.9%, as shown in Table 10. The increase in advisory fees in the six months ending June 30, 2022 was primarily due to the increase in average assets under advisement of 5.5%, as shown in Table 10, offset by a decrease in the advisory fee rate. The average advisory fee rate for the second quarter was 103.1 basis points of average assets under advisement compared to 104.2 basis points in 2021, and for the six month period, the rate was 102.5 basis points compared to 104.2 basis points in 2021. The decrease in rates reflects changes in product and client mix.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled \$218.5 million in the current quarter, down 1.1% from \$221.0 million a year ago primarily due to the decrease in average assets under management of 1.2%, as shown in Table 11. Product and program fees were \$446.3 million for the six month period ended June 30, 2022 compared to \$431.9 million in 2021, an increase of 3.3% primarily due to the increase in average assets under management of 3.2%, as shown in Table 11. The average

product and program fee rate for the three and six month periods of 2022 was 86.1 basis points of average assets under management compared to 86.0 basis points in the comparative periods in 2021, reflecting changes in product mix.

Other financial planning revenues are primarily earned from:

- Mortgage banking operations
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking[†]

Other financial planning revenues of \$31.1 million for the second quarter of 2022 decreased by \$9.3 million from \$40.4 million in 2021. For the six month period, other financial planning revenues of \$70.8 million decreased by \$11.1 million from \$81.9 million in 2021. The decrease in both the three and six month periods were due to lower earnings from mortgage banking operations.

Table 13: Operating Results – IG Wealth Management

Three months ended (\$ millions)	Change				
	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	2022 Mar. 31	2021 Jun. 30
Revenues					
Wealth Management					
Advisory fees	\$ 284.6	\$ 292.3	\$ 285.0	(2.6)%	(0.1)%
Product and program fees	218.5	227.8	221.0	(4.1)	(1.1)
	503.1	520.1	506.0	(3.3)	(0.6)
Redemption fees	1.1	1.4	2.7	(21.4)	(59.3)
Other financial planning revenues	31.1	39.7	40.4	(21.7)	(23.0)
Total Wealth Management	535.3	561.2	549.1	(4.6)	(2.5)
Net investment income and other	(1.3)	(0.6)	0.4	(116.7)	N/M
	534.0	560.6	549.5	(4.7)	(2.8)
Expenses					
Advisory and business development					
Asset-based compensation	138.3	143.7	131.2	(3.8)	5.4
Sales-based compensation	18.6	17.4	13.4	6.9	38.8
Other					
Other product commissions	14.6	17.2	14.4	(15.1)	1.4
Business development	50.5	46.5	46.1	8.6	9.5
	65.1	63.7	60.5	2.2	7.6
Total advisory and business development	222.0	224.8	205.1	(1.2)	8.2
Operations and support	103.2	108.7	101.6	(5.1)	1.6
Sub-advisory	42.0	44.6	42.8	(5.8)	(1.9)
	367.2	378.1	349.5	(2.9)	5.1
Adjusted earnings before interest and taxes ⁽¹⁾	166.8	182.5	200.0	(8.6)	(16.6)
Interest expense	22.4	22.1	22.4	1.4	-
Adjusted earnings before income taxes ⁽¹⁾	144.4	160.4	177.6	(10.0)	(18.7)
Income taxes	38.7	42.8	47.2	(9.6)	(18.0)
Adjusted net earnings	\$ 105.7	\$ 117.6	\$ 130.4	(10.1)%	(18.9)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Table 13: Operating Results – IG Wealth Management (continued)

<i>Six months ended</i> (\$ millions)	2022 Jun. 30	2021 Jun. 30	Change
Revenues			
Wealth Management			
Advisory fees	\$ 576.9	\$ 556.3	3.7 %
Product and program fees	446.3	431.9	3.3
	1,023.2	988.2	3.5
Redemption fees	2.5	6.4	(60.9)
Other financial planning revenues	70.8	81.9	(13.6)
Total Wealth Management	1,096.5	1,076.5	1.9
Net investment income and other	(1.9)	1.8	N/M
	1,094.6	1,078.3	1.5
Expenses			
Advisory and business development			
Asset-based compensation	282.0	255.6	10.3
Sales-based compensation	36.0	25.5	41.2
Other			
Other product commissions	31.8	31.5	1.0
Business development	97.0	97.0	–
	128.8	128.5	0.2
Total advisory and business development	446.8	409.6	9.1
Operations and support	211.9	211.5	0.2
Sub-advisory	86.6	84.2	2.9
	745.3	705.3	5.7
Adjusted earnings before interest and taxes ⁽¹⁾	349.3	373.0	(6.4)
Interest expense	44.5	44.5	–
Adjusted earnings before income taxes ⁽¹⁾	304.8	328.5	(7.2)
Income taxes	81.5	87.6	(7.0)
Adjusted net earnings	\$ 223.3	\$ 240.9	(7.3)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

A summary of mortgage banking operations for the three and six month periods under review is presented in Table 14.

Net Investment Income and Other

Net investment income and other consists of unrealized losses on investments in proprietary funds in the three and six months ended June 30, 2022, offset by investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

Expenses

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our advisors. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial

planning specialist support and other costs incurred to support our adviser networks. These expenses tend to be discretionary or vary based upon the number of advisors or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation increased by \$7.1 million and \$26.4 million for the three and six month periods ended June 30, 2022 to \$138.3 million and \$282.0 million, respectively, compared to 2021. The increase was primarily due to rate increases due to asset mix and increased average assets under advisement.

IG Wealth Management sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements). All sales-based compensation payments are capitalized and amortized as they reflect incremental costs to obtain a client contract. Sales-based compensation was \$18.6 million for the second quarter of 2022, an increase of \$5.2 million from \$13.4 million in 2021. For the six month period, sales-based compensation expense was \$36.0 million, an increase

Table 14: Mortgage Banking Operations – IG Wealth Management

<i>Three months ended</i> (\$ millions)				Change		
	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	2022 Mar. 31	2021 Jun. 30	
Total mortgage banking income						
Net interest income on securitized loans						
Interest income	\$ 30.1	\$ 30.8	\$ 37.7	(2.3)%	(20.2)%	
Interest expense	23.5	24.1	27.4	(2.5)	(14.2)	
Net interest income	6.6	6.7	10.3	(1.5)	(35.9)	
Losses on sales ⁽¹⁾	(2.8)	(0.7)	(0.7)	N/M	N/M	
Fair value adjustments	(0.4)	4.0	1.0	N/M	N/M	
Other	1.1	0.3	1.3	266.7	(15.4)	
	\$ 4.5	\$ 10.3	\$ 11.9	(56.3)%	(62.2)%	
Average mortgages serviced						
Securitized	\$ 4,711	\$ 4,917	\$ 5,479	(4.2)%	(14.0)%	
Other	2,444	2,393	2,566	2.1	(4.8)	
	\$ 7,155	\$ 7,310	\$ 8,045	(2.1)%	(11.1)%	
Mortgage sales to:⁽²⁾						
Securitized	\$ 252	\$ 134	\$ 508	88.1 %	(50.4)%	
Other ⁽¹⁾	132	224	240	(41.1)	(45.0)	
	\$ 384	\$ 358	\$ 748	7.3 %	(48.7)%	
Six months ended						
<i>(\$ millions)</i>				2022 Jun. 30	2021 Jun. 30	Change
Total mortgage banking income						
Net interest income on securitized loans						
Interest income			\$ 60.9	\$ 78.3	(22.2)%	
Interest expense			47.6	58.6	(18.8)	
Net interest income			13.3	19.7	(32.5)	
(Losses) gains on sales ⁽¹⁾			(3.5)	1.6	N/M	
Fair value adjustments			3.6	0.1	N/M	
Other			1.4	2.6	(46.2)	
			\$ 14.8	\$ 24.0	(38.3)%	
Average mortgages serviced						
Securitized			\$ 4,814	\$ 5,637	(14.6)%	
Other			2,419	2,575	(6.1)	
			\$ 7,233	\$ 8,212	(11.9)%	
Mortgage sales to:⁽²⁾						
Securitized			\$ 386	\$ 875	(55.9)%	
Other ⁽¹⁾			355	474	(25.1)	
			\$ 741	\$ 1,349	(45.1)%	

(1) Represents sales to institutional investors through private placements and to IG Mackenzie Mortgage and Short Term Income Fund, as well as gains (losses) realized on those sales.

(2) Represents principal amounts sold.

of \$10.5 million from \$25.5 million in 2021. The increase in expense is due to additional sales-based commission being capitalized and amortized throughout 2021 and 2022.

Other advisory and business development expenses were \$65.1 million in the second quarter of 2022, compared to \$60.5 million in 2021, an increase of \$4.6 million. Other advisory and business development expenses were \$128.8 million in the six months ended June 30, 2022, compared to \$128.5 million in 2021.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were \$103.2 million for the second quarter of 2022 compared to \$101.6 million in 2021, an increase of \$1.6 million. For the six month period, operations and support expenses were \$211.9 million in 2022 compared to \$211.5 million in 2021, an increase of \$0.4 million or 0.2%.

Sub-advisory expenses were \$42.0 million for the second quarter of 2022 compared to \$42.8 million in 2021, a decrease of \$0.8 million or 1.9%. For the six month period, sub-advisory expenses were \$86.6 million in 2022 compared to \$84.2 million in 2021, an increase of \$2.4 million or 2.9% primarily due to higher assets under management.

Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$22.4 million and \$44.5 million in the three and six months ended June 30, 2022, respectively, unchanged from 2021. Long-term debt interest expense is calculated based on a long-term debt allocation of \$1.7 billion to IG Wealth Management.

Q2 2022 vs. Q1 2022

Fee Income

Advisory fee income decreased by \$7.7 million or 2.6% to \$284.6 million in the second quarter of 2022 compared with the first quarter. The decrease in advisory fees in the second quarter was primarily due to the decrease in average assets under advisement of 4.8% for the quarter, as shown in Table 10, offset by the increase of approximately \$3.1 million resulting from one additional calendar day in the second quarter compared to the first quarter. The average advisory fee rate for the second quarter was 103.1 basis points of average assets under management, compared to 101.9 basis points in the first quarter.

Product and program fees were \$218.5 million in the second quarter of 2022, a decrease of \$9.3 million from \$227.8 million in the first quarter of 2022. The decrease in product and program fees was due to lower assets under management partly offset by approximately \$2.4 million resulting from one additional calendar day in the second quarter compared to the first quarter. The average product and program fee rate was 86.1 basis points in the current quarter, compared to 86.0 basis points in the first quarter.

Other financial planning revenues of \$31.1 million in the second quarter of 2022 decreased by \$8.6 million from \$39.7 million in the first quarter due to lower earnings from the distribution of insurance products and the mortgage banking operations.

Net Investment Income and Other

Net investment income and other was (\$1.3) million in the second quarter of 2022, a decrease of \$0.7 million from the first quarter.

Expenses

Advisory and business development expenses in the current quarter were \$222.0 million, a decrease of \$2.8 million from \$224.8 million in the previous quarter primarily due to lower assets under advisement partly offset by higher sales based compensation and other advisor programs.

Operations and support expenses were \$103.2 million for the second quarter of 2022 compared to \$108.7 million in the previous quarter, a decrease of \$5.5 million or 5.1%, primarily due to seasonality of expenses.

Investment Planning Counsel

2022 vs. 2021

Adjusted net earnings related to Investment Planning Counsel were \$0.8 million and \$1.3 million lower in the three and six month periods ended June 30, 2022 than the comparable periods in 2021.

Q2 2022 vs. Q1 2022

Adjusted net earnings related to Investment Planning Counsel were \$0.7 million lower in the second quarter of 2022 compared to the prior quarter.

Asset Management

The Asset Management segment includes Mackenzie Investments (Mackenzie).

Asset Management revenue reflects:

- **Net asset management fees – third party** includes fees received from our mutual funds and fees from third parties for investment management services. Compensation paid to dealers offsets the fees earned.
- **Asset management fees – Wealth Management** includes fees received from the Wealth Management segment. Wealth

Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Assets managed for IG Wealth Management are included in the Asset Management segment's assets under management.

Debt and interest expense is allocated to each IGM Financial segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We provide investment management and related services with a wide range of investment mandates through a boutique structure and using multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

Mackenzie earns asset management fees primarily from:

- Management fees earned from its investment funds, sub-advised accounts and institutional clients.
- Fees earned from its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

The largest component of Mackenzie's revenues is management fees. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. Equity based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than exchange traded funds, sub-advised accounts and institutional accounts.

Asset Management Strategy

Mackenzie's mission is to create a more invested world, together.

Mackenzie's objective is to become Canada's preferred global asset management solutions provider and business partner.

Mackenzie's focus is based on five key strategies:

- Win in retail in a segmented way
- Build a global institutional business with a targeted approach
- Deliver innovative investment solutions and performance
- Business processes that are simple, easy and digitized
- Continue to foster a high performance and diverse culture

These strategies impact our strategic priorities and drive future business growth. We aim to achieve this by attracting and fostering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

Mackenzie seeks to maximize returns on business investment by focusing our resources in areas that directly impact the success of our strategic focus: investment management, distribution and client experience.

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and portfolio management teams are located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong. In addition, our ownership interest in Northleaf enhances our investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients and our ownership interest in ChinaAMC offers our clients access to Chinese capital markets. We also supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of

investment capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace.

Within the strategic alliance channel, Mackenzie offers certain series of our mutual funds and provides sub-advisory services to third-party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries. Mackenzie partners with Wealthsimple to distribute ETFs through their product shelf. During the first quarter of 2022, Mackenzie announced a new multi-year product and services distribution agreement with PFSL Investment Canada Ltd. (Primerica) where Mackenzie will serve as one of two exclusive investment solutions providers and, during the second quarter, Mackenzie launched a suite of 25 funds designed to address the specific needs of Primerica advisors and their clients. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company.

In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. We attract new institutional business through our relationships with pension and management consultants.

Gross sales and redemption activity in strategic alliance and institutional accounts can be more pronounced than in the retail channel, given the relative size and the nature of the distribution relationships of these accounts. These accounts are also subject to ongoing reviews and rebalance activities which may result in a significant change in the level of assets under management.

Mackenzie continues to be positioned to continue to build and enhance our distribution relationships given our team

of experienced investment professionals, strength of our distribution network, broad product shelf, competitively priced products and our focus on client experience and investment excellence.

Assets Under Management

The changes in total assets under management are summarized in Table 15 and the changes in investment fund assets under management are summarized in Table 16. Assets managed for the Wealth Management segment are included in total assets under management.

At June 30, 2022, Mackenzie's total assets under management were \$184.7 billion, a decrease of 8.4% from \$201.7 billion last year. Mackenzie's total assets under management (excluding sub-advisory to Wealth Management) were \$111.9 billion, a decrease of 9.0% from \$122.9 billion last year. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

Change in Assets Under Management – 2022 vs. 2021

Mackenzie's total assets under management at June 30, 2022 were \$184.7 billion, a decrease of 8.4% from \$201.7 billion at June 30, 2021. Assets under management excluding sub-advisory to the Wealth Management segment were \$111.9 billion, a decrease of 9.0% from \$122.9 billion at June 30, 2021.

