Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	September 30, 2023	December 31, 2022 (restated)	January 1, 2022 (restated)
Assets			
Cash and cash equivalents	9,511	9,848	9,509
Investments [Note 5]			
Bonds	150,370	156,460	143,030
Mortgage and other loans	42,403	42,324	34,771
Shares	15,832	15,417	15,360
Investment properties	8,070	8,344	7,763
	216,675	222,545	200,924
Insurance contract assets [Note 8]	1,201	1,140	1,533
Reinsurance contract held assets [Note 9]	16,507	17,571	21,843
Assets held for sale [Note 4]	4,133	–	–
Derivative financial instruments	2,174	2,480	1,049
Investments in jointly controlled corporations and associates [Note 6]	7,605	6,516	7,424
Owner-occupied properties and capital assets	4,874	4,409	3,686
Other assets	27,119	27,572	22,612
Deferred tax assets	1,607	1,505	1,399
Intangible assets	6,767	8,316	7,607
Goodwill	14,757	14,617	12,994
Investments on account of segregated fund policyholders [Note 7]	402,284	387,882	357,419
Total assets	715,214	704,401	647,999
Liabilities			
Insurance contract liabilities [Note 8]	133,724	135,438	157,910
Investment contract liabilities	88,960	94,810	53,694
Reinsurance contract held liabilities [Note 9]	601	537	1,290
Liabilities held for sale [Note 4]	2,023	–	–
Obligations to securitization entities	4,675	4,610	5,058
Power Corporation's debentures and other debt instruments [Note 10]	647	647	647
Non-recourse debentures and other debt instruments [Note 11]	15,034	14,727	12,533
Derivative financial instruments	1,971	1,717	1,063
Other liabilities	22,881	22,168	16,884
Deferred tax liabilities	1,149	1,286	1,181
Insurance contracts on account of segregated fund policyholders [Note 7]	57,265	57,841	65,253
Investment contracts on account of segregated fund policyholders [Note 7]	345,019	330,041	292,166
Total liabilities	673,949	663,822	607,679
Equity			
Stated capital [Note 12]			
Non-participating shares	950	950	954
Participating shares	9,382	9,486	9,603
Retained earnings	10,050	9,099	8,520
Reserves	1,916	2,341	3,009
Total shareholders' equity	22,298	21,876	22,086
Non-controlling interests	18,967	18,703	18,234
Total equity	41,265	40,579	40,320
Total liabilities and equity	715,214	704,401	647,999

Condensed Consolidated Statements of Earnings

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended September 30, 2023	Three months ended September 30, 2022 (restated)	Nine months ended September 30, 2023	Nine months ended September 30, 2022 (restated)
Insurance service result				
Insurance revenue [Note 16]	5,110	4,648	15,228	14,190
Insurance service expenses [Note 17]	(3,921)	(3,622)	(11,879)	(10,904)
Net expense from reinsurance contracts	(401)	(374)	(1,158)	(1,155)
Total insurance service result	788	652	2,191	2,131
Net investment result [Note 5]				
Net investment income	2,391	2,061	6,695	5,462
Change in fair value through profit or loss	(5,414)	(7,350)	(4,434)	(32,334)
	(3,023)	(5,289)	2,261	(26,872)
Net finance income (expenses) from insurance contracts	3,287	3,180	348	20,420
Net finance income (expenses) from reinsurance contracts	(212)	(160)	(125)	(1,157)
Changes in investment contract liabilities	761	3,157	(835)	10,122
Net investment result	813	888	1,649	2,513
Net investment result – Insurance contracts on account of segregated fund policyholders				
Net investment income (loss)	(1,039)	(521)	1,596	(5,970)
Net finance income (expenses) from insurance contracts	1,039	521	(1,596)	5,970
Net investment result – Insurance contracts on account of segregated fund policyholders	–	–	–	–
Other revenues				
Fee income	2,375	2,150	7,044	6,486
Other	194	146	522	403
Total fee income and other revenues	2,569	2,296	7,566	6,889
Other expenses				
Operating and administrative expenses [Note 17]	2,654	2,363	8,116	7,010
Financing charges	202	155	579	444
Total other expenses	2,856	2,518	8,695	7,454
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,314	1,318	2,711	4,079
Share of earnings (losses) of investments in jointly controlled corporations and associates [Note 6]	327	(31)	608	46
Earnings before income taxes	1,641	1,287	3,319	4,125
Income taxes [Note 19]	198	196	406	651
Net earnings from continuing operations	1,443	1,091	2,913	3,474
Net earnings (loss) from discontinued operations [Note 4]	(31)	1	(121)	(6)
Net earnings	1,412	1,092	2,792	3,468
Attributable to				
Non-controlling interests	424	436	964	1,323
Non-participating shareholders	13	13	39	39
Participating shareholders	975	643	1,789	2,106
	1,412	1,092	2,792	3,468
Earnings per participating share [Note 21]				
Net earnings from continuing operations attributable to participating shareholders				
Basic	1.50	0.96	2.82	3.14
Diluted	1.50	0.96	2.81	3.09
Net earnings attributable to participating shareholders				
Basic	1.47	0.96	2.69	3.13
Diluted	1.47	0.96	2.68	3.09

Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended September 30, 2023	Three months ended September 30, 2022 (restated)	Nine months ended September 30, 2023	Nine months ended September 30, 2022 (restated)
Net earnings	1,412	1,092	2,792	3,468
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net earnings				
Net unrealized gains (losses) on FVOCI debt instruments				
Unrealized gains (losses)	(80)	(414)	(92)	(1,301)
Income tax (expense) benefit	21	66	(19)	240
Realized (gains) losses transferred to net earnings	17	18	231	42
Income tax expense (benefit)	(2)	(2)	(14)	(4)
	(44)	(332)	106	(1,023)
Net unrealized gains (losses) on available-for-sale investments				
Unrealized gains (losses)	–	(110)	–	(246)
Income tax (expense) benefit	–	10	–	25
Realized (gains) losses transferred to net earnings	–	24	–	112
Income tax expense (benefit)	–	(3)	–	(15)
	–	(79)	–	(124)
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses)	45	–	105	(13)
Income tax (expense) benefit	(9)	(2)	(30)	6
Realized (gains) losses transferred to net earnings	(14)	5	(59)	11
Income tax expense (benefit)	3	(1)	16	(3)
	25	2	32	1
Net unrealized foreign exchange gains (losses) on translation of foreign operations				
Unrealized gains (losses) on translation	313	604	100	8
Income tax (expense) benefit	–	(2)	5	6
Realized (gains) losses transferred to net earnings	(4)	–	(4)	–
Unrealized gains (losses) on hedges of net investments in foreign operations	(92)	156	(82)	377
Income tax (expense) benefit	8	23	–	16
	225	781	19	407
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	10	(127)	(100)	(1,202)
Income tax (expense) benefit	–	(2)	6	5
	10	(129)	(94)	(1,197)
Total – items that may be reclassified	216	243	63	(1,936)
Items that will not be reclassified subsequently to net earnings				
Net unrealized gains (losses) on FVOCI equity instruments				
Unrealized gains (losses)	(37)	–	(71)	–
Income tax (expense) benefit	–	–	(2)	–
	(37)	–	(73)	–
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(307)	–	(166)	5
Actuarial gains (losses) on defined benefit plans [Note 18]	153	(123)	64	693
Income tax (expense) benefit	(35)	27	(16)	(159)
	118	(96)	48	534
Total – items that will not be reclassified	(226)	(96)	(191)	539
Other comprehensive income (loss)	(10)	147	(128)	(1,397)
Comprehensive income	1,402	1,239	2,664	2,071
Attributable to				
Non-controlling interests	504	546	1,005	1,126
Non-participating shareholders	13	13	39	39
Participating shareholders	885	680	1,620	906
	1,402	1,239	2,664	2,071

Condensed Consolidated Statements of Changes in Equity

Nine months ended September 30, 2023 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 20]	Total	Non-controlling interests	Total equity
Balance, beginning of year (restated)	950	9,486	9,099	378	1,963	2,341	18,703	40,579
Impact of initial application of IFRS 9 [Note 3]	–	–	282	–	(297)	(297)	(9)	(24)
Restated balance, beginning of year	950	9,486	9,381	378	1,666	2,044	18,694	40,555
Net earnings	–	–	1,828	–	–	–	964	2,792
Other comprehensive income (loss)	–	–	–	–	(169)	(169)	41	(128)
Comprehensive income (loss)	–	–	1,828	–	(169)	(169)	1,005	2,664
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 12]	–	(141)	(199)	–	–	–	–	(340)
Dividends to shareholders								
Non-participating shares	–	–	(39)	–	–	–	–	(39)
Participating shares	–	–	(1,044)	–	–	–	–	(1,044)
Dividends to non-controlling interests	–	–	–	–	–	–	(764)	(764)
Expense for share-based compensation [Note 13]	–	–	–	52	–	52	26	78
Stock options exercised	–	37	–	(38)	–	(38)	35	34
Realized losses on FVOCI equity instruments transferred to retained earnings	–	–	(15)	–	15	15	–	–
Effects of changes in capital and ownership of subsidiaries, and other	–	–	138	2	10	12	(29)	121
Balance, end of period	950	9,382	10,050	394	1,522	1,916	18,967	41,265

Condensed Consolidated Statements of Changes in Equity (continued)

Nine months ended September 30, 2022 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 20]	Total	Non-controlling interests	Total equity
Balance, beginning of year	954	9,603	10,807	396	2,579	2,975	19,389	43,728
Impact of initial application of IFRS 17 [Note 3]	–	–	(3,348)	–	–	–	(2,004)	(5,352)
Impact of application of IFRS 9 overlay [Note 3]	–	–	1,061	–	34	34	849	1,944
Restated balance, beginning of year	954	9,603	8,520	396	2,613	3,009	18,234	40,320
Net earnings	–	–	2,145	–	–	–	1,323	3,468
Other comprehensive loss	–	–	–	–	(1,200)	(1,200)	(197)	(1,397)
Comprehensive income (loss)	–	–	2,145	–	(1,200)	(1,200)	1,126	2,071
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid and other [Note 12]	–	(155)	(269)	–	–	–	–	(424)
Repurchase of shares of the Corporation for cancellation	(4)	–	–	–	–	–	–	(4)
Dividends to shareholders								
Non-participating shares	–	–	(39)	–	–	–	–	(39)
Participating shares	–	–	(996)	–	–	–	–	(996)
Dividends to non-controlling interests	–	–	–	–	–	–	(737)	(737)
Expense for share-based compensation [Note 13]	–	–	–	52	–	52	30	82
Stock options exercised	–	52	–	(49)	–	(49)	44	47
Reclassification of options as cash-settled share-based payments [Note 13]	–	–	(54)	(39)	–	(39)	–	(93)
Effects of changes in capital and ownership of subsidiaries, and other	–	–	(25)	1	56	57	(27)	5
Balance, end of period	950	9,500	9,282	361	1,469	1,830	18,670	40,232

Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Nine months ended September 30, 2023	2022 (restated)
Operating activities		
Earnings before income taxes from continuing and discontinued operations	3,164	4,105
Income tax paid, net of refunds	(562)	(505)
Adjusting items		
Change in insurance contract liabilities	(1,706)	(27,268)
Change in investment contract liabilities	(6,425)	(8,659)
Change in reinsurance contract held liabilities	181	2,029
Change in reinsurance contract held assets	1,005	2,340
Change in insurance contract assets	(522)	(92)
Change in fair value through profit or loss	4,434	32,334
Other	1,088	1,473
	657	5,757
Financing activities		
Dividends paid		
Subsidiaries to non-controlling interests	(763)	(739)
Non-participating shares	(39)	(39)
Participating shares	(1,028)	(1,000)
	(1,830)	(1,778)
Issue of equity		
Corporation's subordinate voting shares [Note 12]	34	47
Subsidiaries' common shares	340	113
Issuance of investment funds' limited-life and redeemable units	301	367
Repurchase or redemption of equity		
Corporation's subordinate voting shares for cancellation under normal course issuer bid [Note 12]	(340)	(384)
Corporation's non-participating shares	–	(4)
Subsidiaries' common shares	(171)	(116)
Redemption of investment funds' limited-life and redeemable units	(113)	(15)
Non-recourse debentures and other debt instruments [Note 11]		
Issuance of debentures and increase in other debt instruments	2,163	1,646
Repayment of debentures and decrease in other debt instruments	(1,907)	(361)
Repayment of lease liabilities	(81)	(89)
Increase in obligations to securitization entities	929	851
Repayments of obligations to securitization entities and other	(948)	(1,282)
	(1,623)	(1,005)
Investment activities		
Dispositions, repayments or maturities		
Bonds	25,715	21,496
Mortgage and other loans	3,418	3,790
Shares	4,660	5,132
Investment properties	113	5
Acquisitions or investments		
Bonds	(21,980)	(19,746)
Mortgage and other loans	(3,792)	(5,855)
Shares	(4,981)	(4,688)
Jointly controlled corporations and associates	(1,013)	(129)
Investment properties	(160)	(485)
Business acquisitions, net of cash and cash equivalents acquired	(176)	(2,213)
Acquisition of capital assets and other	(860)	(553)
	944	(3,246)
Effect of changes in exchange rates on cash and cash equivalents	33	274
Increase in cash and cash equivalents	11	1,780
Cash and cash equivalents, beginning of year	9,848	9,509
Cash and cash equivalents from continuing and discontinued operations, end of period	9,859	11,289
Less: Cash and cash equivalents from discontinued operations, end of period [Note 4]	(348)	–
Cash and cash equivalents from continuing operations, end of period	9,511	11,289
Net cash from operating activities includes		
Interest and dividends received	5,948	4,541
Interest paid	619	523

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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

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The following abbreviations are used in these Consolidated Financial Statements:

Canada Life	The Canada Life Assurance Company
ChinaAMC	China Asset Management Co., Ltd.
Empower	Empower Annuity Insurance Company of America
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
GBL	Groupe Bruxelles Lambert
IFRS	International Financial Reporting Standards
IGM or IGM Financial	IGM Financial Inc.
IG Wealth Management	Investors Group Inc.
Lifeco	Great-West Lifeco Inc.
Lion	The Lion Electric Co.
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
Northleaf	Northleaf Capital Group Ltd.
OSFI	Office of the Superintendent of Financial Institutions
Parjointco	Parjointco SA
Portage Ventures I	Portag3 Ventures Limited Partnership
Portage Ventures II	Portag3 Ventures II Limited Partnership
Portage Ventures III	Portage Ventures III Limited Partnership
Power Corporation or the Corporation	Power Corporation of Canada
Power Financial	Power Financial Corporation
Power Sustainable	Power Sustainable Capital Inc.
Prudential	Prudential Financial, Inc.
Rockefeller	Rockefeller Capital Management
Sagard	Sagard Holdings Inc.
TSX	Toronto Stock Exchange
Wealthsimple	Wealthsimple Financial Corp.

NOTE 1 Corporate Information

Power Corporation of Canada is a publicly listed company (TSX: POW; POW.PR.E) incorporated and domiciled in Canada and located at 751 Victoria Square, Montréal, Quebec, Canada, H2Y 2J3.

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 unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation as at and for the three months and nine months ended September 30, 2023 were approved by its Board of Directors on November 13, 2023.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies

BASIS OF PRESENTATION

The financial statements of Power Corporation as at September 30, 2023 have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) using the same accounting policies as set out in Note 2 to the consolidated financial statements of the Corporation for the year ended December 31, 2022 except as described in the section Changes in Accounting Policies below.

The financial statements include the accounts of Power Corporation and its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances and consolidation adjustments.

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, a reporting issuer in all of the provinces and territories of Canada, and Lifeco and IGM Financial, which are both public companies. The amounts shown on the consolidated balance sheets (balance sheets), consolidated statements of earnings (statements of earnings), consolidated statements of comprehensive income (statements of comprehensive income), consolidated statements of changes in equity (statements of changes in equity) and consolidated statements of cash flows (statements of cash flows) are mainly derived from the publicly disclosed consolidated financial statements of Lifeco and IGM Financial, all as at and for the three months and nine months ended September 30, 2023. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

SUBSIDIARIES

Subsidiaries, including controlled investment funds, are entities the Corporation controls when: (i) the Corporation has power over the entity; (ii) it is exposed or has rights to variable returns from its involvement; and (iii) it has the ability to affect those returns through its use of power over the entity. Subsidiaries of the Corporation are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date such control ceases. The Corporation reassesses whether or not it controls an entity if facts and circumstances indicate there are changes to one or more of the elements of control.

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Under the equity method, the Corporation recognizes its share of net earnings (losses) and other comprehensive income (loss) of the jointly controlled corporations and associates, and dividends received.

In the case of investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, the Corporation has elected to measure certain of its investments in jointly controlled corporations and associates at fair value through profit or loss.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

The financial statements of Power Corporation include the operations of the following direct and indirect subsidiaries and investments in jointly controlled corporations and associates:

				% equity interest	
Corporation	Classification	Incorporated in	Primary business operation	September 30, 2023	December 31, 2022
Holding company					
Power Corporation of Canada	Parent	Canada	Holding company		
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
Publicly traded companies					
Great-West Lifeco Inc. [1][2]	Subsidiary	Canada	Financial services holding company	70.5	70.6
The Canada Life Assurance Company	Subsidiary	Canada	Insurance and wealth management	100.0	100.0
Irish Life Group Limited	Subsidiary	Ireland	Insurance and wealth management	100.0	100.0
Empower Annuity Insurance Company of America	Subsidiary	United States	Financial services	100.0	100.0
Putnam Investments, LLC [3]	Subsidiary	United States	Asset management company	95.7	96.4
IGM Financial Inc. [4]	Subsidiary	Canada	Wealth and asset management	66.0	66.1
IG Wealth Management	Subsidiary	Canada	Financial services	100.0	100.0
Mackenzie Financial Corporation	Subsidiary	Canada	Asset management company	100.0	100.0
China Asset Management Co., Ltd. [2]	Associate	China	Asset management company	27.8	27.8
Northleaf Capital Group Ltd. [5]	Associate	Canada	Alternative asset manager	70.0	70.0
Rockefeller Capital Management	Associate	United States	Financial services advisory	20.5	–
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert [6]	Subsidiary	Belgium	Holding company	31.0	29.8
Alternative asset investment platforms and other					
Power Sustainable Capital Inc.	Subsidiary	Canada	Holding company	100.0	100.0
Power Sustainable Investment Management Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
Power Sustainable Energy Infrastructure Partnership [7]	Subsidiary	Canada	Renewable energy fund	53.6	54.3
Potentia Renewables Inc.	Subsidiary	Canada	Renewable energy	100.0	100.0
Nautilus Solar Energy, LLC	Subsidiary	United States	Renewable energy	100.0	100.0
Sagard Holdings Inc.	Subsidiary	Canada	Holding company	100.0	100.0
Sagard Holdings Management Inc. [8]	Subsidiary	Canada	Alternative asset manager	67.7	87.8
Wealthsimple Financial Corp. [9]	Subsidiary	Canada	Financial services	54.2	54.3
Portag3 Ventures LP [10]	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP [11]	Subsidiary	Canada	Venture capital fund	27.9	27.9
Portage Ventures III LP [12]	Subsidiary	Canada	Venture capital fund	15.4	15.4
Standalone Businesses					
LMPG Inc.	Subsidiary	Canada	Lighting solutions	49.6	49.6
Peak Achievement Athletics Inc.	Joint control	Canada	Manufacturer of sports equipment and apparel	42.6	42.6
The Lion Electric Co.	Associate	Canada	Manufacturer of zero-emission vehicles	34.1	35.4

[1] Power Financial holds a 68.1% equity interest and IGM Financial holds a 2.4% equity interest in Lifeco (66.6% and 4.0%, respectively, at December 31, 2022).
[2] On January 12, 2023, the Corporation and IGM completed a transaction under which the interest in ChinaAMC was combined under IGM Financial (13.9% held respectively by Power Corporation and Mackenzie Investments at December 31, 2022). In a separate agreement, IGM sold approximately 15.2 million common shares of Lifeco, representing a 1.6% equity interest in Lifeco, to Power Financial.
[3] Lifeco holds 100% of the voting shares and 95.7% of the total outstanding shares (96.4% at December 31, 2022). On May 31, 2023, Lifeco announced that it had entered into an agreement to sell its interest in Putnam US Holdings I, LLC (Note 4).
[4] Power Financial holds a 62.1% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (62.2% and 3.9%, respectively, at December 31, 2022).
[5] Represents a 49.9% non-controlling voting interest. Held through an acquisition vehicle 80% owned by Mackenzie Investments and 20% by Lifeco.
[6] Parjointco has a controlling interest in GBL and holds 45.3% of the voting interest (44.0% at December 31, 2022).
[7] Power Corporation holds a 38.8% equity interest and Lifeco holds a 14.8% equity interest in Power Sustainable Energy Infrastructure Partnership (39.4% and 14.9%, respectively, at December 31, 2022).
[8] Power Corporation and Lifeco hold an equity interest of 54.5% and 13.2%, respectively, in Sagard Holdings Management Inc. (80.9% and 6.9%, respectively, at December 31, 2022) (Note 4).
[9] Power Financial, Portage Ventures I and IGM Financial hold an equity interest of 13.5%, 10.8% and 29.9%, respectively, in Wealthsimple (13.5%, 10.8% and 30.0%, respectively, at December 31, 2022).
[10] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portage Ventures I.
[11] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 7.7% and Sagard holds a 4.7% equity interest in Portage Ventures II.
[12] Sagard, Lifeco and IGM Financial hold an equity interest of 2.4%, 9.0% and 4.0%, respectively, in Portage Ventures III.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

CHANGES IN ACCOUNTING POLICIES

The Corporation and its subsidiaries adopted IFRS 17, *Insurance Contracts* (IFRS 17) and IFRS 9, *Financial Instruments* (IFRS 9), which replaced IFRS 4, *Insurance Contracts* (IFRS 4) and IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), respectively, on their effective date of January 1, 2023. The Corporation has also applied IFRS 9 as at January 1, 2023 when applying the equity method of accounting to GBL's results.

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

IFRS 9 includes changes to the accounting of financial instruments for the following:

i) 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;
ii) impairment based on an expected loss model; and
iii) hedge accounting that incorporates the risk management practices of an entity.

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

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

The Corporation adopted the amendments to IFRS for IAS 12, *Income Taxes* effective May 2023, and has applied the mandatory exception whereby it is not recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

MATERIAL ACCOUNTING POLICIES

The following describes the accounting policies materially impacted by the adoption of IFRS 17 and IFRS 9.

ACCOUNTING POLICIES IMPACTED BY IFRS 9

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

EQUITY INSTRUMENTS

Investments in shares are classified on initial recognition as FVPL unless an irrevocable designation is made to classify an individual instrument as FVOCI. The cumulative gains or losses related to FVOCI equity instruments are not reclassified to the statements of earnings on disposal but rather reclassified to retained earnings when the investment is sold.