Investment fund assets under management were \$58.9 billion at June 30, 2022, compared to \$63.7 billion at June 30, 2021, a decrease of 7.4%. Mackenzie's mutual fund assets under management of \$53.6 billion decreased by 8.8% from \$58.8 billion at June 30, 2021. Mackenzie's ETF assets excluding ETFs held within IGM Financial's managed products were \$5.4 billion at June 30, 2022, an increase of 9.8% from \$4.9 billion at June 30, 2021. ETF assets inclusive of IGM Financial's managed products were \$11.6 billion at June 30, 2022 compared to \$10.6 billion at June 30, 2021.

In the three months ended June 30, 2022, Mackenzie's mutual fund gross sales were \$1.7 billion, a decrease of 40.6% from \$2.9 billion in 2021. Mutual fund redemptions in the current quarter were \$2.5 billion, an increase of 37.3% from last year. Mutual fund net redemptions for the three months ended June 30, 2022 were \$758 million, as compared to net sales of \$1.1 billion last year. In the three months ended June 30, 2022, ETF net creations were (\$61) million compared to \$562 million last year. Investment fund net redemptions in the current quarter were \$819 million compared to net sales of \$1.7 billion last year. During the current quarter, investment returns

Table 15: Change in Total Assets Under Management – Asset Management⁽¹⁾

Three months ended (\$ millions)	2022		2021		Change	
	Jun. 30	Mar. 31	Jun. 30	Mar. 31	2022 Jun. 30	2021 Jun. 30
Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment						
Net sales (redemptions)						
Mutual funds ⁽¹⁾	\$ (758)	\$ 582	\$ 1,107		N/M %	N/M %
ETF net creations ⁽²⁾	(61)	718	562		N/M	N/M
Investment funds ⁽³⁾	(819)	1,300	1,669		N/M	N/M
Sub-advisory, institutional and other accounts ⁽⁴⁾	(133)	(427)	617		68.9	N/M
Total net sales (redemptions)	(952)	873	2,286		N/M	N/M
Investment returns	(6,989)	(3,954)	2,779		(76.8)	N/M
Net change in assets	(7,941)	(3,081)	5,065		(157.7)	N/M
Beginning assets	73,229	76,310	66,756		(4.0)	9.7
Ending assets	\$ 65,288	\$ 73,229	\$ 71,821		(10.8)%	(9.1)%
Consolidated assets under management						
Mutual funds	\$ 53,576	\$ 60,291	\$ 58,765		(11.1)%	(8.8)%
ETFs	5,368	5,848	4,889		(8.2)	9.8
Investment funds ⁽³⁾	58,944	66,139	63,654		(10.9)	(7.4)
Sub-advisory, institutional and other accounts	6,344	7,090	8,167		(10.5)	(22.3)
	65,288	73,229	71,821		(10.8)	(9.1)
Sub-advisory to Canada Life	46,575	51,502	51,092		(9.6)	(8.8)
Total excluding sub-advisory to Wealth Management	111,863	124,731	122,913		(10.3)	(9.0)
Sub-advisory to Wealth Management	72,855	80,814	78,788		(9.8)	(7.5)
Consolidated assets under management	\$ 184,718	\$ 205,545	\$ 201,701		(10.1)%	(8.4)%
Average total assets under management⁽⁵⁾						
Excluding sub-advisory to Wealth Management	\$ 118,478	\$ 125,670	\$ 119,321		(5.7)%	(0.7)%
Consolidated	195,540	205,474	196,582		(4.8)	(0.5)
Six months ended						
(\$ millions)			2022 Jun. 30	2021 Jun. 30	Change	
Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment						
Net sales (redemptions)						
Mutual funds ⁽¹⁾			\$ (176)	\$ 2,597		N/M %
ETF net creations ⁽²⁾			657	967		(32.1)
Investment funds ⁽³⁾			481	3,564		(86.5)
Sub-advisory, institutional and other accounts ⁽⁴⁾			(560)	297		N/M
Total net sales (redemptions)			(79)	3,861		N/M
Investment returns			(10,943)	4,197		N/M
Net change in assets			(11,022)	8,058		N/M
Beginning assets			76,310	63,763		19.7
Ending assets			\$ 65,288	\$ 71,821		(9.1)%
Average total assets under management⁽⁵⁾						
Excluding sub-advisory to Wealth Management			\$ 121,939	\$ 116,055		5.1 %
Consolidated			200,074	191,940		4.2

(1) Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

2021 Q1 – resulted in redemptions and net redemptions of \$361 million.

(2) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs.

(3) Investment fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.

(4) Sub-advisory, institutional and other accounts:

2022 Q1 – an institutional investor redeemed \$291 million within products Mackenzie sub-advises

2021 Q2 – Mackenzie was awarded \$680 million of sub-advisory wins.

(5) Based on daily average investment fund assets and month-end average sub-advisory, institutional and other assets.

Table 16: Change in Investment Fund Assets Under Management – Asset Management⁽¹⁾

Three months ended (\$ millions)	2022		2021		Change	
	Jun. 30	Mar. 31	Jun. 30	Mar. 31	2022 Jun. 30	2021 Jun. 30
Sales	\$ 1,735	\$ 2,921	\$ 2,923		(40.6)%	(40.6)%
Redemptions	2,493	2,339	1,816		6.6	37.3
Mutual fund net sales (redemptions) ⁽²⁾	(758)	582	1,107		N/M	N/M
ETF net creations ⁽³⁾	(61)	718	562		N/M	N/M
Investment fund net sales (redemptions)⁽⁴⁾	(819)	1,300	1,669		N/M	N/M
Investment returns	(6,376)	(3,523)	2,501		(81.0)	N/M
Net change in assets	(7,195)	(2,223)	4,170		(223.7)	N/M
Beginning assets	66,139	68,362	59,484		(3.3)	11.2
Ending assets	\$ 58,944	\$ 66,139	\$ 63,654		(10.9)%	(7.4)%
Consists of:						
Mutual funds	\$ 53,576	\$ 60,291	\$ 58,765		(11.1)%	(8.8)%
ETFs	5,368	5,848	4,889		(8.2)	9.8
Investment funds	\$ 58,944	\$ 66,139	\$ 63,654		(10.9)%	(7.4)%
Daily average investment fund assets	\$ 62,527	\$ 66,254	\$ 61,737		(5.6)%	1.3 %
Six months ended						
(\$ millions)			2022 Jun. 30	2021 Jun. 30	Change	
Sales			\$ 4,656	\$ 6,954	(33.0)%	
Redemptions			4,832	4,357	10.9	
Mutual fund net sales (redemptions) ⁽²⁾			(176)	2,597	N/M	
ETF net creations ⁽³⁾			657	967	(32.1)	
Investment fund net sales (redemptions)⁽⁴⁾			481	3,564	(86.5)	
Investment returns			(9,899)	3,620	N/M	
Net change in assets			(9,418)	7,184	N/M	
Beginning assets			68,362	56,470	21.1	
Ending assets			\$ 58,944	\$ 63,654	(7.4)%	
Daily average investment fund assets			\$ 64,385	\$ 59,801	7.7 %	

(1) Investment fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.

(2) Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes: 2021 Q1 – resulted in redemptions and net redemptions of \$361 million.

(3) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs.

(4) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

resulted in investment fund assets decreasing by \$6.4 billion compared to an increase of \$2.5 billion last year.

Total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended June 30, 2022 were \$952 million compared to net sales of \$2.3 billion last year. During the second quarter of 2021, Mackenzie was awarded \$680 million of sub-advisory mandates through our strategic partnership with China Asset Management Co, Ltd. Excluding this transaction, net sales were \$1.6 billion for the three months ended June 30, 2021. During the current quarter, investment returns resulted in assets decreasing by \$7.0 billion compared to an increase of \$2.8 billion last year.

In the six months ended June 30, 2022, Mackenzie's mutual fund gross sales were \$4.7 billion, a decrease of 33.0% from \$7.0 billion in 2021. Mutual fund redemptions in the current

period were \$4.8 billion, an increase of 10.9% from last year. Mutual fund net redemptions for the six months ended June 30, 2022 were \$176 million, as compared to net sales of \$2.6 billion in 2021. In the six months ended June 30, 2022, ETF net creations were \$0.7 billion compared to \$1.0 billion last year. Investment fund net sales in the current period were \$0.5 billion compared to net sales of \$3.6 billion last year. During the current period, investment returns resulted in investment fund assets decreasing by \$9.9 billion compared to an increase of \$3.6 billion last year.

During the six months ended June 30, 2021, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in redemptions and net redemptions of \$361 million. Excluding this transaction in 2021, mutual fund redemptions increased by 20.9% in the six months ended June 30, 2022 compared to 2021, and mutual fund

net redemptions of \$176 million in 2022 compared to mutual fund net sales of \$3.0 billion in 2021.

Redemptions of long-term mutual funds in the three and six months ended June 30, 2022, were \$2.5 billion and \$4.8 billion, respectively, compared to \$1.8 billion and \$4.3 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were \$3.9 billion in the six months ended June 30, 2021. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 17.4% in the second quarter of 2022, compared to 12.6% in the second quarter of 2021. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 14.3% at June 30, 2022, compared to 15.4% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 13.8% at June 30, 2021. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 14.3% at June 30, 2022. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

Total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the six months ended June 30, 2022 were \$79 million compared to net sales of \$3.9 billion last year. During the six month period, investment returns resulted in assets decreasing by \$10.9 billion compared to an increase of \$4.2 billion last year.

During the six months ended June 30, 2022, an institutional investor redeemed \$291 million within products that Mackenzie sub-advises and Wealthsimple made allocation changes which resulted in \$675 million in purchases in Mackenzie ETFs. Excluding these two transactions and the 2021 transactions previously mentioned, total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the six months ended June 30, 2022 were \$463 million compared to net sales of \$3.5 billion last year.

As at June 30, 2022, Mackenzie's sub-advisory to Canada Life were \$46.6 billion compared to \$51.1 billion at June 30, 2021.

As at June 30, 2022, Mackenzie's sub-advisory to the Wealth Management segment were \$72.9 billion or 72.0% of total Wealth Management assets under management compared to \$78.8 billion or 71.2% of total Wealth Management assets under management at June 30, 2021.

Change in Assets Under Management – Q2 2022 vs. Q1 2022

Mackenzie's total assets under management at June 30, 2022 were \$184.7 billion, a decrease of 10.1% from \$205.5 billion at March 31, 2022. Assets under management excluding sub-advisory to the Wealth Management segment were \$111.9 billion, a decrease of 10.3% from \$124.7 billion at March 31, 2022.

Investment fund assets under management were \$58.9 billion at June 30, 2022, a decrease of 10.9% from \$66.1 billion at March 31, 2022. Mackenzie's mutual fund assets under management were \$53.6 billion at June 30, 2022, a decrease of 11.1% from \$60.3 billion at March 31, 2022. Mackenzie's ETF assets were \$5.4 billion at June 30, 2022 compared to \$5.8 billion at March 31, 2022. ETF assets inclusive of IGM Financial's managed products were \$11.6 billion at June 30, 2022 compared to \$12.9 billion at March 31, 2022.

For the quarter ended June 30, 2022, Mackenzie mutual fund gross sales were \$1.7 billion, a decrease of 40.6% from the first quarter of 2022. Mutual fund redemptions were \$2.5 billion, an increase of 6.6% from the first quarter of 2022. Net redemptions of Mackenzie mutual funds for the current quarter were \$758 million compared with net sales of \$582 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were \$2.5 billion, compared to \$2.3 billion in the first quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 17.4% compared to 15.4% in the first quarter.

For the quarter ended June 30, 2022, Mackenzie ETF net creations were (\$61) million compared to \$718 million in the first quarter. Excluding the Wealthsimple purchase of \$675 million into Mackenzie ETFs previously mentioned, ETF net creations were \$43 million in the first quarter.

Investment fund net redemptions in the current quarter were \$819 million compared to net sales of \$1.3 billion in the first quarter.

As at June 30, 2022, Mackenzie's sub-advisory to Canada Life were \$46.6 billion compared to \$51.5 billion at March 31, 2022.

As at June 30, 2022, Mackenzie's sub-advisory to the Wealth Management segment were \$72.9 billion or 72.0% of total Wealth Management assets under management compared to \$80.8 billion or 71.9% of total Wealth Management assets under management at March 31, 2022.

Investment Management

Mackenzie has \$184.7 billion in assets under management at June 30, 2022, including \$72.9 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong.

We continue to deliver our investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. Our investment team currently consists of seventeen boutiques. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

Mackenzie's 56% ownership interest in Northleaf enhances its investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments, TOBAM, ChinaAMC, and Impax Asset Management. During the second

quarter, 1832 Asset Management, Brandywine and Blackrock were added as subadvisors for the launch of the suite of Mackenzie FuturePath Funds designed to address the specific needs of Primerica advisors and their clients.

During 2021, Mackenzie undertook a number of initiatives on climate change in support of the global goal to reach net zero by 2050. This builds upon Mackenzie's sustainability strategy, and these items included the following:

- Signatory to the global Net Zero Asset Managers Initiative
- Founding participant to Climate Engagement Canada
- Founding Signatory to Responsible Investment Association's Canadian Investor Statement on Climate Change.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At June 30, 2022, 47.3% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 41.1% for the three year time frame and 57.3% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar[†] fund ranking service. At June 30, 2022, 78.8% of Mackenzie mutual fund assets measured by Morningstar[†] had a rating of three stars or better and 42.4% had a rating of four or five stars. This compared to the Morningstar[†] universe of 85.4% for three stars or better and 53.2% for four and five star funds at June 30, 2022.

Products

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. During the second quarter of 2022, Mackenzie launched a suite of 25 FuturePath Funds and one alternative fund, and executed mutual fund mergers that were previously announced.

Mutual Funds

Mackenzie enhances its product shelf through new fund launches, and streamlines the shelf by executing fund mergers.

The Mackenzie FuturePath Funds are an exclusive offering of 25 unique funds supporting a new partnership with Primerica Financial Services Canada (PFSL). Under this partnership, Mackenzie is one of two fund providers available to PFSL's network of 7,000 advisors and 250,000 clients. This new family of funds will harness a wide selection of Mackenzie's competitive investment strategies including Canadian, U.S. and global equity, fixed-income and balanced funds, and sophisticated asset allocation strategies. The line-up covers all major CIFSC categories and investment styles.

Alternative Funds

During the second quarter of 2022, Mackenzie launched its tenth fund in the alternatives space and its fourth product in collaboration with Northleaf Capital Partners (Northleaf) as part of its ongoing commitment to democratize alternative investments in Canada and expand retail investor access to private market investment solutions:

- Mackenzie Northleaf Global Private Equity Fund seeks to achieve long term capital appreciation primarily through exposure to funds within Northleaf's global private equity program, which has been successfully investing in private equity for more than 20 years. Over time, the Fund will invest approximately 75-80% of assets into institutional private equity funds which invest across a spectrum of global mid-market private equity investments.

Exchange Traded Funds

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option to utilize in building long-term diversified portfolios.

Mackenzie's current line-up consists of 45 ETFs: 24 active and strategic beta ETFs and 21 traditional index ETFs. ETF assets under management ended the quarter at \$11.6 billion, inclusive of \$6.2 billion in investments from IGM managed products. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

Review of Segment Operating Results

The Asset Management segment includes revenue earned on advisory mandates to the Wealth Management segment and investments into Mackenzie mutual funds and ETFs by the Wealth Management segment.

The Asset Management segment adjusted net earnings are presented in Table 17. Adjusted net earnings for the second quarter of 2022 were \$51.3 million, a decrease of 9.2% from the second quarter in 2021 and a decrease of 1.5% from the prior quarter.

Adjusted earnings before interest and taxes for the second quarter of 2022 were \$75.4 million, a decrease of 8.6% from the second quarter in 2021 and a decrease of 1.2% from the prior quarter.

2022 vs. 2021

Revenues

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
 - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example,

Table 17: Operating Results – Asset Management

Three months ended (\$ millions)	2022		2021		Change	
	Jun. 30	Mar. 31	Jun. 30	Mar. 31	2022 Jun. 30	2021 Jun. 30
Revenues						
Asset management						
Asset management fees – third party	\$ 240.9	\$ 254.8	\$ 247.2	(5.5)%	(2.5)%	
Redemption fees	0.7	1.0	1.1	(30.0)	(36.4)	
	241.6	255.8	248.3	(5.6)	(2.7)	
Dealer compensation expenses						
Asset-based compensation	(79.8)	(86.1)	(82.5)	(7.3)	(3.3)	
Sales-based compensation	(2.3)	(5.0)	(4.9)	(54.0)	(53.1)	
	(82.1)	(91.1)	(87.4)	(9.9)	(6.1)	
Net asset management fees – third party	159.5	164.7	160.9	(3.2)	(0.9)	
Asset management fees – Wealth Management	28.1	29.0	28.0	(3.1)	0.4	
Net asset management	187.6	193.7	188.9	(3.1)	(0.7)	
Net investment income and other	(1.1)	(2.6)	1.1	57.7	N/M	
	186.5	191.1	190.0	(2.4)	(1.8)	
Expenses						
Advisory and business development	21.5	20.2	25.1	6.4	(14.3)	
Operations and support	88.4	93.1	80.5	(5.0)	9.8	
Sub-advisory	1.2	1.5	1.9	(20.0)	(36.8)	
	111.1	114.8	107.5	(3.2)	3.3	
Adjusted earnings before interest and taxes ⁽¹⁾	75.4	76.3	82.5	(1.2)	(8.6)	
Interest expense	5.9	5.8	6.0	1.7	(1.7)	
Adjusted earnings before income taxes ⁽¹⁾	69.5	70.5	76.5	(1.4)	(9.2)	
Income taxes	18.2	18.4	20.0	(1.1)	(9.0)	
Adjusted net earnings⁽¹⁾	\$ 51.3	\$ 52.1	\$ 56.5	(1.5)%	(9.2)%	

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Table 17: Operating Results – Asset Management (continued)

<i>Six months ended</i> (\$ millions)	2022 Jun. 30	2021 Jun. 30	Change
Revenues			
Asset management			
Asset management fees – third party	\$ 495.7	\$ 479.1	3.5 %
Redemption fees	1.7	2.2	(22.7)
	497.4	481.3	3.3
Dealer compensation expenses			
Asset-based compensation	(165.9)	(160.8)	3.2
Sales-based compensation	(7.3)	(11.9)	(38.7)
	(173.2)	(172.7)	0.3
Net asset management fees – third party	324.2	308.6	5.1
Asset management fees – Wealth Management	57.1	54.9	4.0
Net asset management	381.3	363.5	4.9
Net investment income and other	(3.7)	2.3	N/M
	377.6	365.8	3.2
Expenses			
Advisory and business development	41.7	45.4	(8.1)
Operations and support	181.5	164.0	10.7
Sub-advisory	2.7	3.6	(25.0)
	225.9	213.0	6.1
Adjusted earnings before interest and taxes ⁽¹⁾	151.7	152.8	(0.7)
Interest expense	11.7	11.8	(0.8)
Adjusted earnings before income taxes ⁽¹⁾	140.0	141.0	(0.7)
Income taxes	36.6	36.5	0.3
Adjusted net earnings⁽¹⁾	\$ 103.4	\$ 104.5	(1.1)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

equity-based mandates have higher management fee rates than exchange traded funds, fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are retail and sold through third party financial advisors.

- Redemption fees – consists of fees earned from the redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option.
- Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Sales-based

compensation are paid to dealers on the sale of mutual funds under the deferred sales charge (DSC) purchase option and on a low load (LL) purchase option. Mackenzie stopped selling DSC and LL purchase options as of June 1, 2022, in accordance with regulatory changes.

- Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were \$159.5 million for the three months ended June 30, 2022, a decrease of \$1.4 million or 0.9% from \$160.9 million last year. The decrease in net asset management fees – third party was due to a 0.7% decrease in average assets under management, as shown in Table 15 and a decline in the net asset management fee rate. Mackenzie's net asset management fee rate was 54.0 basis points for the three months ended June 30, 2022, compared to 54.1 basis points in the comparative period in 2021.

Net asset management fees – third party were \$324.2 million for the six months ended June 30, 2022, an increase of \$15.6 million or 5.1% from \$308.6 million last year. The increase in net asset management fees – third party was primarily due to a 5.1% increase in average assets under management, as shown in Table 15. Mackenzie's net asset management fee rate

was 53.6 basis points for the six months ended June 30, 2022, consistent with 2021.

Management fees – Wealth Management were \$28.1 million for the three months ended June 30, 2022, an increase of \$0.1 million or 0.4% from \$28.0 million last year. The increase in management fees was primarily due to an increase in the effective management fee rate, offset by 0.3% decrease in average assets under management. Mackenzie's management fee rate was 14.6 basis points for the three months ended June 30, 2022 compared to 14.5 basis points in the comparative period in 2021.

Management fees – Wealth Management were \$57.1 million for the six months ended June 30, 2022, an increase of \$2.2 million or 4.0% from \$54.9 million last year. The increase in management fees was due to an increase in the effective management fee rate and a 3.0% increase in average assets under management. Mackenzie's management fee rate was 14.7 basis points for the six months ended June 30, 2022 compared to 14.6 basis points in the comparative period in 2021.

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was (\$1.1) million for the three months ended June 30, 2022 compared to \$1.1 million last year, and was (\$3.7) million for the six months ended June 30, 2022 compared to \$2.3 million last year.

Expenses

Mackenzie incurs advisory and business development expenses that primarily include wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were \$21.5 million for the three months ended June 30, 2022, a decrease of \$3.6 million or 14.3% from \$25.1 million in 2021. Expenses for the six months ended June 30, 2022 were \$41.7 million, a decrease of \$3.7 million or 8.1% from \$45.4 million last year.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were \$88.4 million for the three months ended June 30, 2022, an increase of \$7.9 million or 9.8% from \$80.5 million in 2021. Expenses for the six months ended June 30, 2022 were \$181.5 million, an increase of \$17.5 million or 10.7% from \$164.0 million last year.

Sub-advisory expenses were \$1.2 million for the three months ended June 30, 2022, compared to \$1.9 million in

2021. Expenses for the six months ended June 30, 2022 were \$2.7 million, compared to \$3.6 million last year.

Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$5.9 million in the second quarter of 2022, compared to \$6.0 million in the comparative period in 2021. Interest expense for the six month period was \$11.7 million compared to \$11.8 million in 2021. Long-term debt interest expense is calculated based on a long-term debt allocation of \$0.4 billion to Mackenzie.

Q2 2022 vs. Q1 2022

Revenues

Net asset management fees – third party were \$159.5 million for the current quarter, a decrease of \$5.2 million or 3.2% from \$164.7 million in the first quarter. Factors contributing to the net decrease are as follows:

- Average assets under management were \$195.5 billion in the current quarter, a decrease of 4.8% from the prior quarter.
- Net asset management fee rate was 54.0 basis points for the current quarter compared to 53.2 basis points in the first quarter.
- There was one additional calendar day in the second quarter of 2022 compared to the first quarter of 2022, which resulted in an increase of asset management fees of \$2.4 million.

Management fees – Wealth Management were \$28.1 million in the current quarter, down from \$29.0 million in the first quarter of 2022, primarily due to the decrease in assets under management of 3.4% from the first quarter. The management fee rate was 14.6 basis points in the current quarter, compared to 14.7 basis points in the first quarter of 2022.

Net investment income and other was (\$1.1) million for the current quarter, compared to (\$2.6) million in the first quarter of 2022.

Expenses

Advisory and business development expenses were \$21.5 million for the current quarter, an increase of \$1.3 million or 6.4% from \$20.2 million in the first quarter.

Operations and support expenses were \$88.4 million for the current quarter, a decrease of \$4.7 million or 5.0% from \$93.1 million compared to the first quarter primarily due to the seasonality of expenses.

Sub-advisory expenses were \$1.2 million for the current quarter, compared to \$1.5 million in the first quarter.

Strategic Investments and Other

Review of Segment Operating Results

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), Wealthsimple Financial Corp. (Wealthsimple), Portage Ventures LPs. (Portage), and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, ChinaAMC and Northleaf as well as net investment income on unallocated capital.

In January 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC as discussed in the Consolidated Financial Position section of this MD&A. To partially fund the transaction, IGM Financial will sell 1.6% of its 4% interest in Lifeco.

Assets held by the Strategic Investments and Other segment are included in Table 18.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic Investments and Other segment adjusted net earnings are presented in Table 19.

2022 vs. 2021

The proportionate share of associates' earnings increased by \$1.8 million in the second quarter of 2022 compared to the second quarter of 2021 and increased by \$8.6 million in the six months ended June 30, 2022 compared to 2021. These earnings reflect equity earnings from Lifeco, ChinaAMC and Northleaf, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the three month period was due to the increase in the proportionate share of Northleaf's earnings of \$3.5 million, net of non-controlling interest. The increase was offset by decreases in the proportionate share of Lifeco's earnings of \$2.3 million and ChinaAMC's earnings of \$0.3 million. The increase in the six month period was due to the increase in the proportionate share of Northleaf's earnings of \$6.1 million, net of non-controlling interest and the increase in the proportionate share of Lifeco's earnings of \$0.3 million and ChinaAMC's earnings of \$0.7 million.

Net investment income and other was \$1.8 million in the second quarter of 2022, an increase of \$1.0 million from \$0.8 million in 2021. Net investment income and other was \$2.5 million for the six month period in 2022, an increase of \$1.5 million from \$1.0 million in 2021.

Table 18: Total Assets – Strategic Investments and Other

(\$ millions)	June 30, 2022	December 31, 2021
Investments in associates		
Lifeco	\$ 1,024.8	\$ 1,020.8
ChinaAMC	741.5	768.7
Northleaf	269.2	258.8
	2,035.5	2,048.3
FVTOCI investments		
Wealthsimple (direct investment only)	484.0	1,133.5
Portage and other investments	115.0	157.9
	599.0	1,291.4
Unallocated capital and other	728.6	767.5
Total assets	\$ 3,363.1	\$ 4,107.2
<i>Lifeco fair value</i>	\$ 1,172.0	\$ 1,415.5

Table 19: Operating Results – Strategic Investments and Other

Three months ended (\$ millions)				Change		
	2022 Jun. 30	2022 Mar. 31	2021 Jun. 30	2022 Mar. 31	2021 Jun. 30	
Revenues						
Net investment income and other	\$ 1.8	\$ 0.7	\$ 0.8	157.1 %	125.0 %	
Proportionate share of associates' earnings						
Investment in Lifeco	29.0	30.7	31.3	(5.5)	(7.3)	
Investment in ChinaAMC	14.8	13.5	15.1	9.6	(2.0)	
Investment in Northleaf	6.2	4.2	1.8	47.6	244.4	
	50.0	48.4	48.2	3.3	3.7	
	51.8	49.1	49.0	5.5	5.7	
Expenses						
Operations and support	2.0	1.4	1.3	42.9	53.8	
Adjusted earnings before income taxes ⁽¹⁾	49.8	47.7	47.7	4.4	4.4	
Income taxes	1.3	1.1	0.7	18.2	85.7	
Adjusted net earnings ⁽¹⁾	48.5	46.6	47.0	4.1	3.2	
Non-controlling interest	1.3	0.8	0.4	62.5	225.0	
Adjusted net earnings available to common shareholders⁽¹⁾	\$ 47.2	\$ 45.8	\$ 46.6	3.1 %	1.3 %	
Six months ended						
(\$ millions)				2022 Jun. 30	2021 Jun. 30	Change
Revenues						
Net investment income and other			\$ 2.5	\$ 1.0	150.0 %	
Proportionate share of associates' earnings						
Investment in Lifeco			59.7	59.4	0.5	
Investment in ChinaAMC			28.3	27.6	2.5	
Investment in Northleaf			10.4	2.8	271.4	
			98.4	89.8	9.6	
			100.9	90.8	11.1	
Expenses						
Operations and support			3.4	2.4	41.7	
Adjusted earnings before income taxes ⁽¹⁾			97.5	88.4	10.3	
Income taxes			2.4	1.8	33.3	
Adjusted net earnings ⁽¹⁾			95.1	86.6	9.8	
Non-controlling interest			2.1	0.6	250.0	
Adjusted net earnings available to common shareholders⁽¹⁾			\$ 93.0	\$ 86.0	8.1 %	

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Q2 2022 vs. Q1 2022

The proportionate share of associates' earnings was \$50.0 million in the second quarter of 2022, an increase of \$1.6 million from the first quarter of 2022, primarily due to an increase in the proportionate share of ChinaAMC and Northleaf earnings, offset in part by a decrease in the proportionate share of Lifeco earnings. Net investment income and other was \$1.8 million in the second quarter of 2022, an increase of \$1.1 million from \$0.7 million in the first quarter.

IGM Financial Inc.

Consolidated Financial Position

IGM Financial's total assets were \$17.1 billion at June 30, 2022, compared to \$17.7 billion at December 31, 2021.

Other Investments

The composition of the Company's securities holdings is detailed in Table 20.

Fair Value Through Other Comprehensive Income (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp. (Wealthsimple), and Portag3 Ventures LP, Portag3 Ventures II LP and Portage Ventures III LP (Portage) and are recorded at FVTOCI.

Wealthsimple is a financial company that provides simple digital tools for growing and managing your money.

The Company is the largest shareholder in Wealthsimple with a combined direct and indirect interest of 24% and fair value of \$492 million at June 30, 2022, a decline of \$661 million from \$1,153 million at December 31, 2021. Fair value is determined by using observable transactions in the investments' securities, where available, discounted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. This change in fair value is consistent with the continued decline in stock markets and public market peer valuations, and Wealthsimple focusing on its core business lines and revising revenue expectations.

Portage consists of early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power Corporation of Canada.

The total fair value of Corporate investments of \$599 million at June 30, 2022 is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

Fair Value Through Profit or Loss (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

Loans

The composition of the Company's loans is detailed in Table 21.