DEBT INSTRUMENTS

Business models are determined at the level that reflects how groups of financial assets are managed together to achieve business objectives.

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

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

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

i) it is held in a business model whose objective is to hold to collect contractual cash flows; and
ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

FVOCI investments are recognized at fair value on the balance sheets with unrealized gains and losses recorded in the statements of comprehensive income. Realized gains and losses on FVOCI debt investments are reclassified from other comprehensive income and recorded in the statements of earnings when the investment is sold.

Any financial asset that does not qualify for measurement at amortized cost or FVOCI is classified as FVPL. For financial instruments that meet the amortized cost or FVOCI criteria, the Corporation and its subsidiaries may designate, at initial recognition, such financial instruments as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Investments measured as FVPL are recognized at fair value on the balance sheets with realized and unrealized gains and losses recorded in the statements of earnings.

Interest income earned on bonds and mortgage and other loans is calculated using the effective interest method and is recorded as net investment income in the statements of earnings.

FAIR VALUE MEASUREMENT

The Corporation and its subsidiaries maximize the use of observable inputs when measuring fair value. The following is a description of the methodologies used to value instruments carried at fair value.

Bonds at fair value through profit or loss and fair value through other comprehensive income

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

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

Mortgages and other loans at fair value through profit or loss and fair value through other comprehensive income

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

Equity-release mortgages at fair value through profit or loss

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

Shares at fair value through profit or loss and fair value through other comprehensive income

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

HEDGE ACCOUNTING

As permitted under IFRS 9, the Corporation and its subsidiaries elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. The accounting policy for hedge accounting is disclosed in the notes to the consolidated financial statements of the Corporation for the year ended December 31, 2022.

EXPECTED CREDIT LOSSES

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

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

Measurement of Expected Credit Losses

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

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

Category	Description
Stage 1	Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets. To assess if credit risk has increased significantly, the Corporation and its subsidiaries compare the risk of default at initial recognition to the risk as at the current reporting date.
Stage 2	Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets. Financial assets are assessed for a significant increase in credit risk on an individual basis, utilizing the Corporation and its subsidiaries' internal credit risk rating system and the monitoring of timely payments on the assets. Financial assets that have contractual payments more than 30 days past due are generally presumed to have experienced a significant increase in credit risk and are included in stage 2. A financial asset in stage 2 can revert to stage 1 if the credit risk subsequently improves.
Stage 3	Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance. Financial assets are reviewed on an individual basis at the end of each reporting period to determine whether there is any objective evidence of impairment. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal. Financial assets are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of a financial asset is not a definitive indicator of impairment, as it may be significantly influenced by other factors, including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Presentation of Expected Credit Losses

The ECL allowance for financial assets classified as FVOCI is recognized in the statements of comprehensive income and does not reduce the carrying value of the asset. Financial assets classified as amortized cost are presented net of the ECL allowance in the balance sheets.

When there is no expectation of recovery, the Corporation and its subsidiaries will partially or fully write off a financial asset against the related allowance for credit loss. Losses arising from impairment are reclassified from other comprehensive income to net earnings. Financial assets that are written off could still be subject to enforcement activities. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses and are recognized as net investment income in the statements of earnings.

ACCOUNTING POLICIES IMPACTED BY IFRS 17

CONTRACT CLASSIFICATION

Insurance Contracts

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

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

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

Reinsurance Contracts Held

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

SEPARATING COMPONENTS FROM INSURANCE AND REINSURANCE CONTRACTS

At inception, the following components from an insurance or reinsurance contract held are separated and accounted for as if they were standalone financial instruments:

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

After separating any financial instrument components, Lifeco also separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers in accordance with IFRS 15, *Revenue from Contracts with Customers*. A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance component, and Lifeco provides a significant service of integrating the good or service with the insurance component.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

LEVEL OF AGGREGATION

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

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

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

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

INITIAL RECOGNITION

A group of insurance contracts that it had issued is recognized from the earliest of:

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

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

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

CONTRACT BOUNDARIES

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

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

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

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

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

MEASUREMENT OF INSURANCE CONTRACTS

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

- The General Measurement Model;
- The Variable Fee Approach; and
- The Premium Allocation Approach.

GENERAL MEASUREMENT MODEL (GMM)

The model is applied to Lifeco's medium- to long-term insurance products, such as individual protection, payout annuities, and longevity swaps.

Initial Measurement

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

Fulfillment cash flows

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

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

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

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

Contractual service margin

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

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

Discount rates

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

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

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

Risk adjustment

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Insurance acquisition cash flows

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

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

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

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

Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

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

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

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

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

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

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

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

VARIABLE FEE APPROACH (VFA)

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

Recognition

An insurance contract is recognized under the variable fee approach if it meets all of the following conditions at initial recognition:

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

Lifeco performs the test for variable fee approach qualification at initial recognition.

Initial Measurement

Similar to the general measurement model, the variable fee approach initially measures the insurance contract liabilities as the fulfillment cash flows plus CSM.

Subsequent Measurement

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

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

Risk Mitigation

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

PREMIUM ALLOCATION APPROACH (PAA)

This model is applied to Lifeco's short-term insurance products, such as group life and health.

Recognition

Contracts with coverage periods of one year or less

The premium allocation approach is applied to measure the liability for remaining coverage of insurance contracts with coverage periods of one year or less.

Contracts with coverage periods of more than one year

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

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

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

Measurement

Initial measurement of the liability for remaining coverage

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

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

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

Subsequent measurement

At the end of each reporting period, the liability for remaining coverage for contracts under the premium allocation approach is measured as the carrying amount of the liability for remaining coverage at the beginning of the period, adjusted for the following to:

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

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

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

MEASUREMENT OF REINSURANCE CONTRACTS HELD

General Measurement Model

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

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the remaining coverage component and the incurred claims component. The remaining coverage component comprises:

- The fulfillment cash flows that relate to services that will be received under the contracts in future periods; and
- Any remaining CSM at that date.

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

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

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

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

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

Premium Allocation Approach

Lifeco holds reinsurance contracts with the direct insurance contracts it issues. The reinsurance contracts held that are eligible for the premium allocation approach and have underlying direct contracts measured under the premium allocation approach are also classified and measured under the premium allocation approach.

Onerous Underlying Insurance Contracts

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

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

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

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

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

COVERAGE UNITS

Amortization of the Contractual Service Margin

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

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

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

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

INSURANCE REVENUE

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

INSURANCE FINANCE INCOME OR EXPENSES

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

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

The Corporation has elected to recognize insurance finance income or expenses in the statements of earnings.

NET INCOME OR EXPENSE FROM REINSURANCE CONTRACTS HELD

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

CONTRACT MODIFICATIONS AND DERECOGNITION

Contract Modifications

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Derecognition of Contracts

A contract is derecognized when it is extinguished, which is when the specified obligations in the contract expire or are discharged or cancelled.

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

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

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

When an insurance contract accounted for under the premium allocation approach is derecognized, adjustments to the fulfillment cash flows to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to the statements of earnings:

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the preparation of the financial statements, management of the Corporation and management 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 have been made by the management of the Corporation and management of its subsidiaries are further described in the relevant accounting policies in the Corporation's consolidated financial statements and notes thereto for the year ended December 31, 2022.

Significant judgments, estimates and assumptions that have changed or are new, including those related to IFRS 17 and IFRS 9, include:

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates
Discount rates to apply to insurance contract liability cash flows	Management of Lifeco	Determining the discount rates to apply to most insurance contract liability cash flows. Lifeco generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, Lifeco uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment.

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

September 30, 2023		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	6.7%	5.5%	5.3%	5.2%	5.0%	4.9%
	Upper	7.2%	6.1%	5.9%	5.9%	5.7%	5.4%
USD	Lower	6.5%	5.7%	5.7%	6.2%	5.7%	5.1%
	Upper	6.9%	6.1%	6.1%	6.6%	6.1%	5.3%
EUR	Lower	3.9%	3.1%	3.2%	3.4%	3.7%	4.4%
	Upper	5.3%	4.5%	4.6%	4.8%	4.8%	4.7%
GBP	Lower	5.4%	4.8%	4.9%	5.4%	5.4%	4.4%
	Upper	6.5%	5.9%	6.1%	6.6%	6.5%	5.6%

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

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

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.
Valuation of insurance and certain investment contract liabilities	Management of Lifeco	Determining the actuarial assumptions, including mortality, longevity, morbidity, expense and policyholder behaviour (Note 8).
Coverage units	Management of Lifeco	Determining the coverage units, which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.
Risk adjustment for non-financial risk	Management of Lifeco	Judgment is required in reflecting diversification and calculating the confidence level.
Onerous contracts	Management of Lifeco	Determining at what level of granularity sufficient information is available to conclude that all contracts within a set will be in the same group. The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfillment cash flow expectations determined on a probability-weighted basis. Lifeco determines the appropriate level at which reasonable and supportable information is available to make this assessment.
Application of the retrospective approach in the transition to IFRS 17	Management of Lifeco	Determining that obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort for contracts issued more than several years prior to the IFRS 17 effective date.
Measurement of impairment losses	Management of the Corporation and of its subsidiaries	Judgment is required on measurement of impairment losses under IFRS 9 across relevant financial assets, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.
Assets and liabilities held for sale	Management of Lifeco	Judgment is required in determining the assets and liabilities to be included in a disposal group. Estimation is required in the determination of the fair value for disposal groups, including contingent consideration and costs to sell (Note 4).

FUTURE ACCOUNTING CHANGES

The Corporation and its subsidiaries monitor changes in IFRS, both proposed and released, by the International Accounting Standards Board (IASB) and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. The following sets out standards released and updates since the December 31, 2022 financial statements.

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

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*

IFRS 17

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

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

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

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

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

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

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

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

IFRS 9

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

Upon adoption of IFRS 9, the Corporation elected to present comparative information for certain of its financial assets, primarily those held by Lifeco, as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period, on an instrument-by-instrument basis, as permitted by the amendment to IFRS 17 published by the IASB in December 2021.

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

IMPACT ON OPENING BALANCE SHEET

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

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

Condensed Consolidated Balance Sheets	December 31, 2021 (as reported under IFRS 4 and IAS 39)	Asset / liability reclassification	IFRS 9 overlay measurement	IFRS 17 measurement	Income tax	January 1, 2022 (restated for IFRS 17 and IFRS 9)
Assets						
Bonds	140,987	–	2,043	–	–	143,030
Mortgage and other loans	34,266	–	505	–	–	34,771
Shares	15,318	16	26	–	–	15,360
Insurance contract assets	–	1,533	–	–	–	1,533
Other assets						
Impacted by IFRS 17 and IFRS 9	67,677	(18,723)	–	697	269	49,920
Not impacted by IFRS 17 and IFRS 9	45,966	–	–	–	–	45,966
Investments on account of segregated fund policyholders	357,419	–	–	–	–	357,419
Total assets	661,633	(17,174)	2,574	697	269	647,999
Liabilities						
Insurance contract liabilities	208,378	(57,284)	–	6,816	–	157,910
Investment contract liabilities	12,455	41,239	–	–	–	53,694
Reinsurance contract held liabilities	–	1,290	–	–	–	1,290
Other liabilities						
Impacted by IFRS 17 and IFRS 9	11,726	(1,874)	–	–	(413)	9,439
Not impacted by IFRS 17 and IFRS 9	27,927	–	–	–	–	27,927
Insurance and investment contracts on account of segregated fund policyholders	357,419	(357,419)	–	–	–	–
Insurance contracts on account of segregated fund policyholders	–	65,253	–	–	–	65,253
Investment contracts on account of segregated fund policyholders	–	292,166	–	–	–	292,166
Total liabilities	617,905	(16,629)	–	6,816	(413)	607,679
Total equity	43,728	(545)	2,574	(6,119)	682	40,320
Total liabilities and equity	661,633	(17,174)	2,574	697	269	647,999

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

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

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

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

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of $6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of $4.1 billion associated with shareholders' equity and $4.4 billion associated with non-controlling interests, partially offset by risk adjustments related to the transition from IFRS 4 to IFRS 17 of $1.4 billion associated with shareholders' equity and $0.6 billion associated with non-controlling interests. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by $3.4 billion, consisting of a $2.3 billion reduction to shareholders' equity and a $1.1 billion reduction to non-controlling interests.