Loans consisted of residential mortgages and represented 29.9% of total assets at June 30, 2022, compared to 30.3% at December 31, 2021.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled \$4.7 billion at June 30, 2022, compared to \$5.1 billion at December 31, 2021.

Table 20: Other Investments

(\$ millions)	June 30, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Fair value through other comprehensive income				
Corporate investments	\$ 235.8	\$ 599.0	\$ 226.2	\$ 1,291.4
Fair value through profit or loss				
Equity securities	1.2	1.4	1.2	1.6
Proprietary investment funds	149.3	145.9	101.3	105.0
	150.5	147.3	102.5	106.6
	\$ 386.3	\$ 746.3	\$ 328.7	\$ 1,398.0

Table 21: Loans

(\$ millions)	June 30, 2022	December 31, 2021
Amortized cost	\$ 5,104.9	\$ 5,297.0
Less: Allowance for expected credit losses	0.6	0.6
	5,104.3	5,296.4
Fair value through profit or loss	-	57.4
	\$ 5,104.3	\$ 5,353.8

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost. Total loans being held pending sale or securitization are \$456.4 million at June 30, 2022, compared to \$315.8 million at December 31, 2021.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. At June 30, 2022, IG Wealth Management serviced \$9.4 billion of residential mortgages, including \$2.3 billion originated by subsidiaries of Lifeco.

Securitization Arrangements

Through the Company's mortgage banking operations, residential mortgages originated by IG Wealth Management mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons

on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal, are recorded at fair value, and iii) cash reserves held under the ABCP program are carried at amortized cost.

In the second quarter of 2022, the Company securitized loans through its mortgage banking operations with cash proceeds of \$236.3 million compared to \$487.4 million in 2021. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 6 to the Interim Financial Statements.

Investment in Associates

Great-West Lifeco Inc. (Lifeco)

At June 30, 2022, the Company held a 4.0% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three and six months ended June 30, 2022 compared with 2021 are shown in Table 22.

On January 5, 2022, to partially fund the acquisition of an additional 13.9% interest in ChinaAMC, the Company announced it will sell 15,200,662 common shares of Lifeco to Power for cash consideration of \$575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. The sale of Lifeco shares is conditional on IGM Financial's purchase of the ChinaAMC shares and is expected to close in 2022.

China Asset Management Co., Ltd. (ChinaAMC)

Founded in 1998 as one of the first fund management companies in China, ChinaAMC has developed and maintained a position among the market leaders in China's asset management industry.

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,740.2 billion (\$334.5 billion) at June 30, 2022, representing

Table 22: Investment in Associates

(\$ millions)	June 30, 2022				June 30, 2021			
	Lifeco	ChinaAMC	Northleaf	Total	Lifeco	ChinaAMC	Northleaf	Total
Three months ended								
Carrying value, April 1	\$ 1,032.3	\$ 743.7	\$ 263.0	\$ 2,039.0	\$ 968.6	\$ 693.7	\$ 249.6	\$ 1,911.9
Investment	-	-	-	-	-	-	0.3	0.3
Dividends	(18.3)	-	-	(18.3)	(16.3)	-	-	(16.3)
Proportionate share of:								
Earnings ⁽¹⁾	29.0	14.8	6.2 ⁽²⁾	50.0	31.3	15.1	1.8 ⁽²⁾	48.2
Other comprehensive income (loss) and other adjustments	(18.2)	(17.0)	-	(35.2)	2.2	0.7	-	2.9
Carrying value, June 30	\$ 1,024.8	\$ 741.5	\$ 269.2	\$ 2,035.5	\$ 985.8	\$ 709.5	\$ 251.7	\$ 1,947.0
Six months ended								
Carrying value, January 1	\$ 1,020.8	\$ 768.7	\$ 258.8	\$ 2,048.3	\$ 962.4	\$ 720.3	\$ 248.5	\$ 1,931.2
Investment	-	-	-	-	-	-	0.4	0.4
Dividends	(36.6)	(31.3)	-	(67.9)	(32.7)	(26.8)	-	(59.5)
Proportionate share of:								
Earnings ⁽²⁾	59.7	28.3	10.4 ⁽²⁾	98.4	59.4	27.6	2.8 ⁽²⁾	89.8
Other comprehensive income (loss) and other adjustments	(19.1)	(24.2)	-	(43.3)	(3.3)	(11.6)	-	(14.9)
Carrying value, June 30	\$ 1,024.8	\$ 741.5	\$ 269.2	\$ 2,035.5	\$ 985.8	\$ 709.5	\$ 251.7	\$ 1,947.0

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investments and Other segment.

(2) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was \$4.9 million and \$8.3 million, respectively, for the three and six month periods in 2022 compared to \$1.4 million and \$2.2 million, respectively, in 2021.

an increase of 4.7% (CAD\$ 1.2%) from RMB¥ 1,661.6 billion (\$330.5 billion) at December 31, 2021.

The equity method is used to account for the Company's 13.9% equity interest in ChinaAMC, as it exercises significant influence. Changes in the carrying value for the three and six months ended June 30, 2022 are shown in Table 22. The change in Other comprehensive income of negative \$17.0 million in the three months ended June 30, 2022, was due to a 2.5% depreciation of the Chinese yuan relative to the Canadian dollar.

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power Corporation of Canada (Power) which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. The transaction is expected to close in 2022, subject to customary closing conditions, including Chinese regulatory approvals.

Northleaf Capital Group Ltd. (Northleaf)

The Company, through an acquisition vehicle held by the Company's subsidiary, Mackenzie, holds a 49.9% voting interest and a 70% economic interest in Northleaf. The acquisition vehicle is owned 80% by Mackenzie and 20% by Lifeco. Northleaf is a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

Mackenzie and Lifeco have an obligation and right to purchase the remaining equity and voting interest in Northleaf commencing in approximately five years from the acquisition date and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle therefore it recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%.

Northleaf's assets under management, including invested capital and uninvested commitments, were \$22.0 billion as at June 30, 2022 (December 31, 2021 – \$19.5 billion). The increase of \$2.5 billion in assets under management during the six months month period was driven by \$2.2 billion in new commitments and \$0.3 billion related to foreign exchange on USD denominated assets.

Consolidated Liquidity and Capital Resources

Liquidity

Cash and cash equivalents totalled \$969.1 million at June 30, 2022 compared with \$1,292.4 million at December 31, 2021 and \$966.8 million at June 30, 2021. Cash and cash equivalents related to the Company's deposit operations were \$1.3 million at June 30, 2022, compared to \$1.3 million at December 31, 2021 and \$0.5 million at June 30, 2021, as shown in Table 23.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities.

Working capital, which consists of current assets less current liabilities, totalled \$757.5 million at June 30, 2022, compared with \$908.0 million at December 31, 2021 and \$646.2 million at June 30, 2021 (Table 24).

Working capital, which includes unallocated capital, is utilized to:

- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest related to long-term debt.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases and retirement of long-term debt.
- Capital investment in the business and business acquisitions.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions), a non-IFRS measure (see Non-IFRS Financial Measures and Other Financial Measures), totalled \$343.5 million for the second quarter of 2022 compared to \$379.7 million for the second quarter of 2021 and \$360.0 million for the first quarter of 2022. For the six months ended June 30, 2022, EBITDA before sales commissions totalled \$703.5 million compared to \$712.9 million for the comparative period of 2021. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions), a non-IFRS measure (see Non-IFRS Financial Measures and Other Financial Measures), totalled \$310.0 million in the second quarter of 2022 compared to \$337.0 million in the second quarter of 2021 and \$310.5 million in the first quarter of 2022. For the six months ended June 30, 2022, EBITDA after sales commissions totalled \$620.5 million compared to \$623.1 million for the comparative period of 2021. EBITDA after sales commissions excludes the impact of commission amortization (Table 1).

Refer to the Financial Instruments Risk section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity and funding risk.

Table 23: Deposit Operations – Financial Position

<i>(\$ millions)</i>	2022 Jun. 30	2021 Dec. 31	2021 Jun. 30
Assets			
Cash and cash equivalents	\$ 1.3	\$ 1.3	\$ 0.5
Client funds on deposit	2,786.5	2,238.6	1,473.0
Accounts and other receivables	0.4	0.6	0.4
Loans	11.0	10.8	11.6
Total assets	\$ 2,799.2	\$ 2,251.3	\$ 1,485.5
Liabilities and shareholders' equity			
Deposit liabilities	\$ 2,770.0	\$ 2,220.3	\$ 1,463.4
Other liabilities	18.4	20.4	11.7
Shareholders' equity	10.8	10.6	10.4
Total liabilities and shareholders' equity	\$ 2,799.2	\$ 2,251.3	\$ 1,485.5

Table 24: Working Capital

(\$ millions)	2022 Jun. 30	2021 Dec. 31	2021 Jun. 30
Current assets			
Cash and cash equivalents	\$ 969.1	\$ 1,292.4	\$ 966.8
Client funds on deposit	2,786.5	2,238.6	1,473.0
Accounts receivable and other assets	467.1	405.0	434.0
Current portion of securitized mortgages and other	1,120.3	1,234.5	1,088.9
	5,343.0	5,170.5	3,962.7
Current liabilities			
Accounts and other payables	744.1	879.1	758.6
Deposits and certificates	2,768.7	2,219.0	1,462.1
Current portion of obligations to securitization entities and other	1,072.7	1,164.4	1,095.8
	4,585.5	4,262.5	3,316.5
Working capital	\$ 757.5	\$ 908.0	\$ 646.2

Table 25: Cash Flows

(\$ millions)	Three months ended June 30			Six months ended June 30		
	2022	2021	Change	2022	2021	Change
Operating activities						
Earnings before income taxes	\$ 267.8	\$ 307.1	(12.8) %	\$ 551.7	\$ 569.2	(3.1) %
Income taxes paid	(64.7)	(49.2)	(31.5)	(225.3)	(104.5)	(115.6)
Adjustments to determine net cash from operating activities	16.6	(20.9)	N/M	(41.7)	(175.2)	76.2
	219.7	237.0	(7.3)	284.7	289.5	(1.7)
Financing activities	(427.8)	(355.1)	(20.5)	(784.4)	(823.6)	4.8
Investing activities	(7.5)	427.1	N/M	176.4	729.3	(75.8)
Change in cash and cash equivalents	(215.6)	309.0	N/M	(323.3)	195.2	N/M
Cash and cash equivalents, beginning of period	1,184.7	657.8	80.1	1,292.4	771.6	67.5
Cash and cash equivalents, end of period	\$ 969.1	\$ 966.8	0.2 %	\$ 969.1	\$ 966.8	0.2 %

Cash Flows

Table 25 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the three and six month periods ended June 30, 2022. Cash and cash equivalents decreased by \$215.6 million in the second quarter of 2022 compared to an increase of \$309.0 million in 2021. For the six months ended June 30, 2022, cash and cash equivalents decreased by \$323.3 million, compared to an increase of \$195.2 million in 2021.

Adjustments to determine net cash from operating activities during the three and six month periods of 2022 compared to 2021 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sales commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other assets.

- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The deduction of restructuring provision cash payments.

Financing activities during the second quarter of 2022 compared to 2021 related to:

- An increase in obligations to securitization entities of \$220.9 million and repayments of obligations to securitization entities of \$417.2 million in 2022 compared to an increase in obligations to securitization entities of \$492.9 million and repayments of obligations to securitization entities of \$727.0 million in 2021.
- The purchase of 2,320,000 common shares in 2022 under IGM Financial's normal course issuer bid at a cost of \$90.0 million. There were no purchases in 2021.

- The payment of regular common share dividends which totalled \$135.0 million in 2022, compared to \$134.1 million in 2021.

Financing activities during the six months ended June 30, 2022 compared to 2021 related to:

- An increase in obligations to securitization entities of \$327.7 million and repayments of obligations to securitization entities of \$746.0 million in 2022 compared to an increase in obligations to securitization entities of \$844.9 million and repayments of obligations to securitization entities of \$1,405.9 million in 2021.
- The purchase of 2,890,000 common shares in 2022 under IGM Financial's normal course issuer bid at a cost of \$115.7 million. There were no purchases in 2021.
- The payment of regular common share dividends which totalled \$269.8 million in 2022, compared to \$268.1 million in 2021.

Investing activities during the second quarter of 2022 compared to 2021 primarily related to:

- The purchases of other investments totalling \$74.5 million and sales of other investments with proceeds of \$72.4 million in 2022 compared to \$20.8 million and \$286.7 million, respectively, in 2021. The proceeds in 2021 reflect cash proceeds on the disposition of a portion of IGM Financial's investment in Wealthsimple.
- An increase in loans of \$468.6 million with repayments of loans and other of \$492.1 million in 2022 compared to \$590.4 million and \$772.1 million, respectively, in 2021 primarily related to residential mortgages in the Company's mortgage banking operations.

- Net cash used in additions to intangible assets was \$16.0 million in 2022 compared to \$17.4 million in 2021.

Investing activities during the six months ended June 30, 2022 compared to 2021 related to:

- The purchases of other investments totalling \$105.9 million and sales of other investments with proceeds of \$77.7 million in 2022 compared to \$56.7 million and \$302.2 million, respectively, in 2021. Proceeds in 2021 reflect cash proceeds primarily related to dispositions in the second quarter.
- An increase in loans of \$768.6 million with repayments of loans and other of \$1,029.1 million in 2022 compared to \$970.9 million and \$1,499.3 million, respectively, in 2021 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets was \$30.5 million in 2022 compared to \$36.3 million in 2021.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income totalled \$316.1 million at June 30, 2022, compared to \$883.1 million at December 31, 2021, as detailed in Table 26.

The gain related to Employee benefits is primarily driven by changes in discount rates. During the six months ended, discount rates have increased by approximately 2.0%, resulting in a gain through Other comprehensive income of \$116.8 million (\$85.3 million after tax).

The loss related to Other investments relates primarily to changes in fair value of Wealthsimple which is consistent with the continued decline in stock markets and public

Table 26: Accumulated Other Comprehensive Income (Loss)

(\$ millions)	Employee Benefits	Other Investments	Investment in associates and other	Total
2022				
Balance, January 1	\$ (95.7)	\$ 919.2	\$ 59.6	\$ 883.1
Other comprehensive income (loss)	85.3	(582.7)	(45.6)	(543.0)
Transfer out of fair value through other comprehensive income	-	(24.0)	-	(24.0)
Balance, June 30	\$ (10.4)	\$ 312.5	\$ 14.0	\$ 316.1
2021				
Balance, January 1	\$ (197.0)	\$ 293.5	\$ 39.9	\$ 136.4
Other comprehensive income (loss)	84.5	803.2	(6.2)	881.5
Transfer out of fair value through other comprehensive income	-	(206.7)	-	(206.7)
Balance, June 30	\$ (112.5)	\$ 890.0	\$ 33.7	\$ 811.2

market peer valuations, and Wealthsimple focusing on its core business lines and revising revenue expectations.

The loss for Investments in associates relates to the Company's portion of the associates' Other comprehensive income which consists primarily of employee benefits, foreign exchange translation and available for sale securities.

In the second quarter of 2022, realized gains of \$27.8 million (\$24.0 million after-tax) related to other investments were transferred from Accumulated other comprehensive income to Other retained earnings. In the second quarter of 2021, IGM Financial Inc. disposed of a portion of its investment in Wealthsimple and a realized gain of \$239 million (\$207 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

Capital Resources

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt and common shareholders' equity which totalled \$8.1 billion at June 30, 2022, compared to \$8.6 billion at December 31, 2021. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The total outstanding long-term debt was \$2.1 billion at June 30, 2022, unchanged from December 31, 2021. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

The Company purchased 2,890,000 common shares during the six months ended June 30, 2022 at a cost of \$115.7 million under its normal course issuer bid (refer to Note 9 to the

Interim Financial Statements). The Company commenced a normal course issuer bid on March 1, 2022 to purchase for cancellation up to 6 million of its common shares to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

Other activities in 2022 included the declaration of common share dividends of \$268.7 million or \$1.125 per share. Changes in common share capital are reflected in the interim Consolidated Statements of Changes in Shareholders' Equity.

Standard & Poor's (S&P) current rating on the Company's senior unsecured debentures is "A" with a stable outlook. DBRS Morningstar's current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

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

The A rating assigned to IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS Morningstar is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS Morningstar long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the

Table 27: Financial Instruments

(\$ millions)	June 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	\$ 599.0	\$ 599.0	\$ 1,291.4	\$ 1,291.4
– Fair value through profit or loss	147.3	147.3	106.6	106.6
Loans				
– Fair value through profit or loss	–	–	57.4	57.4
Derivative financial instruments	52.6	52.6	41.2	41.2
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	5,104.2	4,843.8	5,296.4	5,354.2
Financial liabilities recorded at fair value				
Derivative financial instruments	53.4	53.4	17.8	17.8
Financial liabilities recorded at amortized cost				
Deposits and certificates	2,770.0	2,770.0	2,220.3	2,220.5
Obligations to securitization entities	4,660.7	4,605.2	5,057.9	5,146.4
Long-term debt	2,100.0	2,044.3	2,100.0	2,544.4

payment of financial obligations is substantial, but of a lesser credit quality than AA. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

Financial Instruments

Table 27 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.

- Loans classified as amortized cost are valued by discounting the expected future cash flows at prevailing market yields.
- Valuation methods used for Other investments classified as FVOCI include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 14 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the six months ended June 30, 2022.

Risk Management

IGM Financial is exposed to a variety of risks that are inherent in our business activities. Our ability to manage these risks is key to our ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. Our approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

Risk Management Framework

The Company's risk management approach is undertaken through our comprehensive Enterprise Risk Management (ERM) Framework which is composed of five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under our ERM Policy, which is approved by the Executive Risk Management Committee.

Risk Governance

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an Executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM, Compliance and Internal Audit Departments.

The Risk Committee provides primary oversight and carries out its risk management mandate. The Risk Committee is responsible for assisting the Board in reviewing and overseeing the risk governance structure and risk management program of the Company by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as our compliance activities, including administration of the Code of Conduct.
- The Human Resource Committee oversees compensation policies and practices.

- The Governance and Nominating Committee oversees corporate governance practices.
- The Related Party and Conduct Review Committee oversees conflicts of interest.

Management oversight for risk management resides with the Executive Risk Management Committee which is comprised of the Chief Executive Officers of IGM Financial, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, and the Chief Human Resources Officer. On April 1, the Company appointed its first Chief Risk Officer who chairs the Executive Risk Management Committee. The committee is responsible for oversight of IGM Financial's risk management process by: i) establishing and maintaining the risk framework and policy; ii) defining the risk appetite; iii) ensuring our risk profile and processes are aligned with corporate strategy and risk appetite; and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line (the Internal Audit function) providing assurance and validation of the design and effectiveness of the ERM Framework.

First Line of Defence

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk

management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's Legal and Compliance Departments which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

The Internal Audit Department is the third line of defence and provides independent assurance to senior management and the Board of Directors on the effectiveness of the Company's risk management policies, processes and practices.

Risk Appetite and Risk Principles

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

Risk Management Process

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.
- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks. Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Board Risk Committee.

Risk Management Culture

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in risk workshops and surveys to foster awareness and facilitate incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

Key Risks of the Business

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

1) Financial Risk

Liquidity and Funding Risk

This is the risk of an inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

Our liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance and other business leaders.

A key funding requirement is the funding of advisor network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. Capacity for

sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and government regulations that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

As part of ongoing liquidity management during 2022 and 2021, the Company:

- Continued to assess additional funding sources for the Company's mortgage banking operations.
- Received proceeds of \$310.8 million from the sales of a portion of the Company's investment in Wealthsimple and other investments in 2021.

The Company's contractual obligations are reflected in Table 28.

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million at June 30, 2022, unchanged from December 31, 2021. The lines of credit at June 30, 2022 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2021. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at June 30, 2022 and December 31, 2021, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2021, was completed. The valuation determines the plan surplus or deficit on

Table 28: Contractual Obligations

<i>As at June 30, 2022</i> (\$ millions)	Demand	Less than 1 Year	1-5 Years	After 5 Years	Total
Derivative financial instruments	\$ -	\$ 16.1	\$ 37.3	\$ -	\$ 53.4
Deposits and certificates	2,768.3	0.4	0.6	0.7	2,770.0
Obligations to securitization entities	-	1,056.5	3,601.7	2.5	4,660.7
Leases ⁽¹⁾	-	31.2	94.1	122.9	248.2
Long-term debt	-	-	400.0	1,700.0	2,100.0
Pension funding ⁽²⁾	-	2.4	-	-	2.4
Total contractual obligations	\$ 2,768.3	\$ 1,106.6	\$ 4,133.7	\$ 1,826.1	\$ 9,834.7

(1) Includes remaining lease payments related to office space and equipment used in the normal course of business.

(2) Pension funding requirements beyond 2022 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency surplus of \$14.4 million compared to a solvency deficit of \$61.3 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2020. The improvement in the funded status resulted largely from interest rate increases, as well as the return on plan assets. The registered pension plan had a going concern surplus of \$95.0 million compared to \$79.2 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2024. During the six months ended June 30, 2022, the Company has made cash contributions of \$9.0 million (2021 – \$5.9 million). IGM Financial expects annual contributions of approximately \$11.4 million in 2022. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2021.

Credit Risk

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

Cash and Cash Equivalents and Client Funds on Deposit

At June 30, 2022, cash and cash equivalents of \$969.1 million (December 31, 2021 – \$1,292.4 million) consisted of cash balances of \$347.0 million (December 31, 2021 – \$326.2 million) on deposit with Canadian chartered banks and cash equivalents of \$622.1 million (December 31, 2021 – \$966.2 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$115.7 million (December 31, 2021 – \$358.7 million), provincial government treasury bills and promissory notes of \$196.8 million (December 31, 2021 – \$350.6 million), bankers' acceptances of \$247.3 million (December 31, 2021 – \$198.3 million) and other corporate commercial paper of \$62.3 million (December 31, 2021 – \$58.6 million).

Client funds on deposit of \$2,786.5 million (December 31, 2021 – \$2,238.6 million) represent cash balances held in client accounts deposited at Canadian financial institutions.

The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2021.

Mortgage Portfolio

At June 30, 2022, residential mortgages, recorded on the Company's balance sheet, of \$5.1 billion (December 31, 2021 – \$5.4 billion) consisted of \$4.6 billion sold to securitization programs (December 31, 2021 – \$5.0 billion), \$456.4 million held pending sale or securitization (December 31, 2021 – \$315.8 million) and \$14.1 million related to the Company's intermediary operations (December 31, 2021 – \$13.7 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management advisors as part of a client's IG Living Plan.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling \$2.6 billion (December 31, 2021 – \$2.6 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.0 billion (December 31, 2021 – \$2.4 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$54.4 million (December 31, 2021 – \$67.6 million) and \$25.0 million (December 31, 2021 – \$34.1 million), respectively, at June 30, 2022. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages.

At June 30, 2022, residential mortgages recorded on balance sheet were 54.6% insured (December 31, 2021 – 53.1%). At June 30, 2022, impaired mortgages on these portfolios were \$5.0 million, compared to \$2.8 million at December 31, 2021. Uninsured non-performing mortgages over 90 days on these portfolios were \$3.0 million at June 30, 2022, compared to \$1.5 million at December 31, 2021.

The Company also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short Term Income Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

The Company's allowance for expected credit losses was \$0.6 million at June 30, 2022, unchanged from December 31, 2021, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including increasing interest rates, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2021.

Derivatives

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section of this MD&A.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of \$63.2 million (December 31, 2021 – \$39.5 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was \$7.6 million at June 30, 2022 (December 31, 2021 – \$0.7 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at June 30, 2022. Management of credit risk related to derivatives has not changed materially since December 31, 2021.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 6 to the Interim Financial Statements and Notes 2, 7 and 23 to the Annual Financial Statements.

Market Risk

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in interest rates, equity prices or foreign exchange rates.

Interest Rate Risk

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive

investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a fair value of \$20.3 million (December 31, 2021 – \$1.0 million) and an outstanding notional amount of \$0.2 billion at June 30, 2022 (December 31, 2021 – \$0.3 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled negative \$16.2 million (December 31, 2021 – \$3.5 million), on an outstanding notional amount of \$1.5 billion at June 30, 2022 (December 31, 2021 – \$1.3 billion). The net fair value of these swaps of \$4.1 million at June 30, 2022 (December 31, 2021 – \$4.5 million) is recorded on the balance sheet and has an outstanding notional amount of \$1.7 billion (December 31, 2021 – \$1.6 billion).

- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth Management revenue over the term of the related Obligations to securitization entities. The fair value of these swaps was \$2.2 million (December 31, 2021 – \$0.6 million) on an outstanding notional amount of \$256.6 million at June 30, 2022 (December 31, 2021 – \$128.6 million).

As at June 30, 2022, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a

decrease of approximately \$0.2 million (December 31, 2021 – decrease of \$3.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2021.

Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was \$0.7 billion at June 30, 2022 (December 31, 2021 – \$1.4 billion), as shown in Table 20.

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. The Company hedges its exposure to this risk through the use of forward agreements and total return swaps.

Foreign Exchange Risk

IGM Financial is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates are recognized in Other comprehensive income. As at June 30, 2022, a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately \$35.0 million (\$38.7 million).

The Company's proportionate share of ChinaAMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the quarter ended June 30, 2022, the impact to net earnings of a 5%

Table 29: IGM Financial Assets Under Management – Asset and Currency Mix

<i>As at June 30, 2022</i>	Investment	Total
	Funds	
Cash	1.8 %	1.5 %
Short-term fixed income and mortgages	3.8	3.9
Other fixed income	23.3	23.2
Domestic equity	20.6	26.1
Foreign equity	47.5	43.0
Real Property	3.0	2.3
	100.0 %	100.0 %
CAD	53.5 %	58.1 %
USD	31.9	29.3
Other	14.6	12.6
	100.0 %	100.0 %

appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately \$0.7 million (\$0.8 million).

Risks Related to Assets Under Management and Advisement

At June 30, 2022, IGM Financial's total assets under management and advisement were \$242.1 billion compared to \$277.1 billion at December 31, 2021.

The Company's primary sources of revenues are advisory fees and asset management fees which are applied as an annual percentage of the level of assets under management and advisement. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management and advisement on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

The Company's exposure to the value of assets under management and advisement aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets.

2) Operational Risk

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

We are exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models

and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes.

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's Compliance Department, ERM Department and Internal Audit Department.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

The Company's risk management framework emphasizes operational risk management and internal control. The Company has a very low appetite for risk in this area.

The business unit leaders are responsible for management of the day to day operational risks of their respective business units. Specific programs, policies, training, standards and governance processes have been developed to help manage operational risk.

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes simulation exercises on a regular basis. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

Technology and Cyber Risk

We use systems and technology to support business operations and the client and financial advisor experience.

As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. The volume of these activities in our society has increased since the onset of COVID-19. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and implemented threat and vulnerability assessment and response capabilities. Extended duration of work from home programs introduces increased need to mitigate risk of potential data loss.

Third Party Risk

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

Model Risk

We use a variety of models to assist in: the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position and reputation.

Legal and Regulatory Compliance Risk

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of

agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and continually evolve. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Board receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Compliance Department is responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight concerning regulatory compliance matters.

Privacy Risk

Our clients entrust us with their personal information, and we have a legal and ethical responsibility to protect it. In accordance with Canadian privacy laws, we collect only personal information that is necessary to provide our products and services to clients, or where we have consent to do so.

We do not disclose personal information about clients unless required by law, when necessary to provide products or services to them, or as otherwise authorized by them.

If we need to share clients' personal information with third-party service providers, we remain responsible for that information and protect it through contracts that commit the service providers to maintain levels of protection comparable to ours.

IGM Financial has established an enterprise Privacy Policy, and our operating companies have supporting privacy policies and procedures relevant to their businesses. Our operating companies also have comprehensive procedures and controls to safeguard personal information and prevent privacy breaches. In the event of a privacy breach, our operating companies have policies and procedures to mitigate risks and prevent re-occurrence. If a breach is determined to pose a real risk of significant harm to a client, we will notify the individual, and the federal and/or provincial Privacy Commissioner where applicable, in a timely manner.

Our Chief Compliance Officer (CCO) leads and oversees our privacy program. Ultimately reporting to the CCO, Privacy Officers at each company work with front-line staff to address privacy matters. Employees and advisors are required to complete mandatory privacy training at onboarding, and annually thereafter. The training includes our privacy obligations, privacy tips and best practices, and how to prevent, handle and report privacy breaches, complaints and access to information requests.

Contingencies

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) Strategic Risk

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well-being of the Company and our shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer. The Company also has a strategy execution oversight function and committee that reviews and approves strategic initiative business cases and oversees progress against our strategic priorities and objectives.

The President and Chief Executive Officer of the Company, in collaboration with the Board of Directors, is responsible each year to develop, review and update the Company's strategic plan. The strategic plan sets out both the annual and longer-term objectives for the Company in light of emerging opportunities and risks and with a view to the Company's sustained profitable growth and long-term value creation. The Board is responsible for approving the Company's overall business strategy. In carrying out this responsibility, the Board reviews the short-, medium- and long-term risks associated with the strategic plan, considers the strengths and potential weaknesses of trends and opportunities, and approves the Company's annual business, financial and capital management plans. A portion of each Board meeting is dedicated to discussion of strategic matters including receiving updates on the progress and implementation of the strategic plan.

Regulatory Development Risk

This is the potential for changes to regulatory, legal, or tax requirements that may have an adverse impact on the Company's business activities or financial results.

We are exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients.

Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

The Company continuously monitors regulatory developments, guidance and communications.

Acquisition Risk

The Company is exposed to risks related to its acquisitions and strategic investments. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition and of the Company's strategic investments is dependent on retaining assets under management, clients, and key employees of an acquired company.