Shareholders' equity decreased by $2.3 billion, primarily due to the establishment of the CSM of $4.4 billion and the adjustment for differences in the discount rate of $1.3 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of $1.4 billion and the impact of the initial application of the IFRS 9 overlay of $1.5 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications, totalled an increase of $0.5 billion.

The non-controlling interests decrease of $1.1 billion was due to the impact of the initial application of IFRS 17 of $2.0 billion, offset by the impact of the application of the IFRS 9 overlay of $0.9 billion.

RECONCILIATION OF NET EARNINGS FROM IFRS 4 AND IAS 39 TO IFRS 17 AND IFRS 9 OVERLAY

For the year ended	December 31, 2022
Net earnings under IFRS 4 and IAS 39, previously reported	3,543
Impact of initial application of IFRS 17 and IFRS 9 overlay:	
Deferral of new business gains within CSM	(170)
CSM recognized in the period, net of impact of changes in liabilities for insurance-related risks	157
Changes in impacts from assumption changes and management actions	(131)
Changes in market-related impacts	653
Attributable to Lifeco's participating account surplus in subsidiaries	(390)
Other, including changes in insurance experience impacts	181
Tax impacts	(167)
Restated net earnings under IFRS 17 and IFRS 9 overlay	3,676

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

CSM MOVEMENT BY MEASUREMENT COMPONENT UPON TRANSITION

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

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

REINSURANCE CONTRACTS HELD

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

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

TRANSITION TO IFRS 9

EFFECT OF INITIAL APPLICATION

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

	Classification	
Financial Assets	IAS 39	IFRS 9
Bonds	Designated as fair value through profit or loss	Designated as fair value through profit or loss Fair value through other comprehensive income
	Classified as fair value through profit or loss	Classified as fair value through profit or loss
	Available for sale	Classified as fair value through profit or loss Fair value through other comprehensive income Amortized cost
	Loans and receivables	Designated as fair value through profit or loss Fair value through other comprehensive income Amortized cost
Mortgage and other loans	Designated as fair value through profit or loss	Classified as fair value through profit or loss
	Available for sale	Classified as fair value through profit or loss
	Loans and receivables	Designated as fair value through profit or loss Fair value through other comprehensive income Amortized cost
Shares	Designated as fair value through profit or loss	Classified as fair value through profit or loss
	Available for sale	Classified as fair value through profit or loss Fair value through other comprehensive income

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

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

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

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
Fair value through profit or loss				
Bonds				
Designated	113,511	(544)	–	112,967
Reclassified from loans and receivables	–	33,570	(3,480)	30,090
Total designated	113,511	33,026	(3,480)	143,057
Classified	261	–	–	261
Reclassified from available for sale	–	67	–	67
Total classified	261	67	–	328
Mortgage and other loans				
Designated	3,230	(3,230)	–	–
Reclassified from loans and receivables	–	31,310	(2,297)	29,013
Total designated	3,230	28,080	(2,297)	29,013
Reclassified from designated as fair value through profit or loss	–	3,230	6	3,236
Reclassified from available for sale	–	240	–	240
Total classified	–	3,470	6	3,476
Shares				
Classified	663	–	–	663
Reclassified from designated as fair value through profit or loss	13,564	–	–	13,564
Reclassified from available for sale	–	542	33	575
Total classified	14,227	542	33	14,802
Total fair value through profit or loss	131,229	65,185	(5,738)	190,676
Fair value through other comprehensive income				
Bonds				
Reclassified from available for sale	–	11,797	–	11,797
Reclassified from designated as fair value through profit or loss	–	544	–	544
Reclassified from loans and receivables	–	376	(16)	360
	–	12,717	(16)	12,701
Mortgage and other loans				
Reclassified from loans and receivables	–	662	(41)	621
Shares				
Reclassified from available for sale	–	615	–	615
Total fair value through other comprehensive income	–	13,994	(57)	13,937

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
Available for sale				
Bonds				
Brought forward	12,222	–	–	12,222
Reclassified to fair value through profit or loss	–	(67)	–	(67)
Reclassified to fair value through other comprehensive income	–	(11,797)	–	(11,797)
Reclassified to amortized cost	–	(358)	–	(358)
	12,222	(12,222)	–	–
Mortgage and other loans				
Brought forward	240	–	–	240
Reclassified to fair value through profit or loss	–	(240)	–	(240)
	240	(240)	–	–
Shares				
Brought forward	1,157	–	–	1,157
Reclassified to fair value through profit or loss	–	(542)	–	(542)
Reclassified to fair value through other comprehensive income	–	(615)	–	(615)
	1,157	(1,157)	–	–
Total available for sale	13,619	(13,619)	–	–
Amortized cost				
Bonds				
Brought forward: Loans and receivables	33,962	–	–	33,962
Reclassified from available for sale	–	358	(6)	352
Reclassified to fair value through profit or loss	–	(33,570)	–	(33,570)
Reclassified to fair value through other comprehensive income	–	(376)	–	(376)
	33,962	(33,588)	(6)	368
Mortgage and other loans				
Brought forward: Loans and receivables	41,186	–	–	41,186
Reclassified to fair value through profit or loss	–	(31,310)	–	(31,310)
Reclassified to fair value through other comprehensive income	–	(662)	–	(662)
	41,186	(31,972)	–	9,214
Total amortized cost	75,148	(65,560)	(6)	9,582

The adoption of IFRS 9, on January 1, 2023, resulted in a reclassification of available-for-sale investments to fair value through profit or loss investments and has led to a reclassification of the investment revaluation reserves to retained earnings of $305 million.

Allowance for credit losses

Financial assets measured at fair value through profit or loss are not subject to the ECL model. The ECL model only applies to fair value through other comprehensive income and amortized cost assets, and the value of ECL allowances upon adoption of IFRS 9 at January 1, 2023 of $38 million was not materially different from the allowances that were carried under IAS 39. Of the ECL allowance of $38 million at January 1, 2023, $6 million was stage 1 and $32 million was stage 2.

The ECL allowance was $45 million at September 30, 2023, of which $5 million was stage 1 and $40 million was stage 2.

NOTE 4 Business Acquisitions and Other Transactions

LIFECO

Putnam U.S. Holdings I, LLC

On May 31, 2023, Lifeco announced that it had reached an agreement to sell Putnam U.S. Holdings I, LLC (Putnam Investments), excluding PanAgora Holdings Inc. and its subsidiary PanAgora Asset Management Inc. (collectively, PanAgora) to Franklin Resources, Inc. (Franklin Templeton), in exchange for Franklin Templeton common shares, cash and contingent consideration, for an estimated transaction consideration of US$1.5 billion (approximately $2.0 billion). Lifeco will retain its controlling interest in PanAgora, a quantitative asset manager, and certain assets, including deferred tax assets, related to Putnam Investments. The total transaction consideration and retained value is estimated to be US$1.7 billion to US$1.8 billion.

Concurrently, the Corporation, Lifeco and Franklin Templeton have entered into a strategic partnership to distribute Franklin Templeton products. Lifeco will also provide an initial long-term asset allocation amount of US$25 billion in assets under management to Franklin's specialist investment managers within 12 months of closing and will hold shares representing a 4.9% interest in Franklin Templeton shares for a minimum 5-year period. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

Lifeco valued the disposal group as at September 30, 2023, and concluded that the fair value less costs to sell was higher than the net carrying value of the assets and liabilities held for sale.

The net earnings (loss) and cash flows of Putnam Investments have been classified as discontinued operations within the Lifeco segment, and the related assets and liabilities have been classified as held for sale. Disposal groups are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than continuing use. The fair value of a disposal group is measured at the lower of its carrying amount and fair value less costs to sell.

Net earnings (loss) from discontinued operations are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues				
Net investment result	7	(8)	26	(30)
Fee income and other	253	243	741	751
	260	235	767	721
Expenses				
Operating and administrative expenses	262	245	792	741
Acquisition and divestiture costs	38	–	130	–
	300	245	922	741
Loss before income taxes	(40)	(10)	(155)	(20)
Income tax benefit	(9)	(11)	(34)	(14)
Net earnings (loss) from discontinued operations	(31)	1	(121)	(6)
Attributable to:				
Non-controlling interests	(9)	–	(37)	(2)
Participating shareholders	(22)	1	(84)	(4)
	(31)	1	(121)	(6)

Included within the Corporation's cash flows are the following amounts attributable to discontinued operations:

	Nine months ended September 30,	
	2023	2022
Operating activities	160	238
Financing activities	(67)	(64)
Effect of changes in exchange rates on cash and cash equivalents	4	32
Net increase in cash and cash equivalents	97	206

NOTE 4 Business Acquisitions and Other Transactions (continued)

Assets and liabilities held for sale are as follows:

	September 30, 2023
Assets	
Cash and cash equivalents	348
Shares	43
Owner-occupied properties and capital assets	59
Other assets	2,053
Intangible assets	1,630
Assets classified as held for sale	4,133
Liabilities	
Other liabilities	2,023
Liabilities classified as held for sale	2,023

Upon closing of the transaction, the consideration will be measured at fair value using information available at that date, including the application of market value of Franklin Templeton's common shares. The resulting gain or loss from the transaction, including the reclassification of accumulated unrealized foreign currency transaction gain, will be recognized in the statement of earnings on the closing date. At September 30, 2023, there is significant measurement uncertainty over the estimated transaction date fair value of the consideration consisting of Franklin Templeton's common shares.

Value Partners Group Inc.

On September 8, 2023, Canada Life, a subsidiary of Lifeco, completed the acquisition of 100% of the equity of Value Partners Group Inc., a Winnipeg-based investment firm that serves clients with complex and sophisticated wealth needs. As at September 30, 2023, the accounting for the acquisition is not finalized, with the initial amount of $119 million assigned to goodwill on the date of the acquisition to be adjusted, pending the completion of a comprehensive valuation of the net assets acquired.

U.S. Individual Life and Annuity Business Reinsurance Agreement

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

Subsequent event

Transfer of Segregated Funds to Joint Venture

On November 1, 2023, subsequent to September 30, 2023, Irish Life Assurance plc (ILA), an indirect subsidiary of Lifeco, completed the portfolio transfer of segregated funds with a carrying value of approximately €2 billion ($2.9 billion) to Saol Assurance d.a.c. (AIB life), a related party to Lifeco through a 50/50 joint venture with Allied Irish Banks, p.l.c. In return, on November 2, 2023, AIB life issued shares to ILA as consideration. Lifeco expects to recognize a gain related to this transaction in the fourth quarter of 2023.

LIFECO AND IGM

Acquisition of Investment Planning Counsel

On April 3, 2023, Lifeco and IGM announced that they have entered into an agreement whereby Lifeco will acquire 100% of Investment Planning Counsel Inc. (IPC), an independent wealth management firm, from IGM, for cash consideration of $575 million, subject to adjustments. The acquisition extends Canada Life's wealth management reach and capabilities.