4) Business Risk

General Business Conditions

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, inflation and demographics can affect investor confidence, income levels and savings. In addition, geopolitical risk, government instability and other factors can influence inflation, interest rates, global economic growth, and business conditions in markets in which the Company operates. These environments could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming

their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Wealth Management advisors and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 30 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

Catastrophic Events or Loss

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance.

Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial markets and the level of the Company's assets under management and advisement.

Product/Service Offering

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including investment performance, products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition

Table 30: Twelve Month Trailing Redemption Rate for Long-term Funds

	2022 Jun. 30	2021 Jun. 30
IGM Financial Inc.		
IG Wealth Management	9.1 %	10.0 %
Mackenzie	14.3 %	15.4 %
Counsel	19.0 %	23.4 %

could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for further discussion.

We provide Wealth Management advisors, independent financial advisors, as well as retail and institutional clients with a high level of service and support and a broad range of investment products, with a focus on building enduring relationships. The Company's subsidiaries also continually review their respective product and service offering and pricing to ensure competitiveness in the marketplace.

We strive to deliver strong investment performance on our products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

Business/Client relationships

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and advisors, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management advisor network – IG Wealth Management derives all of its mutual fund sales through its advisor network. IG Wealth Management advisors have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual advisor. The market for financial advisors is extremely competitive. The loss of a significant number of key advisors could lead to the loss of client accounts which could have an adverse effect on IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of advisors and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the Wealth Management Review of the Business section of this MD&A.

Asset Management – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its

strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. Lack of access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Asset Management Review of the Business section of this MD&A.

People Risk

This risk refers to the potential inability to attract or retain employees or Wealth Management advisors, develop them to an appropriate level of proficiency, or manage engagement and personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and engage sufficient numbers of qualified personnel could negatively affect IGM Financial's business and financial performance.

We have a Diversity, Equity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

We also have a Wellness Strategy to support our employees' wellbeing with a goal to ensure our employees are physically thriving, emotionally balanced, socially connected and financially secure.

COVID-19 has caused significant disruption in peoples' lives both professionally and personally. The Company's actions have included:

- Implementing a work at home strategy to maintain the health and safety of our employees and advisors through social distancing.
- Providing tools and processes to enable our employees and advisors to continue to operate effectively from home.

- Providing various wellness programs including Employee Assistance Programs, e-Health and other programs to support the mental and physical well-being of our employees, advisors, and their families.
- Developing a return to office strategy including the introduction of a hybrid working model to enhance work life flexibility and to safely allow employees and advisors to return to the office when appropriate.

5) Environmental and Social Risk (Including Climate Change)

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social (E&S) issues connected to our business operations, investment activities, meeting our sustainability commitments, and increasingly for regulatory compliance. We recognize that E&S risks can be within our operations or impact stakeholders along our supply chain, including clients, investee companies and suppliers.

Environmental risks include issues such as climate change, biodiversity and land use, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as human rights; labour standards; diversity, equity and inclusion; Indigenous reconciliation; and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Sustainability Statement approved by the Board of Directors. Through its Risk Committee, the Board is responsible for ensuring that material E&S risks are appropriately identified, managed and monitored.

The Company's Executive Risk Management Committee is responsible for oversight of the risk management process, including E&S and climate change risks. Other management committees provide oversight of specific risks including the Sustainability Committee and the Diversity and Inclusion Executive Council. The Sustainability Committee is composed of senior executives who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance (ESG) matters.

Our commitment to responsible management is demonstrated through various mechanisms. These include our Code of Conduct for employees, contractors, and directors; our Supplier Code of Conduct; our Workplace Harassment and Discrimination Prevention Policy; our Diversity Policy; our Environmental Policy; and other related policies.

IG Wealth Management and Mackenzie Investments, and their investment sub-advisors, are signatories to the Principles for Responsible Investment (PRI). Under the PRI, investors formally commit to incorporate ESG issues into their

investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Sustainable Investment Policies outlining the practices at each company.

IGM Financial reports annually on ESG management and performance in its Sustainability Report available on our website. The Company has been recognized for demonstrating strong ESG performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, Corporate Knights' 2022 Global 100 and 2022 Best 50 Corporate Citizens.

IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management including setting and monitoring emission reduction targets. IGM Financial has been recognized by CDP at the leadership level for the past five years for its climate disclosures.

Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for enhanced information on climate-related risks and opportunities. IGM Financial and its operating companies support the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors, analysts, rating agencies and other stakeholders.

TCFD Disclosure

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

Governance

Our Board is responsible for providing oversight on risk and strategy, which includes sustainability and climate-related matters. The Board meets with management at least annually to discuss plans and emerging ESG issues. Through its Risk Committee, the Board is responsible for ensuring that material ESG risks are appropriately identified, managed and monitored.

The senior-most leaders at each of our operating companies have primary ownership and accountability for the ongoing climate risk and opportunity management associated with their respective activities. IGM Financial's Risk Management and Sustainability Committees perform oversight functions, and our Chief Risk Officer oversees implementation of the Corporate Sustainability and Enterprise Risk Management programs.

We have established a cross-functional, enterprise wide TCFD Working Group of senior leaders to lead the planning and implementation of the TCFD recommendations. This working group is focused on enhancing our knowledge and tools to quantify climate risks in tandem with our industry, further integrating climate into our business strategy, operations and product offering, evolving our engagement approach with investee companies, and addressing increased disclosure expectations.

The Mackenzie Sustainability Steering Committee is responsible for approving and governing corporate and sustainability related policies; approval and oversight for investment stewardship priorities including climate; approval and monitoring for targets related to climate change; and evaluation of progress relative to key performance indicators, strategy roadmap, and the market.

The IG Wealth Management Sustainable Investing Committee is responsible for reviewing and approving sustainable investing and ESG matters including but not limited to evaluating and considering climate-related risks and opportunities.

Strategy

Through IGM Financial's wealth and asset management businesses the company plays a role in the global transition to a low-carbon economy. In November 2021, IGM Financial detailed its climate commitments in a position statement on our website, with a focus on three key areas:

1. *Investing in a greener, climate resilient economy* – Our investment processes and products give us the opportunity to manage climate risks and create innovative solutions to our ongoing climate issues.
2. *Collaborating and engaging to help shape the global transition* – We play a role in bringing climate-smart investment advice and solutions to clients, helping companies adapt, and participating in industry and policy advancements.
3. *Demonstrating alignment through our corporate actions* – We will hold ourselves to a similar standard that we expect from the companies we invest in and empower our employees to stand behind our commitments.

Our operating companies are active participants in collaborative industry groups that support our climate commitments by engaging companies on improving climate change governance, reducing emissions and strengthening climate-related financial disclosures. IGM Financial also joined the Partnership for Carbon Accounting Financials (PCAF) to support our journey to measure and disclose the greenhouse gas emissions associated with our mortgage loans and investments.

Climate-related risks and opportunities are identified and assessed within IGM Financial through our business planning processes which define our strategic priorities, initiatives and budgets. Our climate-related risks and opportunities can be grouped into the physical impacts of climate change and the impacts related to the transition to a low-carbon economy.

Risks

Our climate risks relate primarily to the potential for physical or transition risks to: negatively affect the performance of our clients' investments, resulting in reduced fee revenue; harm our reputation; create market risks through shifts in product demand; or lead to new regulatory, legal or disclosure requirements that could affect our business. Diversification within and across our investment portfolios aids in managing exposure to any one company, sector or geographic region that might be exposed to climate-related risks. We are also exposed to the impact of extreme weather events on our corporate properties which could lead to business disruption, and on the valuations of investment properties and client mortgages, which if not addressed proactively, could affect financial performance and the ability to use the assets long-term.

Our operating companies are committed to sustainable investing programs and policies that include a focus on climate risk. We provide data and tools for our investment teams to carry out current and forward-looking climate analysis and we integrate material climate risks into our investment and oversight processes for investment management sub-advisors. As part of the hiring process and ongoing assessment of sub-advisors, our teams request information about how ESG, including climate risks and opportunities, is resourced, what processes and tools are used, metrics and targets, and how strategy and governance are influenced. As we continue to implement the TCFD recommendations, we are devoting increased resources to areas such as training, analysis, metrics, target-setting, strategy planning and working with collaborative organizations.

Opportunities

We are focused on meeting growing demand for sustainable investing and the opportunity to invest in the transition to a net-zero economy. We are also increasing our focus on educating and communicating with clients and advisors on sustainable investing and climate change.

At Mackenzie Investments, sustainable investing is an area of strategic emphasis, and we have established a dedicated team within Mackenzie's Sustainability Centre of Excellence who bring focus to ESG and climate across the organization. Mackenzie has an investment boutique, Greenchip, which is exclusively focused on thematic investing to combat climate change. In 2021, Mackenzie also launched the Betterworld Team who

invests in companies making a positive impact on the people and the planet, and expanded its suite of climate offerings in 2021 through the addition of the Mackenzie Greenchip Global Balanced Fund, the Mackenzie Global Sustainable Bond ETF, and the Mackenzie Global Green Bond Fund.

At IG Wealth Management, we have integrated environmental and climate issues into our sub-advisory selection and oversight processes, and product development strategy. In October 2021, IG Wealth Management launched its Climate Action Portfolios, a suite of four diversified managed solutions which aim to provide clients with the opportunity to support and benefit from the global transition to net zero emissions.

Scenarios

We have implemented a tool for our investment funds to enhance our quantitative assessment of climate risks by analyzing emissions and other climate-related information at the investee company and portfolio levels. This system enables us to model potential transition pathways and track our portfolios against the goal of limiting global warming to 2°C above pre-industrial levels and examine the adequacy of emissions reductions over time in meeting the goals of the Paris Agreement. We are exploring scenario analysis tools with external data providers to support us in our efforts to run climate-related scenario analysis across our business.

Risk Management

Assessment and management of climate-related risks is integrated into our ERM framework. We use a consistent methodology across our organizations and business units for identification and assessment of risks, considering factors both internal and external to the organization. Risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social. We are increasingly focused on defining the relationship of climate risk to other material risks.

At Mackenzie Investments, each boutique investment team is responsible for determining when and how climate transition and physical risks are material, and for incorporating these

risks into their investment process. At IG Wealth Management and IPC, management evaluates the sustainable investing practices of investment manager sub-advisors, including the integration of climate risks into their investment and active ownership practice.

Engagement

To maximize stewardship efforts, engagement at Mackenzie is undertaken both internally and by a third-party engagement specialist where climate change is a priority engagement topic. At IPC, a pooled engagement service provider is used to work with companies to enhance corporate behaviour and strategy related to topics including climate change. At IG Wealth Management, investment management sub-advisors including Mackenzie are responsible for engagement activities and IG Wealth Management monitors their practices as part of regular due diligence and oversight.

Mackenzie Investments is a founding participant in Climate Engagement Canada and participates in CERES' Investor Network on Climate Risk. Both Mackenzie and IG joined Climate Action 100+ and became founding signatories to the Canadian Investor Statement on Climate Change.

Metrics and Targets

We set, monitor and report on climate change-related metrics and targets annually in our CDP response and our Sustainability Report which are available on our website.

We currently report Scope 1, 2 and 3 GHG emissions, where possible, including Scope 3 investment emissions related to our real assets in the IG Real Property Fund. We are working to expand the measurement and reporting of emissions related to our investment portfolios in 2022.

Through IGM Financial's Climate Position Statement launched in November 2021, we have set a target to be climate neutral in our corporate offices and travel by the end of 2022. We also commit to setting interim targets for investment portfolios as a first step, consistent with the global ambition to achieve net zero emissions by 2050. As such, Mackenzie Investments joined the Net Zero Asset Managers Initiative and will set an interim investment target in line with the attainment of net zero emissions by 2050 or sooner by the end of 2022.

The Financial Services Environment

Canadians held \$6.5 trillion in discretionary financial assets with financial institutions at December 31, 2021 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 64% (\$4.1 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the \$2.3 trillion held outside of a financial advisory relationship, approximately 53% consisted of bank deposits.

Financial advisors represent the primary distribution channel for IGM Financial's products and services, and the core emphasis of our business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. We actively promote the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 41% of Canadian discretionary financial assets or \$2.6 trillion resided in investment funds at December 31, 2021, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 75% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With \$160 billion in investment fund assets under management at June 30, 2022, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Traditional distinctions between bank branches, full-service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM Financial, that offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their

full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 47% of total industry long-term mutual fund assets at June 30, 2022.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 72% of industry long-term mutual fund assets and 72% of total mutual fund assets under management at June 30, 2022. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continues to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- A highly competitive landscape.
- Advancing and changing technology.

The Competitive Landscape

Our subsidiaries, IG Wealth Management and Investment Planning Counsel, compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians' investment assets.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of our product and service offerings, including pricing, product structures, dealer and advisor compensation and disclosure. We monitor developments on an ongoing basis, and engage in policy discussions and develop product and service responses as appropriate.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service

innovations, effective and responsible management of the Company and long-term value for our clients and shareholders. We are midway through a five-year transformation to modernize our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Corporation group of companies.

Broad and Diversified Distribution

In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with global manufacturing and distribution entities to provide investment management services.

Broad Product Capabilities

Our subsidiaries continue to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

Enduring Client Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors have developed with clients. In addition, our subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

Part of the Power Corporation Group of Companies

As part of the Power Corporation group of companies, IGM Financial benefits through expense savings from shared service arrangements, as well as through access to distribution, products and capital.

Critical Accounting Estimates and Policies

Summary of Critical Accounting Estimates

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2021 except as follows:

- *Goodwill and intangible assets* – The Company completed its annual impairment tests of goodwill and indefinite life intangible assets based on April 1, 2022 financial information and determined there was no impairment in the value of those assets.

The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired.

An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing the recoverable amounts, valuation approaches are used that include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes, discount rates, and capitalization multiples.

- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan (RPP) for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees.

Discount rates have increased significantly since December 31, 2021. The discount rate on the Company's RPP at June 30, 2022 was 5.35% compared to 3.30% at December 31, 2021. The pension plan assets decreased to \$491.0 million at June 30, 2022 from \$566.7 million at December 31, 2021 due to declines in the markets. The total defined benefit pension plan obligation decreased to \$416.7 million at June 30, 2022 from \$588.4 million at December 31, 2021, primarily due to the increase in the discount rate. The defined benefit pension plan had an accrued benefit asset of \$74.3 million at June 30, 2022 compared to an accrued benefit liability of \$21.7 million at December 31, 2021. Total gains recorded in Other comprehensive income, including the defined benefit pension plan, the SERPs and post-employment benefit plans, were \$21.3 million (\$15.6 million after tax) and \$116.8 million (\$85.3 million after tax) for the three and six months ended June 30, 2022, respectively.

The International Financial Reporting Interpretation Committee's *The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction* (IFRIC 14) requires a company to limit the defined benefit asset, when a defined benefit plan is in a net asset position, to the future economic benefit received through future contribution reductions (asset ceiling). As a result of IFRIC 14, the Company was limited to recording an accrued benefit asset of \$74.3 million on its defined benefit pension plan resulting in an unrecorded accrued benefit asset of \$17.5 million.