This is a related party transaction, and therefore, the transaction was reviewed and approved by the appropriate related party and conduct review committee. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

The Corporation currently consolidates IPC and therefore the transaction will not have a significant impact on the consolidated statements of earnings and balance sheets.

NOTE 4 Business Acquisitions and Other Transactions (continued)

SAGARD HOLDINGS MANAGEMENT INC.

In July 2023, Sagard Holdings Management Inc. (SHMI) announced new strategic partnerships with ADQ, an Abu Dhabi-based investment and holding company, and Bank of Montreal (BMO). As part of this transaction, SHMI has also expanded its existing partnership with Lifeco. ADQ and BMO have respectively entered into definitive agreements to each acquire a minority equity interest in SHMI, and Lifeco has agreed to increase its existing minority equity interest. In addition, the strategic partners have agreed to make respective commitments of additional long-term capital in SHMI's existing and future investment strategies.

The transaction closed on September 28, 2023, and on closing ADQ, BMO and Lifeco acquired an aggregate minority interest of 29.0% in SHMI. The Corporation remains the controlling shareholder of SHMI and the transaction did not have a significant impact on the financial statements.

NOTE 5 Investments

CARRYING VALUES AND FAIR VALUES

Carrying values and estimated fair values of investments are as follows:

	September 30, 2023		December 31, 2022 [1]	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss	138,311	138,311	143,057	143,057
Classified as fair value through profit or loss	344	344	328	328
Fair value through other comprehensive income	11,370	11,370	12,701	12,701
Available for sale	–	–	358	358
Amortized cost	345	345	–	–
Loans and receivables	–	–	16	16
	150,370	150,370	156,460	156,460
Mortgage and other loans				
Designated as fair value through profit or loss	28,746	28,746	29,118	29,118
Classified as fair value through profit or loss	3,695	3,695	3,371	3,371
Fair value through other comprehensive income	578	578	621	621
Amortized cost	9,384	8,471	4,192	3,577
Loans and receivables	–	–	5,022	4,905
	42,403	41,490	42,324	41,592
Shares				
Designated as fair value through profit or loss	–	–	398	398
Classified as fair value through profit or loss	15,382	15,382	14,055	14,055
Fair value through other comprehensive income	450	450	–	–
Available for sale	–	–	964	964
	15,832	15,832	15,417	15,417
Investment properties	8,070	8,070	8,344	8,344
	216,675	215,762	222,545	221,813

[1] The Corporation has elected to apply the overlay approach on an instrument-by-instrument basis and has presented the comparative information for the classification and measurement requirements of IFRS 9 for certain investments.

NOTE 5 Investments (continued)

NET INVESTMENT INCOME

Three months ended September 30, 2023	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	1,666	367	114	126	194	2,467
Net realized losses on sale of fair value through other comprehensive income assets	(17)	–	–	–	–	(17)
Net expected credit loss recovery (charge)	–	(10)	–	–	–	(10)
Other income (expenses)	–	7	11	(44)	(23)	(49)
	1,649	364	125	82	171	2,391
Change in fair value through profit or loss	(3,859)	(386)	(211)	(153)	(805)	(5,414)
Net investment income (loss)	(2,210)	(22)	(86)	(71)	(634)	(3,023)

Nine months ended September 30, 2023	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	4,967	1,074	395	377	338	7,151
Net realized losses on sale of fair value through other comprehensive income assets	(231)	–	–	–	–	(231)
Gain from derecognized financial assets at amortized cost	–	8	–	–	–	8
Net expected credit loss recovery (charge)	(1)	(8)	–	–	–	(9)
Other income (expenses)	–	9	4	(138)	(99)	(224)
	4,735	1,083	399	239	239	6,695
Change in fair value through profit or loss	(3,347)	(519)	261	(365)	(464)	(4,434)
Net investment income (loss)	1,388	564	660	(126)	(225)	2,261

Three months ended September 30, 2022 [1]	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	1,474	339	111	114	156	2,194
Net realized losses on available-for-sale assets	–	–	(22)	–	–	(22)
Net realized losses on sale of fair value through other comprehensive income assets	(17)	–	–	–	–	(17)
Net allowance for credit losses	–	(11)	–	–	–	(11)
Other income (expenses)	–	1	3	(31)	(56)	(83)
	1,457	329	92	83	100	2,061
Change in fair value through profit or loss	(7,276)	(986)	(221)	(82)	1,215	(7,350)
Net investment income (loss)	(5,819)	(657)	(129)	1	1,315	(5,289)

Nine months ended September 30, 2022 [1]	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	3,972	898	276	335	387	5,868
Net realized losses on available-for-sale assets	–	–	(126)	–	–	(126)
Net realized losses on sale of fair value through other comprehensive income assets	(42)	–	–	–	–	(42)
Gains on sale of amortized cost assets	–	8	–	–	–	8
Net allowance for credit losses	–	(22)	–	–	–	(22)
Other income (expenses)	–	2	5	(102)	(129)	(224)
	3,930	886	155	233	258	5,462
Change in fair value through profit or loss	(28,178)	(3,562)	(1,083)	330	159	(32,334)
Net investment income (loss)	(24,248)	(2,676)	(928)	563	417	(26,872)

[1] The Corporation has elected to apply the overlay approach on an instrument-by-instrument basis and therefore includes the application of the IFRS 9 overlay for certain instruments.

NOTE 5 Investments (continued)

Investment income from bonds and mortgage and other loans includes interest income and premium and discount amortization. Income from shares includes dividends and distributions from equity investment funds and gains realized on deconsolidation of subsidiaries and investment funds. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and subleased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

NET INVESTMENT RESULT

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Investment return				
Net investment income	2,391	2,061	6,695	5,462
Changes in fair value through profit or loss	(5,414)	(7,350)	(4,434)	(32,334)
Total investment return	(3,023)	(5,289)	2,261	(26,872)
Net finance income (expenses) from insurance contracts				
Changes in fair value of underlying items of direct participating contracts	907	221	(612)	4,404
Effects of risk mitigation option	87	30	127	214
Interest accreted	(961)	(969)	(2,683)	(2,227)
Effect of changes in discount rates and other financial assumptions	3,293	3,793	3,540	17,902
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(39)	105	(24)	127
Total net finance income (expenses) from insurance contracts	3,287	3,180	348	20,420
Net finance income (expenses) from reinsurance contracts				
Interest accreted	64	145	147	343
Other	(276)	(305)	(272)	(1,500)
Total net finance income (expenses) from reinsurance contracts	(212)	(160)	(125)	(1,157)
Changes in investment contract liabilities	761	3,157	(835)	10,122
Net investment result	813	888	1,649	2,513

NOTE 6 Investments in Jointly Controlled Corporations and Associates

The carrying values of the investments in jointly controlled corporations and associates are as follows:

	Jointly controlled corporations		Associates					
September 30, 2023	Parjointco [1]	Other [2]	ChinaAMC	Lion	Northleaf	Rockefeller	Other [2]	Total
Carrying value, beginning of year	3,314	443	1,570	234	285	–	670	6,516
Acquisition and investments	–	78	1	–	–	856	79	1,014
Disposal	–	–	–	–	–	–	(97)	(97)
Share of earnings (losses)	424	32	81	(21)	8	(1)	85	608
Share of other comprehensive income (loss)	(200)	(1)	(78)	1	–	9	3	(266)
Dividends and distributions	(92)	(2)	(69)	–	–	–	(5)	(168)
Effects of changes in ownership and other	53	(217)	–	–	–	–	162	(2)
Carrying value, end of period	3,499	333	1,505	214	293	864	897	7,605

	Jointly controlled corporations		Associates					
September 30, 2022	Parjointco	Other [2]	ChinaAMC	Lion	Northleaf	Rockefeller	Other [2]	Total
Carrying value, beginning of year	4,278	428	1,535	334	259	–	590	7,424
Acquisition and investments	–	54	–	–	–	–	75	129
Disposal	–	–	–	–	–	–	(32)	(32)
Share of earnings (losses)	(63)	23	86	9	15	–	(24)	46
Share of other comprehensive income (loss)	(1,166)	9	(41)	(10)	–	–	11	(1,197)
Dividends and distributions	(84)	(37)	(62)	–	–	–	(11)	(194)
Effects of changes in ownership and other	58	–	–	–	–	–	4	62
Carrying value, end of period	3,023	477	1,518	333	274	–	613	6,238

[1] IFRS 9 was adopted on January 1, 2023. The comparative information is in accordance with IAS 39.

[2] Includes investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, which have been elected to be measured at fair value through profit or loss.

CHINAAMC

On January 12, 2023, IGM acquired a 13.9% equity interest in ChinaAMC from Power Corporation for an aggregate consideration of $1.15 billion in cash, increasing IGM's equity interest in ChinaAMC from 13.9% to 27.8%. The consolidated financial statements continue to include a 27.8% equity interest in ChinaAMC through the Corporation's interest in IGM; this transaction did not have a significant impact on the consolidated statements of earnings and balance sheets.

ROCKEFELLER CAPITAL MANAGEMENT

On April 3, 2023, IGM acquired a 20.5% equity interest in Rockefeller Capital Management, a leading U.S. independent financial services advisory firm focused on the high-net-worth and ultra-high-net-worth segments, for cash consideration of US$622 million.

BELLUS HEALTH INC.

The Corporation held an investment in Bellus Health Inc. (Bellus), a Canada-based late-stage biopharmaceutical company, which was accounted for as an associate with a carrying value of nil at December 31, 2022. On June 28, 2023, Bellus completed a transaction in which it was acquired by GSK plc for US$14.75 per share in cash. The Corporation recognized a recovery of $97 million related to the transaction in the statements of earnings.

NOTE 7 Segregated Funds and Other Structured Entities

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

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	September 30, 2023	December 31, 2022[1]
Cash and cash equivalents	13,883	14,562
Bonds	70,320	69,371
Mortgage loans	2,006	2,159
Shares and units in unit trusts	123,819	117,863
Mutual funds	178,260	168,459
Investment properties	12,417	13,035
	400,705	385,449
Accrued income	843	692
Other liabilities	(4,525)	(4,647)
Non-controlling mutual fund interest	5,261	6,388
Total [2]	402,284	387,882

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

[2] At September 30, 2023, $63,189 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis ($66,283 million at December 31, 2022). Included in this amount are $58 million of cash and cash equivalents, $11,157 million of bonds, $15 million of shares and units in unit trusts, $51,933 million of mutual funds, $88 million of accrued income and $62 million of other liabilities.

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	September 30, 2023	December 31, 2022
Insurance contracts on account of segregated fund policyholders	57,265	57,841
Investment contracts on account of segregated fund policyholders	345,019	330,041
	402,284	387,882

CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Nine months ended September 30,	
	2023	2022[1]
Balance, beginning of year	387,882	357,419
Additions (deductions):		
Policyholder deposits	39,370	26,843
Net investment income	3,304	3,334
Net realized capital gains on investments	1,253	1,724
Net unrealized capital gains (losses) on investments	12,505	(74,160)
Unrealized gains due to changes in foreign exchange rates	1,053	4,881
Policyholder withdrawals	(42,057)	(31,381)
Business acquisition	–	77,700
Change in segregated fund investment in General Fund	59	86
Change in General Fund investment in segregated fund	1	(14)
Net transfer (to) from General Fund	41	(32)
Non-controlling mutual fund interest	(1,127)	2,995
	14,402	11,976
Balance, end of period	402,284	369,395

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

NOTE 7 Segregated Funds and Other Structured Entities (continued)

CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS (by fair value hierarchy level)

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	282,794	108,776	14,135	405,705

[1] Excludes other liabilities, net of other assets, of $3,421 million.