Changes in Accounting Policies

IGM Financial has not adopted any changes in accounting policies in 2022.

Future Accounting Changes

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

The IASB is currently undertaking a number of projects which will result in changes to existing IFRS standards that may affect the Company. Updates will be provided as the projects develop.

Internal Control Over Financial Reporting

During the second quarter of 2022, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

Transactions with Related Parties

There were no changes to the types of related party transactions from those reported at December 31, 2021. For further information on transactions involving related parties, see Notes 8, 26 and 29 to the Company's Annual Financial Statements.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

Outstanding Share Data

Outstanding common shares of IGM Financial as at June 30, 2022 totalled 237,656,621. Outstanding stock options as at June 30, 2022 totalled 11,875,525 of which 6,513,982 were exercisable. As at July 31, 2022, outstanding common shares totalled 237,656,621 and outstanding stock options totalled 11,795,088 of which 6,469,902 were exercisable.

Interim Condensed Consolidated Financial Statements

Consolidated Statements of Earnings

(unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenues				
Wealth management (Note 3)	\$ 611,066	\$ 627,638	\$ 1,252,271	\$ 1,231,089
Asset management	241,585	248,312	497,415	481,302
Dealer compensation expense	(77,421)	(82,701)	(163,612)	(163,410)
Net asset management (Note 3)	164,164	165,611	333,803	317,892
Net investment income and other	(540)	2,475	(2,558)	5,609
Proportionate share of associates' earnings (Note 7)	50,033	48,153	98,433	89,742
	824,723	843,877	1,681,949	1,644,332
Expenses				
Advisory and business development	303,828	291,124	612,936	575,150
Operations and support	206,426	196,685	421,854	403,224
Sub-advisory	18,311	20,472	38,949	40,201
Interest	28,386	28,496	56,519	56,616
	556,951	536,777	1,130,258	1,075,191
Earnings before income taxes	267,772	307,100	551,691	569,141
Income taxes	59,441	69,354	123,195	129,025
Net earnings	208,331	237,746	428,496	440,116
Non-controlling interest (Note 7)	(1,230)	(357)	(2,079)	(547)
Net earnings available to common shareholders	\$ 207,101	\$ 237,389	\$ 426,417	\$ 439,569
Earnings per share (in dollars) (Note 15)				
– Basic	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84
– Diluted	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Comprehensive Income

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2022	2021	2022	2021
Net earnings	\$ 208,331	\$ 237,746	\$ 428,496	\$ 440,116
Other comprehensive income (loss), net of tax				
Items that will not be reclassified to Net earnings				
Fair value through other comprehensive income investments				
Other comprehensive income (loss) (Note 4), net of tax of \$60,546, \$(325), \$91,564 and \$(125,359)	(383,919)	2,080	(582,664)	803,225
Employee benefits				
Net actuarial gains (losses), net of tax of \$(5,737), \$(497), \$(31,508) and \$(31,237)	15,607	1,349	85,295	84,464
Investment in associates – employee benefits and other				
Other comprehensive income (loss), net of tax of nil	11,123	17,437	11,005	22,030
Items that may be reclassified subsequently to Net earnings				
Investment in associates and other				
Other comprehensive income (loss), net of tax of \$4,657, \$(1,373), \$5,994 and \$(1,142)	(48,050)	(10,601)	(56,607)	(28,206)
	(405,239)	10,265	(542,971)	881,513
Total comprehensive income (loss)	\$ (196,908)	\$ 248,011	\$ (114,475)	\$ 1,321,629

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Balance Sheets

(unaudited)
(in thousands of Canadian dollars)

	June 30 2022	December 31 2021
Assets		
Cash and cash equivalents	\$ 969,107	\$ 1,292,446
Other investments (Note 4)	746,319	1,398,023
Client funds on deposit	2,786,470	2,238,624
Accounts and other receivables	375,966	387,157
Income taxes recoverable	25,357	17,344
Loans (Note 5)	5,104,277	5,353,842
Derivative financial instruments	52,594	41,172
Other assets	136,902	54,298
Investment in associates (Note 7)	2,035,555	2,048,255
Capital assets	325,969	315,964
Capitalized sales commissions	364,906	325,424
Deferred income taxes	1,866	29,269
Intangible assets	1,356,405	1,356,704
Goodwill	2,802,173	2,802,066
	\$ 17,083,866	\$ 17,660,588
Liabilities		
Accounts payable and accrued liabilities	\$ 500,912	\$ 553,429
Income taxes payable	4,879	104,113
Derivative financial instruments	53,444	17,773
Deposits and certificates	2,769,975	2,220,274
Other liabilities	331,623	382,466
Obligations to securitization entities (Note 6)	4,660,686	5,057,917
Lease obligations	193,691	197,969
Deferred income taxes	433,990	525,476
Long-term debt	2,100,000	2,100,000
	11,049,200	11,159,417
Shareholders' Equity		
Share capital		
Common shares	1,672,382	1,658,680
Contributed surplus	51,559	51,069
Retained earnings	3,941,223	3,856,996
Accumulated other comprehensive income (loss)	316,080	883,083
Non-controlling interest	53,422	51,343
	6,034,666	6,501,171
	\$ 17,083,866	\$ 17,660,588

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 4, 2022.

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Changes in Shareholders' Equity

Six months ended June 30

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	Share capital – Common shares <i>(Note 9)</i>	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) <i>(Note 12)</i>	Non- controlling interest	Total shareholders' equity
2022						
Balance, beginning of period	\$ 1,658,680	\$ 51,069	\$ 3,856,996	\$ 883,083	\$ 51,343	\$ 6,501,171
Net earnings	–	–	428,496	–	–	428,496
Other comprehensive income (loss), net of tax	–	–	–	(542,971)	–	(542,971)
Total comprehensive income	–	–	428,496	(542,971)	–	(114,475)
Common shares						
Issued under stock option plan	34,012	–	–	–	–	34,012
Purchased for cancellation	(20,310)	–	–	–	–	(20,310)
Stock options						
Current period expense	–	2,346	–	–	–	2,346
Exercised	–	(1,856)	–	–	–	(1,856)
Common share dividends	–	–	(268,699)	–	–	(268,699)
Non-controlling interest	–	–	(2,079)	–	2,079	–
Common share cancellation excess and other	–	–	(97,523)	–	–	(97,523)
Transfer out of fair value through other comprehensive income <i>(Note 4)</i>	–	–	24,032	(24,032)	–	–
Balance, end of period	\$ 1,672,382	\$ 51,559	\$ 3,941,223	\$ 316,080	\$ 53,422	\$ 6,034,666
2021						
Balance, beginning of period	\$ 1,598,381	\$ 51,663	\$ 3,207,469	\$ 136,364	\$ 48,913	\$ 5,042,790
Net earnings	–	–	440,116	–	–	440,116
Other comprehensive income (loss), net of tax	–	–	–	881,513	–	881,513
Total comprehensive income	–	–	440,116	881,513	–	1,321,629
Common shares						
Issued under stock option plan	22,791	–	–	–	–	22,791
Stock options						
Current period expense	–	1,832	–	–	–	1,832
Exercised	–	(1,265)	–	–	–	(1,265)
Common share dividends	–	–	(268,457)	–	–	(268,457)
Non-controlling interest	–	–	(547)	–	1,041	494
Transfer out of fair value through other comprehensive income <i>(Note 4)</i>	–	–	206,650	(206,650)	–	–
Balance, end of period	\$ 1,621,172	\$ 52,230	\$ 3,585,231	\$ 811,227	\$ 49,954	\$ 6,119,814

(See accompanying notes to interim condensed consolidated financial statements.)

Consolidated Statements of Cash Flows

Six months ended June 30

(unaudited)

(in thousands of Canadian dollars)

	2022	2021
Operating activities		
Earnings before income taxes	\$ 551,691	\$ 569,141
Income taxes paid	(225,308)	(104,576)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	36,649	25,710
Capitalized sales commissions paid	(75,745)	(77,876)
Amortization of capital, intangible and other assets	51,350	49,557
Proportionate share of associates' earnings, net of dividends received	(30,524)	(30,157)
Pension and other post-employment benefits	1,783	9,239
Changes in operating assets and liabilities and other	(18,255)	(107,461)
Cash from operating activities before restructuring provision payments	291,641	333,577
Restructuring provision cash payments	(6,960)	(44,116)
	284,681	289,461
Financing activities		
Net decrease in deposits and certificates	(8)	(3,716)
Increase in obligations to securitization entities	327,669	844,878
Repayments of obligations to securitization entities and other	(746,025)	(1,405,948)
Repayment of lease obligations	(12,749)	(12,151)
Issue of common shares	32,156	21,525
Common shares purchased for cancellation	(115,667)	-
Common share dividends paid	(269,833)	(268,139)
	(784,457)	(823,551)
Investing activities		
Purchase of other investments	(105,880)	(56,696)
Proceeds from the sale of other investments	77,650	302,231
Increase in loans	(768,585)	(970,888)
Repayment of loans and other	1,029,118	1,499,252
Net additions to capital assets	(25,350)	(8,316)
Net cash used in additions to intangible assets	(30,516)	(36,264)
	176,437	729,319
(Decrease) increase in cash and cash equivalents	(323,339)	195,229
Cash and cash equivalents, beginning of period	1,292,446	771,585
Cash and cash equivalents, end of period	\$ 969,107	\$ 966,814
Cash	\$ 347,018	\$ 186,821
Cash equivalents	622,089	779,993
	\$ 969,107	\$ 966,814
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 132,668	\$ 139,932
Interest paid	\$ 101,358	\$ 113,715

(See accompanying notes to interim condensed consolidated financial statements.)

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2022 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

Note 1. Corporate information

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Corporation of Canada.

IGM Financial Inc. is a wealth and asset management company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation (Mackenzie).

Note 2. Summary of significant accounting policies

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2021. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report.

Future accounting changes

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations.

Note 3. Revenues from contracts with customers

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Advisory fees	\$ 341,957	\$ 344,223	\$ 695,290	\$ 672,683
Product and program fees	231,246	235,136	472,556	459,944
	573,203	579,359	1,167,846	1,132,627
Redemption fees	1,042	2,692	2,501	6,452
Other financial planning revenues	36,821	45,587	81,924	92,010
Wealth management	611,066	627,638	1,252,271	1,231,089
Asset management	241,585	248,312	497,415	481,302
Dealer compensation expense	(77,421)	(82,701)	(163,612)	(163,410)
Net asset management	164,164	165,611	333,803	317,892
Net revenues from contracts with customers	\$ 775,230	\$ 793,249	\$ 1,586,074	\$ 1,548,981

Wealth management revenue is earned by providing financial planning, investment advisory and related financial services. Advisory fees, related to financial planning, are associated with assets under management and advisement. Product and program fees, related to investment management and administration services, are associated with assets under management. Other financial planning revenues include insurance, banking products and services, and mortgage lending activities.

Asset management revenue, related to investment management advisory and administrative services, depends on the level and composition of assets under management.

Note 4. Other investments

	June 30, 2022		December 31, 2021	
	Cost	Fair value	Cost	Fair value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 235,771	\$ 598,975	\$ 226,220	\$ 1,291,434
Fair value through profit or loss (FVTPL)				
Equity securities	1,232	1,401	1,173	1,552
Proprietary investment funds	149,335	145,943	101,327	105,037
	150,567	147,344	102,500	106,589
	\$ 386,338	\$ 746,319	\$ 328,720	\$ 1,398,023

Wealthsimple Financial Corp. (Wealthsimple) is a financial company that provides simple digital tools for growing and managing your money. The Company's investment in Wealthsimple is held through a limited partnership controlled by Power Corporation of Canada. The investment is classified at Fair Value Through Other Comprehensive Income. IGM Financial Inc. holds directly and indirectly a 24% interest in Wealthsimple (2021 – 23%) valued at \$492 million at June 30, 2022. The investment in Wealthsimple decreased by \$433 million and \$661 million for the three and six months ending June 30, 2022. The change in fair value is consistent with the continued decline in stock markets and public market peer valuations, and Wealthsimple focusing on its core business lines and revising revenue expectations.

In the second quarter of 2022, realized gains of \$27.8 million (\$24.0 million after-tax) related to other investments were transferred from Accumulated other comprehensive income to Other retained earnings. In the second quarter of 2021, IGM Financial Inc. disposed of a portion of its investment in Wealthsimple and a realized gain of \$239 million (\$207 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

Note 5. Loans

	Contractual maturity			June 30 2022 Total	December 31 2021 Total
	1 year or less	1 – 5 years	Over 5 years		
Amortized cost					
Residential mortgages	\$ 1,106,924	\$ 3,979,962	\$ 18,039	\$ 5,104,925	\$ 5,297,054
Less: Allowance for expected credit losses				648	648
				5,104,277	5,296,406
Fair value through profit or loss				-	57,436
				\$ 5,104,277	\$ 5,353,842
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of period				\$ 648	\$ 778
Write-offs, net of recoveries				(164)	(407)
Expected credit losses				164	277
Balance, end of period				\$ 648	\$ 648

Total credit impaired loans as at June 30, 2022 were \$4,988 (December 31, 2021 – \$2,822).

Total interest income on loans was \$65.2 million (2021 – \$82.2 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$47.6 million (2021 – \$58.6 million). Losses realized on the sale of residential mortgages totalled \$3.5 million (2021 – gains of \$1.6 million). Fair value adjustments related to mortgage banking operations totalled \$3.6 million (2021 – \$0.1 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

Note 6. Securitizations

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a fair value of \$4.1 million at June 30, 2022 (December 31, 2021 – \$4.5 million).

All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due.

	Securitized mortgages	Obligations to securitization entities	Net
June 30, 2022			
Carrying value			
NHA MBS and CMB Program	\$ 2,576,915	\$ 2,558,594	\$ 18,321
Bank sponsored ABCP	2,057,469	2,102,092	(44,623)
Total	\$ 4,634,384	\$ 4,660,686	\$ (26,302)
Fair value	\$ 4,526,043	\$ 4,605,151	\$ (79,108)
December 31, 2021			
Carrying value			
NHA MBS and CMB Program	\$ 2,653,682	\$ 2,651,293	\$ 2,389
Bank sponsored ABCP	2,371,320	2,406,624	(35,304)
Total	\$ 5,025,002	\$ 5,057,917	\$ (32,915)
Fair value	\$ 5,083,991	\$ 5,146,420	\$ (62,429)

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

Note 7. Investment in associates

	Lifeco	ChinaAMC	Northleaf	Total
June 30, 2022				
Balance, beginning of period	\$ 1,020,700	\$ 768,724	\$ 258,831	\$ 2,048,255
Dividends	(36,590)	(31,319)	-	(67,909)
Proportionate share of:				
Earnings	59,692	28,348	10,393 ⁽¹⁾	98,433
Other comprehensive income (loss) and other adjustments	(18,953)	(24,271)	-	(43,224)
Balance, end of period	\$ 1,024,849	\$ 741,482	\$ 269,224	\$ 2,035,555
June 30, 2021				
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ 1,931,168
Additions	-	-	466	466
Dividends	(32,708)	(26,877)	-	(59,585)
Proportionate share of:				
Earnings	59,410	27,598	2,734 ⁽¹⁾	89,742
Other comprehensive income (loss) and other adjustments	(3,237)	(11,536)	-	(14,773)
Balance, end of period	\$ 985,853	\$ 709,467	\$ 251,698	\$ 1,947,018

(1) For the three and six months ended June 30, 2022, the Company's proportionate share of Northleaf's earnings net of Non-controlling interest was \$4,920 and \$8,314, respectively (2021 - \$1,427 and \$2,187).