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

[1] Excludes other liabilities, net of other assets, of $4,185 million.

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

During the nine months ended September 30, 2023, certain foreign equity holdings valued at $106 million were transferred from Level 1 to Level 2 ($2,301 million were transferred from Level 2 to Level 1 at December 31, 2022), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings. Level 2 assets include the 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 Lifeco does not have access to the underlying asset details within an investment fund.

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

	September 30, 2023	December 31, 2022
Balance, beginning of year	14,455	13,822
Total losses included in segregated fund investment income	(734)	(310)
Purchases	534	1,011
Sales	(182)	(366)
Transfers into Level 3	350	343
Transfers out of Level 3	(288)	(45)
Balance, end of period	14,135	14,455

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

NOTE 8 Insurance Contracts

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	Liability for remaining coverage		Liability for incurred claims				
				Contracts under PAA			
September 30, 2023	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Asset for acquisition cash flows	Total
Opening assets	(1,275)	2	197	(64)	–	–	(1,140)
Opening liabilities	118,505	199	3,366	12,994	545	(171)	135,438
Opening liabilities on account of segregated fund policyholders	57,841	–	–	–	–	–	57,841
Net opening balance	175,071	201	3,563	12,930	545	(171)	192,139
Changes in the statements of earnings and of comprehensive income							
Insurance revenue	(15,228)	–	–	–	–	–	(15,228)
Insurance service expenses							
Incurred claims and other insurance service expenses	–	(16)	6,919	4,677	86	–	11,666
Amortization of insurance acquisition cash flows	525	–	–	–	–	–	525
Losses and reversal of losses on onerous contracts	–	65	–	–	–	–	65
Adjustments to liabilities for incurred claims	–	–	(19)	(257)	(101)	–	(377)
	525	49	6,900	4,420	(15)	–	11,879
Investment components	(7,406)	–	5,258	2,148	–	–	–
Total changes in insurance service result	(22,109)	49	12,158	6,568	(15)	–	(3,349)
Net finance (income) expenses from insurance contracts	(2,012)	(3)	3,787	(6)	(8)	–	1,758
Effect of movement in exchange rates	(12)	–	(3)	23	1	–	9
Total changes in the statements of earnings and of comprehensive income	(24,133)	46	15,942	6,585	(22)	–	(1,582)
Cash flows							
Premiums received	22,609	–	–	–	–	–	22,609
Incurred claims paid and other insurance service expenses paid	(43)	–	(15,901)	(6,585)	–	–	(22,529)
Insurance acquisition cash flows	(655)	–	–	–	–	–	(655)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(24)	–	–	–	–	–	(24)
Other cash flows [1]	709	–	–	–	–	–	709
Total cash flows	22,596	–	(15,901)	(6,585)	–	–	110
Asset for acquisition cash flows							
Insurance acquisition cash flows paid in the period	–	–	–	–	–	(27)	(27)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	–	–	–	–	–	24	24
Total changes in asset for acquisition cash flows	–	–	–	–	–	(3)	(3)
Other movements [2]	(876)	–	–	–	–	–	(876)
Net closing balance [3]	172,658	247	3,604	12,930	523	(174)	189,788
Recorded in:							
Closing assets	(1,390)	14	190	(15)	–	–	(1,201)
Closing liabilities	116,783	233	3,414	12,945	523	(174)	133,724
Closing liabilities on account of segregated fund policyholders	57,265	–	–	–	–	–	57,265
Net closing balance [3]	172,658	247	3,604	12,930	523	(174)	189,788

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

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

[3] Included in the insurance contract balances are policyholder loans of $9,050 million and funds withheld on reinsurance contracts issued by Lifeco of $3,754 million.

NOTE 8 Insurance Contracts (continued)

	Liability for remaining coverage		Liability for incurred claims				
				Contracts under PAA			
December 31, 2022	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Asset for acquisition cash flows	Total
Opening assets	(2,125)	–	730	(138)	–	–	(1,533)
Opening liabilities	140,178	181	2,963	14,155	595	(162)	157,910
Opening liabilities on account of segregated fund policyholders	65,253	–	–	–	–	–	65,253
Net opening balance	203,306	181	3,693	14,017	595	(162)	221,630
Changes in the statements of earnings and of comprehensive income							
Insurance revenue	(19,638)	–	–	–	–	–	(19,638)
Insurance service expenses							
Incurred claims and other insurance service expenses	–	(26)	8,848	5,668	344	–	14,834
Amortization of insurance acquisition cash flows	635	–	–	–	–	–	635
Losses and reversal of losses on onerous contracts	–	61	–	–	–	–	61
Adjustments to liabilities for incurred claims	–	–	(66)	105	(299)	–	(260)
	635	35	8,782	5,773	45	–	15,270
Investment components	(9,018)	–	6,072	2,946	–	–	–
Total changes in insurance service result	(28,021)	35	14,854	8,719	45	–	(4,368)
Net finance (income) expenses from insurance contracts	(27,956)	(16)	4,370	(1,359)	(88)	–	(25,049)
Effect of movement in exchange rates	127	1	27	(139)	(7)	–	9
Total changes in the statements of earnings and of comprehensive income	(55,850)	20	19,251	7,221	(50)	–	(29,408)
Cash flows							
Premiums received	30,510	–	–	–	–	–	30,510
Incurred claims paid and other insurance service expenses paid	(55)	–	(19,362)	(8,280)	–	–	(27,697)
Insurance acquisition cash flows	(832)	–	–	–	–	–	(832)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(98)	–	–	–	–	–	(98)
Other cash flows [1]	898	–	–	–	–	–	898
Total cash flows	30,423	–	(19,362)	(8,280)	–	–	2,781
Asset for acquisition cash flows							
Insurance acquisition cash flows paid in the period	–	–	–	–	–	(107)	(107)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	–	–	–	–	–	98	98
Total changes in asset for acquisition cash flows	–	–	–	–	–	(9)	(9)
Other movements [2]	(2,982)	–	(19)	(28)	–	–	(3,029)
Impact of acquisitions / dispositions [3]	174	–	–	–	–	–	174
Net closing balance [4]	175,071	201	3,563	12,930	545	(171)	192,139
Recorded in:							
Closing assets	(1,275)	2	197	(64)	–	–	(1,140)
Closing liabilities	118,505	199	3,366	12,994	545	(171)	135,438
Closing liabilities on account of segregated fund policyholders	57,841	–	–	–	–	–	57,841
Net closing balance [4]	175,071	201	3,563	12,930	545	(171)	192,139

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

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

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

[4] Included in the insurance contract balances are policyholder loans of $8,999 million and funds withheld on reinsurance contracts issued by Lifeco of $4,105 million.

NOTE 8 Insurance Contracts (continued)

ANALYSIS BY MEASUREMENT COMPONENT FOR INSURANCE CONTRACTS NOT MEASURED UNDER PAA

September 30, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening assets	(4,271)	515	2,773	(983)
Opening liabilities	105,278	6,036	11,361	122,675
Opening liabilities on account of segregated fund policyholders	57,841	–	–	57,841
Net opening balance	158,848	6,551	14,134	179,533
Changes in the statements of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services provided	–	–	(922)	(922)
Change in risk adjustment for non-financial risk for risk expired	–	(464)	–	(464)
Experience adjustments	149	1	–	150
Changes that relate to future service				
Contracts initially recognized in the period	(710)	218	498	6
Changes in estimates that adjust the CSM	(295)	67	228	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	59	11	–	70
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(17)	(2)	–	(19)
Total changes in insurance service result	(814)	(169)	(196)	(1,179)
Net finance (income) expenses from insurance contracts	1,910	(248)	109	1,771
Effect of movement in foreign exchange rates	(25)	12	(3)	(16)
Total changes in the statements of earnings and of comprehensive income	1,071	(405)	(90)	576
Cash flows				
Premiums received	13,813	–	–	13,813
Incurred claims paid and other insurance service expenses paid	(15,942)	–	–	(15,942)
Insurance acquisition cash flows	(571)	–	–	(571)
Other cash flows [1]	701	–	–	701
Total cash flows	(1,999)	–	–	(1,999)
Other movements [2]	(876)	–	–	(876)
Net closing balance	157,044	6,146	14,044	177,234
Recorded in:				
Closing assets	(4,128)	510	2,527	(1,091)
Closing liabilities	103,907	5,636	11,517	121,060
Closing liabilities on account of segregated fund policyholders	57,265	–	–	57,265
Net closing balance	157,044	6,146	14,044	177,234

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

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

NOTE 8 Insurance Contracts (continued)

December 31, 2022	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening assets	(7,289)	2,376	3,609	(1,304)
Opening liabilities	127,643	7,067	9,447	144,157
Opening liabilities on account of segregated fund policyholders	65,253	–	–	65,253
Net opening balance	185,607	9,443	13,056	208,106
Changes in the statements of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services provided	–	–	(1,169)	(1,169)
Change in risk adjustment for non-financial risk for risk expired	–	(638)	–	(638)
Experience adjustments	140	1	–	141
Changes that relate to future service				
Contracts initially recognized in the year	(1,138)	385	766	13
Changes in estimates that adjust the CSM	(958)	(112)	1,069	(1)
Changes in estimates that result in losses and reversal of losses on onerous contracts	21	21	–	42
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(68)	1	–	(67)
Total changes in insurance service result	(2,003)	(342)	666	(1,679)
Net finance (income) expenses from insurance contracts	(21,211)	(2,497)	116	(23,592)
Effect of movement in foreign exchange rates	254	(83)	2	173
Total changes in the statements of earnings and of comprehensive income	(22,960)	(2,922)	784	(25,098)
Cash flows				
Premiums received	18,672	–	–	18,672
Incurred claims paid and other insurance service expenses paid	(19,417)	–	–	(19,417)
Insurance acquisition cash flows	(746)	–	–	(746)
Fee transfers from the segregated fund	(52)	–	–	(52)
Other cash flows [1]	936	–	–	936
Total cash flows	(607)	–	–	(607)
Other movements [2]	(3,042)	–	–	(3,042)
Impact of acquisitions / dispositions [3]	(150)	30	294	174
Net closing balance	158,848	6,551	14,134	179,533
Recorded in:				
Closing assets	(4,271)	515	2,773	(983)
Closing liabilities	105,278	6,036	11,361	122,675
Closing liabilities on account of segregated fund policyholders	57,841	–	–	57,841
Net closing balance	158,848	6,551	14,134	179,533

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

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

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

NOTE 8 Insurance Contracts (continued)

EFFECT ON MEASUREMENT COMPONENTS OF CONTRACTS INITIALLY RECOGNIZED IN THE PERIOD

September 30, 2023	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	316	36	352
Claims and other insurance service expenses payable	7,041	69	7,110
Estimates of present value of cash outflows	7,357	105	7,462
Estimates of present value of cash inflows	(8,063)	(109)	(8,172)
Risk adjustment for non-financial risk	202	16	218
CSM	500	(2)	498
Total losses (gains) recognized on initial recognition	(4)	10	6

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

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

EXPECTED REMAINING CSM RECOGNITION

	September 30, 2023	December 31, 2022
1 year or less	1,134	1,139
1-2 years	1,051	1,060
2-3 years	974	972
3-4 years	901	899
4-5 years	832	832
5-10 years	3,281	3,336
More than 10 years	5,871	5,896
Total	14,044	14,134

EXPECTED DERECOGNITION OF THE ASSET FOR INSURANCE ACQUISITION CASH FLOWS

	September 30, 2023	December 31, 2022
1 year or less	30	29
1-2 years	28	27
2-3 years	26	25
3-4 years	24	23
4-5 years	20	21
5-10 years	46	46
Total	174	171

NOTE 8 Insurance Contracts (continued)

INSURANCE RISK

The earnings and CSM sensitivities illustrated in the table below represent impacts as at December 31, 2022 under the current accounting policies as at September 30, 2023, including accounting for insurance contracts under IFRS 17, rounded to the nearest $25 million. Lifeco's insurance risk sensitivities at September 30, 2023 have not changed significantly from the amounts disclosed in the table below.