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf) as it exercises significant influence.

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, the Company will sell 15,200,662 common shares of Lifeco to Power for cash consideration of \$575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. These transactions are expected to close in 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco shares is conditional on the Company's purchase of the ChinaAMC shares.

Note 8. Employee benefits

The discount rate on the Company's defined benefit pension plan has increased to 5.35% from 3.30% at December 31, 2021. As a result of the increase the defined pension plan is in a surplus position.

The net accrued benefit asset (liability) recorded in the Consolidated Balance Sheets are:

	June 30, 2022			December 31, 2021		
	Defined benefit pension plan	Supplementary executive retirement plans	Other post-employment benefits	Defined benefit pension plan	Supplementary executive retirement plans	Other post-employment benefits
Accrued benefit assets	\$ 74,318	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued benefit liabilities	-	(59,268)	(25,762)	(21,624)	(71,557)	(32,551)
Balance, end of period	\$ 74,318	\$ (59,268)	\$ (25,762)	\$ (21,624)	\$ (71,557)	\$ (32,551)

The International Financial Reporting Interpretation Committee's *The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction* (IFRIC 14) requires a company to limit the defined benefit asset, when a defined benefit plan is in a net asset position, to the future economic benefit received through future contribution reductions (asset ceiling).

The changes in the unrecognized amount due to the asset ceiling is as follows:

	June 30, 2022	December 31, 2021
Balance, beginning of period	\$ -	\$ -
Change in unrecognized amount due to asset ceiling	17,492	-
Balance, end of period	\$ 17,492	\$ -

Note 9. Share capital

Authorized

- Unlimited number of:
 - First preferred shares, issuable in series
 - Second preferred shares, issuable in series
 - Class 1 non-voting shares
 - Common shares, no par value

Issued and outstanding

	June 30, 2022		June 30, 2021	
	Shares	Stated value	Shares	Stated value
Common shares:				
Balance, beginning of period	239,679,043	\$ 1,658,680	238,308,284	\$ 1,598,381
Issued under Stock Option Plan	867,578	34,012	566,760	22,791
Purchased for cancellation	(2,890,000)	(20,310)	-	-
Balance, end of period	237,656,621	\$ 1,672,382	238,875,044	\$ 1,621,172

Normal course issuer bid

The Company commenced a normal course issuer bid on March 1, 2022 which is effective until the earlier of February 28, 2023 and the date on which the Company has purchased the maximum number of common shares permitted under the normal course issuer bid. Pursuant to this bid, the Company may purchase up to 6.0 million or approximately 2.5% of its common shares outstanding as at February 15, 2022.

In the second quarter of 2022, there were 2,320,000 shares (2021 – nil) purchased at a cost of \$90.0 million. In the six months ended June 30, 2022, there were 2,890,000 shares (2021 – nil) purchased at a cost of \$115.7 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how the Company's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

Note 10. Capital management

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the Second Quarter 2022 Report to Shareholders and in Note 19 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.

Note 11. Share-based payments

Stock option plan

	June 30, 2022	December 31, 2021
Common share options		
– Outstanding	11,875,525	11,712,164
– Exercisable	6,513,982	6,179,244

In the second quarter of 2022, the Company granted 57,685 options to employees (2021 – 11,310). In the six months ended June 30, 2022, the Company granted 1,429,775 options to employees (2021 – 1,615,650). The weighted-average fair value of options granted during the six months ended June 30, 2022, has been estimated at \$4.96 per option (2021 – \$2.70) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$44.48.

Other assumptions used in these valuation models include:

	<i>Six months ended June 30</i>	
	2022	2021
Exercise price	\$45.14	\$35.08
Risk-free interest rate	1.97%	1.29%
Expected option life	7 years	7 years
Expected volatility	23.00%	23.00%
Expected dividend yield	5.06%	6.44%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date.

Note 12. Accumulated other comprehensive income (loss)

	Employee benefits	Other investments	Investment in associates and other	Total
June 30, 2022				
Balance, beginning of period	\$ (95,666)	\$ 919,152	\$ 59,597	\$ 883,083
Other comprehensive income (loss)	85,295	(582,664)	(45,602)	(542,971)
Transfer out of FVTOCI	–	(24,032)	–	(24,032)
Balance, end of period	\$ (10,371)	\$ 312,456	\$ 13,995	\$ 316,080
June 30, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	84,464	803,225	(6,176)	881,513
Transfer out of FVTOCI	–	(206,650)	–	(206,650)
Balance, end of period	\$ (112,485)	\$ 890,023	\$ 33,689	\$ 811,227

Amounts are recorded net of tax.

Note 13. Risk management

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the Second Quarter 2022 Report to Shareholders and in Note 22 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.

Note 14. Fair value of financial instruments

Fair values are management's estimates and are calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Valuation methods used for Other investments classified as Level 3 include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 financial instruments include exchange-traded equity investments and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models,

discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap. Level 3 Other investments of \$599 million are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of \$492 million. Fair value is determined by using observable transactions in the investments' securities, where available, discounted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. A 5% increase (decrease) to discounted cash flows or revenue multiples would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately \$25 million.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2022					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 598,975	\$ –	\$ –	\$ 598,975	\$ 598,975
– FVTPL	147,344	147,344	–	–	147,344
Derivative financial instruments	52,594	–	26,235	26,359	52,594
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,104,227	–	317,779	4,526,043	4,843,822
Financial liabilities recorded at fair value					
Derivative financial instruments	53,444	–	47,332	6,112	53,444
Financial liabilities recorded at amortized cost					
Deposits and certificates	2,769,975	–	2,770,023	–	2,770,023
Obligations to securitization entities	4,660,686	–	–	4,605,151	4,605,151
Long-term debt	2,100,000	–	2,044,294	–	2,044,294
December 31, 2021					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 1,291,434	\$ –	\$ –	\$ 1,291,434	\$ 1,291,434
– FVTPL	106,589	104,658	1,931	–	106,589
Loans					
– FVTPL	57,436	–	57,436	–	57,436
Derivative financial instruments	41,172	–	34,074	7,098	41,172
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,296,406	–	270,156	5,083,991	5,354,147
Financial liabilities recorded at fair value					
Derivative financial instruments	17,773	–	11,635	6,138	17,773
Financial liabilities recorded at amortized cost					
Deposits and certificates	2,220,274	–	2,220,530	–	2,220,530
Obligations to securitization entities	5,057,917	–	–	5,146,420	5,146,420
Long-term debt	2,100,000	–	2,544,380	–	2,544,380

There were no significant transfers between Level 1 and Level 2 in 2022 and 2021.

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	Balance January 1	Gains (losses) included in Net earnings ⁽¹⁾	Gains (losses) included in Other comprehensive income	Purchases and issuances	Settlements	Transfers in (out)	Balance June 30
June 30, 2022							
Other investments							
– FVTOCI	\$ 1,291,434	\$ –	\$ (674,228)	\$ 29,206	\$ 47,437	\$ –	\$ 598,975
Derivative financial instruments, net	960	16,351	–	342	(2,594)	–	20,247
June 30, 2021							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 928,584	\$ 8,721	\$ –	\$ (275,428) ⁽²⁾	\$ 1,255,150
– FVTPL	279	50	–	–	–	–	329
Derivative financial instruments, net	(21,103)	7,425	–	1,358	(4,208)	–	(8,112)

(1) Included in Wealth management revenue or Net investment income and other in the Consolidated Statements of Earnings.

(2) Related to the disposition of a portion of IGM Financial Inc.'s investment in Wealthsimple (Note 4).

Note 15. Earnings per common share

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Earnings				
Net earnings	\$ 208,331	\$ 237,746	\$ 428,496	\$ 440,116
Non-controlling interest	(1,230)	(357)	(2,079)	(547)
Net earnings available to common shareholders	\$ 207,101	\$ 237,389	\$ 426,417	\$ 439,569
Number of common shares (in thousands)				
Weighted average number of common shares outstanding	238,822	238,625	239,290	238,475
Add: Potential exercise of outstanding stock options ⁽¹⁾	420	1,196	925	573
Average number of common shares outstanding – diluted basis	239,242	239,821	240,215	239,048
Earnings per common share (in dollars)				
– Basic	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84
– Diluted	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84

(1) Excludes 1,023 thousand shares for the three months ended June 30, 2022 (2021 – 286 thousand) related to outstanding stock options that were anti-dilutive.

Excludes 558 thousand shares for the six months ended June 30, 2022 (2021 – 655 thousand) related to outstanding stock options that were anti-dilutive.

Note 16. Segmented information

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

These segments reflect the Company's internal financial reporting and performance measurement.

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portage Ventures LPs. Unallocated capital is also included within this segment.

2022

	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Three months ended June 30					
Revenues					
Wealth management	\$ 615,737	\$ -	\$ -	\$ (4,671)	\$ 611,066
Asset management	-	269,699	-	(28,114)	241,585
Dealer compensation	-	(82,088)	-	4,667	(77,421)
Net asset management	-	187,611	-	(23,447)	164,164
Net investment income and other	(1,276)	(986)	1,794	(72)	(540)
Proportionate share of associates' earnings	-	-	50,033	-	50,033
	614,461	186,625	51,827	(28,190)	824,723
Expenses					
Advisory and business development	282,268	21,563	-	(3)	303,828
Operations and support	116,021	88,450	2,027	(72)	206,426
Sub-advisory	45,246	1,180	-	(28,115)	18,311
	443,535	111,193	2,027	(28,190)	528,565
	170,926	75,432	49,800	-	296,158
Interest expense ⁽¹⁾	22,504	5,882	-	-	28,386
Earnings before income taxes	148,422	69,550	49,800	-	267,772
Income taxes	39,662	18,214	1,393	172	59,441
	108,760	51,336	48,407	(172)	208,331
Non-controlling interest	-	-	(1,230)	-	(1,230)
Net earnings available to common shareholders	\$ 108,760	\$ 51,336	\$ 47,177	\$ (172)	\$ 207,101

(1) Interest expense includes interest on long-term debt and interest on leases.

2021

	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Three months ended June 30					
Revenues					
Wealth management	\$ 632,438	\$ -	\$ -	\$ (4,800)	\$ 627,638
Asset management	-	276,278	-	(27,966)	248,312
Dealer compensation	-	(87,496)	-	4,795	(82,701)
Net asset management	-	188,782	-	(23,171)	165,611
Net investment income and other	673	1,169	697	(64)	2,475
Proportionate share of associates' earnings	-	-	48,153	-	48,153
	633,111	189,951	48,850	(28,035)	843,877
Expenses					
Advisory and business development	266,036	25,093	-	(5)	291,124
Operations and support	114,967	80,585	1,197	(64)	196,685
Sub-advisory	46,542	1,896	-	(27,966)	20,472
	427,545	107,574	1,197	(28,035)	508,281
	205,566	82,377	47,653	-	335,596
Interest expense ⁽¹⁾	22,586	5,910	-	-	28,496
Earnings before income taxes	182,980	76,467	47,653	-	307,100
Income taxes	48,633	19,950	771	-	69,354
	134,347	56,517	46,882	-	237,746
Non-controlling interest	-	-	(357)	-	(357)
Net earnings available to common shareholders	\$ 134,347	\$ 56,517	\$ 46,525	\$ -	\$ 237,389

(1) Interest expense includes interest on long-term debt and interest on leases.

2022

	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Six months ended June 30					
Revenues					
Wealth management	\$ 1,261,868	\$ -	\$ -	\$ (9,597)	\$ 1,252,271
Asset management	-	554,532	-	(57,117)	497,415
Dealer compensation	-	(173,204)	-	9,592	(163,612)
Net asset management	-	381,328	-	(47,525)	333,803
Net investment income and other	(1,293)	(3,602)	2,482	(145)	(2,558)
Proportionate share of associates' earnings	-	-	98,433	-	98,433
	1,260,575	377,726	100,915	(57,267)	1,681,949
Expenses					
Advisory and business development	571,235	41,706	-	(5)	612,936
Operations and support	237,052	181,516	3,431	(145)	421,854
Sub-advisory	93,382	2,684	-	(57,117)	38,949
	901,669	225,906	3,431	(57,267)	1,073,739
	358,906	151,820	97,484	-	608,210
Interest expense ⁽¹⁾	44,795	11,724	-	-	56,519
Earnings before income taxes	314,111	140,096	97,484	-	551,691
Income taxes	83,957	36,619	2,447	172	123,195
	230,154	103,477	95,037	(172)	428,496
Non-controlling interest	-	-	(2,079)	-	(2,079)
Net earnings available to common shareholders	\$ 230,154	\$ 103,477	\$ 92,958	\$ (172)	\$ 426,417
Identifiable assets	\$ 9,642,072	\$ 1,276,511	\$ 3,363,110	\$ -	\$ 14,281,693
Goodwill	1,491,687	1,310,486	-	-	2,802,173
Total assets	\$ 11,133,759	\$ 2,586,997	\$ 3,363,110	\$ -	\$ 17,083,866

(1) Interest expense includes interest on long-term debt and interest on leases.

2021

<i>Six months ended June 30</i>	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 1,240,435	\$ -	\$ -	\$ (9,346)	\$ 1,231,089
Asset management	-	536,181	-	(54,879)	481,302
Dealer compensation	-	(172,749)	-	9,339	(163,410)
Net asset management	-	363,432	-	(45,540)	317,892
Net investment income and other	2,420	2,364	949	(124)	5,609
Proportionate share of associates' earnings	-	-	89,742	-	89,742
	1,242,855	365,796	90,691	(55,010)	1,644,332
Expenses					
Advisory and business development	529,751	45,406	-	(7)	575,150
Operations and support	236,955	164,033	2,362	(126)	403,224
Sub-advisory	91,475	3,603	-	(54,877)	40,201
	858,181	213,042	2,362	(55,010)	1,018,575
	384,674	152,754	88,329	-	625,757
Interest expense ⁽¹⁾	44,845	11,771	-	-	56,616
Earnings before income taxes	339,829	140,983	88,329	-	569,141
Income taxes	90,711	36,475	1,839	-	129,025
	249,118	104,508	86,490	-	440,116
Non-controlling interest	-	-	(547)	-	(547)
Net earnings available to common shareholders	\$ 249,118	\$ 104,508	\$ 85,943	\$ -	\$ 439,569
Identifiable assets	\$ 8,880,546	\$ 1,429,072	\$ 3,784,969	\$ -	\$ 14,094,587
Goodwill	1,491,687	1,310,379	-	-	2,802,066
Total assets	\$ 10,372,233	\$ 2,739,451	\$ 3,784,969	\$ -	\$ 16,896,653

(1) Interest expense includes interest on long-term debt and interest on leases.