	Net earnings	CSM
2% life mortality increase	25	(325)
2% annuity mortality decrease	200	(650)
5% morbidity adverse change	(100)	(125)
5% expense increase	–	(175)
10% adverse change in policy termination and renewal	150	(1,100)

These sensitivities reflect the impact on earnings and CSM of an immediate change in assumptions on the value of insurance contract liabilities.

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

The CSM outlined above is presented net of reinsurance held.

NOTE 9 Reinsurance Contracts Held

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	Asset for remaining coverage		Asset for incurred claims			
September 30, 2023	Excluding loss recovery component	Loss recovery component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	16,212	76	952	320	11	17,571
Opening liabilities	(760)	–	223	–	–	(537)
Net opening balance	15,452	76	1,175	320	11	17,034
Changes in the statements of earnings and of comprehensive income						
Net expenses from reinsurance contracts	(2,761)	27	982	593	1	(1,158)
Investment components	(79)	–	79	–	–	–
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(123)	(1)	(2)	1	–	(125)
Effect of movement in exchange rates	54	–	3	1	–	58
Total changes in the statements of earnings and of comprehensive income	(2,909)	26	1,062	595	1	(1,225)
Cash flows						
Premiums paid	2,693	–	–	–	–	2,693
Incurred claims received and other insurance service amounts received	–	–	(1,046)	(671)	–	(1,717)
Other cash flows [1]	(3)	–	–	–	–	(3)
Total cash flows	2,690	–	(1,046)	(671)	–	973
Other movements [2]	(876)	–	–	–	–	(876)
Net closing balance [3]	14,357	102	1,191	244	12	15,906
Recorded in:						
Closing assets	15,114	99	1,038	244	12	16,507
Closing liabilities	(757)	3	153	–	–	(601)
Net closing balance [3]	14,357	102	1,191	244	12	15,906

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

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

[3] Included in the reinsurance contracts held amounts are funds withheld by Lifeco under reinsurance contracts of $1,040 million.

NOTE 9 Reinsurance Contracts Held (continued)

	Asset for remaining coverage		Asset for incurred claims			
December 31, 2022	Excluding loss recovery component	Loss recovery component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	20,425	65	1,003	342	8	21,843
Opening liabilities	(1,314)	–	24	–	–	(1,290)
Net opening balance	19,111	65	1,027	342	8	20,553
Changes in the statements of earnings and of comprehensive income						
Net expenses from reinsurance contracts	(3,536)	17	1,196	788	6	(1,529)
Investment components	(63)	–	63	–	–	–
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(1,169)	(6)	(50)	(12)	(3)	(1,240)
Effect of movement in exchange rates	737	–	5	(3)	–	739
Total changes in the statements of earnings and of comprehensive income	(4,031)	11	1,214	773	3	(2,030)
Cash flows						
Premiums paid	3,295	–	–	–	–	3,295
Incurred claims received and other insurance service amounts received	–	–	(1,034)	(794)	–	(1,828)
Other cash flows [1]	29	–	–	–	–	29
Total cash flows	3,324	–	(1,034)	(794)	–	1,496
Other movements [2]	(2,952)	–	(32)	(1)	–	(2,985)
Net closing balance [3]	15,452	76	1,175	320	11	17,034
Recorded in:						
Closing assets	16,212	76	952	320	11	17,571
Closing liabilities	(760)	–	223	–	–	(537)
Net closing balance [3]	15,452	76	1,175	320	11	17,034

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

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

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

NOTE 9 Reinsurance Contracts Held (continued)

ANALYSIS BY MEASUREMENT COMPONENT FOR REINSURANCE CONTRACTS HELD NOT MEASURED UNDER PAA

September 30, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening assets	15,791	1,062	514	17,367
Opening liabilities	(1,458)	429	497	(532)
Net opening balance	14,333	1,491	1,011	16,835
Changes in the statements of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services received	–	–	(76)	(76)
Change in risk adjustment for non-financial risk for risk expired	–	(121)	-	(121)
Experience adjustments	16	(1)	-	15
Changes that relate to future service				
Contracts initially recognized in the period	(68)	54	18	4
Changes in estimates that adjust the CSM	(80)	64	16	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	22	7	–	29
Changes that relate to past service				
Changes to incurred claims component	–	–	–	–
Changes in amounts recoverable arising from changes in liability for incurred claims	7	(1)	–	6
Net expenses from reinsurance contracts	(103)	2	(42)	(143)
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(96)	(50)	23	(123)
Effect of movement in exchange rates	59	(2)	(2)	55
Total changes in the statements of earnings and of comprehensive income	(140)	(50)	(21)	(211)
Cash flows				
Premiums paid	1,122	–	–	1,122
Incurred claims received and other insurance service amounts received	(1,045)	–	–	(1,045)
Other cash flows [1]	(3)	–	–	(3)
Total cash flows	74	–	–	74
Other movements [2]	(876)	–	–	(876)
Net closing balance	13,391	1,441	990	15,822
Recorded in:				
Closing assets	14,817	1,010	550	16,377
Closing liabilities	(1,426)	431	440	(555)
Net closing balance	13,391	1,441	990	15,822

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

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

NOTE 9 Reinsurance Contracts Held (continued)

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

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

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

NOTE 9 Reinsurance Contracts Held (continued)

EFFECT ON MEASUREMENT COMPONENTS OF CONTRACTS INITIALLY RECOGNIZED IN THE PERIOD

	September 30, 2023	December 31, 2022
Estimates of present value of cash outflows	694	1,199
Estimates of present value of cash inflows	(626)	(1,086)
Risk adjustment for non-financial risk	(54)	(74)
Income recognized on initial recognition	4	14
Contractual service margin	(18)	(53)

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

EXPECTED REMAINING CSM RECOGNITION

	September 30, 2023	December 31, 2022
1 year or less	(100)	(91)
1-2 years	(90)	(82)
2-3 years	(82)	(75)
3-4 years	(74)	(68)
4-5 years	(67)	(61)
5-10 years	(236)	(253)
More than 10 years	(341)	(381)
Total	(990)	(1,011)

NOTE 10 Power Corporation's Debentures and Other Debt Instruments

	September 30, 2023	December 31, 2022
POWER CORPORATION		
Debentures – unsecured		
8.57% debentures due April 22, 2039	150	150
4.81% debentures due January 31, 2047	249	249
4.455% debentures due July 27, 2048	248	248
Total Power Corporation	647	647

The Corporation has a line of credit of $500 million bearing interest at Adjusted Term SOFR plus 0.70%. At September 30, 2023 and December 31, 2022, the Corporation was not using its line of credit.

NOTE 11 Non-Recourse Debentures and Other Debt Instruments

A) POWER FINANCIAL, LIFECO AND IGM

The following table presents the debentures and other debt instruments issued by Power Financial, Lifeco and IGM. The 6.90% debentures of Power Financial are direct obligations of Power Financial and are non-recourse to the Corporation. All debentures and other debt instruments of Lifeco and its subsidiaries are direct obligations of Lifeco or its subsidiaries, as applicable, and are non-recourse to the Corporation. All of the debentures of IGM are direct obligations of IGM and are non-recourse to the Corporation.

	September 30, 2023	December 31, 2022
POWER FINANCIAL		
Debentures – unsecured		
6.90% debentures due March 11, 2033	250	250
Total Power Financial	250	250
LIFECO		
Debentures and senior bonds – unsecured		
2.50% senior bonds due April 18, 2023 (€500 million)	–	725
1.75% senior bonds due December 7, 2026 (€500 million) [1]	718	722
3.337% debentures due February 28, 2028	499	498
6.40% subordinated debentures due December 11, 2028	100	100
4.70% senior bonds due November 16, 2029 (€500 million) [1]	716	721
2.379% debentures due May 14, 2030	597	597
6.74% debentures due November 24, 2031	196	196
6.67% debentures due March 21, 2033	395	395
5.998% debentures due November 16, 2039	343	343
2.981% debentures due July 8, 2050	494	494
7.529% capital trust debentures due June 30, 2052 (face value of $150 million)	156	157
	4,214	4,948
Other Debt Instruments – unsecured		
Commercial paper and other short-term debt instruments with interest rate of 5.592% (4.628% at December 31, 2022)	136	135
Revolving credit facility with interest equal to LIBOR plus 0.70% (US$50 million at December 31, 2022)	–	67
Non-revolving credit facility with interest based on Adjusted Term SOFR (US$500 million)	136	675
0.904% senior notes due August 12, 2025 (US$500 million)	678	672
1.357% senior notes due September 17, 2027 (US$400 million)	542	538
4.047% senior notes due May 17, 2028 (US$300 million)	406	403
1.776% senior notes due March 17, 2031 (US$400 million)	542	537
4.15% senior notes due June 3, 2047 (US$700 million)	937	930
4.581% senior notes due May 17, 2048 (US$500 million)	674	669
3.075% senior notes due September 17, 2051 (US$700 million)	942	935
	4,993	5,561
Total Lifeco	9,207	10,509

[1] Designated by Lifeco as hedges of the net investment in foreign operations.

NOTE 11 Non-Recourse Debentures and Other Debt Instruments (continued)

	September 30, 2023	December 31, 2022
IGM FINANCIAL		
Debentures – unsecured		
3.44% debentures due January 26, 2027	400	400
6.65% debentures due December 13, 2027	125	125
7.45% debentures due May 9, 2031	150	150
7.00% debentures due December 31, 2032	175	175
7.11% debentures due March 7, 2033	150	150
6.00% debentures due December 10, 2040	200	200
4.56% debentures due January 25, 2047	200	200
4.115% debentures due December 9, 2047	250	250
4.174% debentures due July 13, 2048	200	200
4.206% debentures due March 21, 2050	250	250
5.426% debentures due May 26, 2053	300	–
Debentures of IGM held by Lifeco as investments	(88)	(88)
	2,312	2,012
Other Debt Instruments – unsecured		
Non-revolving credit facility with interest fluctuating with Canadian bankers' acceptances, due on June 1, 2024	550	–
Total IGM	2,862	2,012
Total Power Financial, Lifeco and IGM	12,319	12,771

LIFECO

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

IGM

On May 26, 2023, IGM issued $300 million aggregate principal amount 5.426% debentures, maturing on May 26, 2053.

In addition, in the second quarter of 2023, Schedule I Canadian chartered banks provided IGM with a non-revolving credit facility. The balance of the credit facility is due on June 1, 2024. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

CHANGES IN DEBENTURES AND OTHER DEBT INSTRUMENTS – POWER FINANCIAL, LIFECO AND IGM

The table below details changes in the debentures and other debt instruments arising from financing activities, including both cash and non-cash changes:

	September 30, 2023	September 30, 2022
Balance, beginning of the year	12,771	11,066
Issue of debentures	300	–
Increase in other debt instruments	550	1,033
Repayment of euro-denominated debt	(735)	–
Decrease in other debt instruments	(602)	(260)
Changes in foreign exchange rates and other	35	403
Balance, end of period	12,319	12,242

NOTE 11 Non-Recourse Debentures and Other Debt Instruments (continued)

B) ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER – PROJECT AND OTHER DEBT

The following table presents the other debt instruments held by alternative asset investment platforms and other. All other debt instruments are credit or loan facilities that are direct obligations, and secured by the assets, of subsidiaries of the Corporation and are non-recourse to the Corporation.

	September 30, 2023	December 31, 2022
OTHER DEBT INSTRUMENTS		
Investment Funds and Other – secured		
Revolving credit facility up to $21 million, with interest equal to prime rate plus 0.15%	2	24
Revolving credit facility up to US$75 million, with interest equal to the U.S. base rate minus 0.35% (US$10 million)(US$10 million at December 31, 2022)	13	13
Revolving credit facility up to $525 million, with interest equal to prime rate plus 0.6% or SOFR plus 1.6% (US$148 million)($1 million and US$35 million at December 31, 2022)	200	48
Revolving credit facility up to US$75 million, with interest equal to SOFR plus 1.7% (US$40 million)	53	–
Senior loan due in June 2029, with interest equal to Euribor plus 1% (€20 million)	–	28
Other	2	–
Renewable Energy – Project debt – secured		
Construction loan facilities due from January 2024 to December 2043, bearing interest at various rates from 4.02% to 4.72%, LIBOR plus 2.5% and U.S. base rate plus 1.5% ($752 million and US$84 million)($361 million and US$186 million at December 31, 2022)	866	613
Loan facilities due from June 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%	542	560
Loan facilities due from June 2025 to December 2059, bearing interest at various rates from 3.62% to 6.89% and LIBOR plus margin of 2.25% ($379 million and US$244 million)($322 million and US$128 million at December 31, 2022)	707	496
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	91	94
Standalone Businesses – secured		
Revolving credit facility and term loan facilities due in November 2025 and June 2026, bearing interest at various rates equal to U.S. base rate or prime rate plus margin from 1.0% to 3.25% and fixed rate equal to 12%	239	80
Total alternative asset investment platforms and other	2,715	1,956

RENEWABLE ENERGY

During the third quarter of 2023, Power Sustainable Energy Infrastructure Partnership (PSEIP) issued non-recourse senior notes of US$202 million, bearing interest at a rate of 6.89% and maturing in March 2048. The proceeds were used to reimburse certain construction and loan facilities which bore interest at various variable rates (LIBOR plus margin between 2.25% and 2.5%, and U.S. base rate plus 1.5%). Also, PSEIP increased its credit facility to $525 million, of which $200 million is only available by way of letters of credit.

CHANGES IN OTHER DEBT INSTRUMENTS – ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

The table below details changes in the other debt instruments arising from financing activities, including both cash and non-cash changes:

	September 30, 2023	September 30, 2022
Balance, beginning of the year	1,956	1,467
Acquisitions	70	20
Increase in other debt instruments	1,313	613
Decrease in other debt instruments	(570)	(101)
Changes in foreign exchange rates and other	(54)	(15)
Balance, end of period	2,715	1,984

NOTE 12 Stated Capital

AUTHORIZED

The authorized capital of Power Corporation consists of an unlimited number of First Preferred Shares, issuable in series; an unlimited number of Participating Preferred Shares; and an unlimited number of Subordinate Voting Shares.

ISSUED AND OUTSTANDING

	September 30, 2023		December 31, 2022	
	Number of shares	Stated capital	Number of shares	Stated capital
		$		$
Non-Participating Shares				
First Preferred Shares				
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Total Non-Participating Shares		950		950
Participating Shares				
Participating Preferred Shares	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	612,219,731	9,253	621,756,088	9,370
Issued under Stock Option Plan	1,119,631	37	1,683,043	52
Purchased for cancellation under Normal Course Issuer Bid	(9,296,500)	(141)	(11,219,400)	(169)
Balance, end of period	604,042,862	9,149	612,219,731	9,253
Total Participating Shares		9,382		9,486

NOTE 12 Stated Capital (continued)

Participating Shares

During the nine months ended September 30, 2023, 1,119,631 Subordinate Voting Shares were issued under the Corporation's Executive Stock Option Plan for a consideration of $34 million (1,680,778 Subordinate Voting Shares issued for the nine months ended September 30, 2022 for a consideration of $47 million).

During the nine months ended September 30, 2023, dividends declared on the Corporation's participating shares amounted to $1.5750 per share ($1.4850 per share in 2022).

Normal Course Issuer Bids

On February 28, 2022, the Corporation commenced a Normal Course Issuer Bid (NCIB) which was effective until February 27, 2023. During the three months ended March 31, 2023, no Subordinate Voting Shares were purchased for cancellation by the Corporation pursuant to this NCIB (10,243,800 Subordinate Voting Shares for a total of $384 million during the nine months ended September 30, 2022 under the NCIB programs).

On March 1, 2023, the Corporation commenced a new NCIB which is effective until the earlier of February 29, 2024 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.4% of the public float of Subordinate Voting Shares outstanding as at February 22, 2023) at market prices. During the nine months ended September 30, 2023, the Corporation purchased for cancellation 9,296,500 Subordinate Voting Shares pursuant to this NCIB for a total of $340 million.

In the nine months ended September 30, 2023, the Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was $199 million and was recognized as a reduction to retained earnings ($229 million during the nine months ended September 30, 2022).

In connection with its NCIB, the Corporation has entered into an automatic share purchase plan (ASPP) and may provide parameters thereunder from time to time to allow a designated broker to purchase 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 trading blackout periods, purchases under the Corporation's NCIB will be completed at management's discretion.

Subsequent event

Subsequent to quarter-end, the Corporation purchased, as of November 13, 2023, an additional 3,279,500 Subordinate Voting Shares pursuant to its current NCIB, for a total of $112 million.

NOTE 13 Share-Based Compensation

STOCK OPTION PLAN

On September 30, 2023, there were 20,893,623 Subordinate Voting Shares and 10,254,578 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation (Stock Option Plans).

A summary of the status of the Corporation's Stock Option Plans, including tandem share appreciation rights (TSARs), as at September 30, 2023 and 2022, and changes during the respective periods then ended, is as follows:

	September 30, 2023		September 30, 2022	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		$		$
Outstanding, beginning of year	25,567,243	31.86	27,556,547	31.30
Granted	1,284,026	34.54	670,304	38.34
Exercised or surrendered for cash	(3,159,631)	28.90	(2,655,778)	27.70
Forfeited	(1,604)	38.34	–	–
Outstanding, end of period	23,690,034	32.40	25,571,073	31.86
Options exercisable, end of period	18,572,235	31.75	18,578,512	31.10

The exercise price of the 23,690,034 outstanding options ranges from $27.30 to $42.45.

TANDEM SHARE APPRECIATION RIGHTS

A summary of the status of the Corporation's options with TSARs attached, as at September 30, 2023 and 2022, and changes during the respective periods ended is as follows:

	September 30, 2023			September 30, 2022		
	TSARs	Weighted-average exercise price	Fair value of liability	TSARs	Weighted-average exercise price	Fair value of liability
		$	$		$	$
Outstanding, beginning of year	12,646,606	31.15	39	–	–	–
Attached to outstanding options	–	–	–	13,621,606	30.87	93
Surrendered for cash	(2,040,000)	28.24	(14)	(975,000)	27.25	(14)
Change in fair value	–	–	24	–	–	(42)
Outstanding, end of period	10,606,606	31.71	49	12,646,606	31.15	37
TSARs exercisable, end of period	10,156,606	31.60		10,813,886	30.87	

In 2022, the Corporation reclassified 13,621,606 options as cash-settled share-based payments and recognized a liability for the corresponding vested TSARs which is measured at fair value at each reporting period. The reclassification as cash-settled share-based payments resulted in a decrease to retained earnings and to the share-based compensation reserve of $54 million and $39 million, respectively.

The fair value of the outstanding cash-settled liability was $49 million at September 30, 2023 ($39 million at December 31, 2022) and is recorded in other liabilities. The intrinsic value of this liability at September 30, 2023 was $32 million ($17 million at December 31, 2022).

The fair value of the TSARs was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	September 30, 2023	September 30, 2022
Dividend yield	5.4%	5.7%
Expected volatility	15.7% – 22.8%	14.3% – 23.8%
Risk-free interest rate	4.6% – 5.6%	3.7% – 4.5%
Expected life (years)	0.6 – 5.5	0.6 – 6.5
Share price ($/share)	34.58	31.13
Weighted-average exercise price ($/option)	31.71	31.15
Weighted-average fair value ($/option)	4.63	2.91

NOTE 13 Share-Based Compensation (continued)

The Corporation entered into total return swap agreements to manage exposure to the volatility of a portion of its cash-settled share-based payments and related liability. For the nine months ended September 30, 2023, a net loss of $17 million (a net gain of $19 million in 2022) arising from the change in fair value of the liability, net of the gain on the remeasurement to fair value of the derivative instrument, was included in operating and administrative expenses in the statements of earnings.

COMPENSATION EXPENSE

During the nine months ended September 30, 2023, Power Corporation granted 1,284,026 options (670,304 options were granted for the nine months ended September 30, 2022) under its Executive Stock Option Plan. Options granted in the nine months ended September 30, 2023 vest on the basis of [i] 50% three years from the date of grant and [ii] 50% four years from the date of grant.

The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	September 30, 2023	September 30, 2022
Dividend yield	5.9%	5.7%
Expected volatility	18.2%	17.7%
Risk-free interest rate	2.7%	2.4%
Expected life (years)	9.0	9.0
Fair value ($/option)	2.41	2.46
Weighted-average exercise price ($/option)	34.54	38.34

The expected volatility has been estimated based on the historical volatility of the Corporation's share price using the expected option life.

Lifeco, IGM and Wealthsimple have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense related to equity-settled stock option plans is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. For the three months ended September 30, 2023, total compensation expense relating to the equity-settled stock options granted by the Corporation and its subsidiaries amounted to $25 million ($26 million in 2022), and $78 million for the nine months ended September 30, 2023 ($82 million in 2022), and was recorded in operating and administrative expenses in the statements of earnings.

NOTE 14 Capital Management

POWER CORPORATION

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 available 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 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 is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

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.

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 and they manage their capital as described below.

NOTE 14 Capital Management (continued)

LIFECO

Lifeco manages its capital on both a consolidated basis and at the individual operating subsidiary level. The primary objectives of Lifeco'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 Lifeco ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholder value in the context of Lifeco's operational risks and strategic plans.

Management of Lifeco is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The target level of capitalization for Lifeco 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 Lifeco, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of Lifeco with a high degree of confidence.

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 Adequacy Test (LICAT). The 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. OSFI has established a supervisory target total ratio of 100%, and a supervisory minimum total ratio of 90%. Canada Life's consolidated LICAT ratio at September 30, 2023 was 128%.

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

IGM FINANCIAL

IGM's capital management objective is to maximize shareholder returns while ensuring that IGM is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. IGM'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. IGM regularly assesses its capital management practices in response to changing economic conditions.

IGM's capital is primarily used in its ongoing business operations to support working capital requirements, long-term investments made by IGM, business expansion and other strategic objectives.

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At September 30, 2023, IGM subsidiaries have complied with all regulatory capital requirements.

ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

Certain subsidiaries are subject to regulatory capital requirements, including portfolio managers, asset managers and an order-execution-only broker. These subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At September 30, 2023, these subsidiaries have complied with all regulatory capital requirements.

NOTE 15 Risk Management

The Corporation and its subsidiaries have established policies, guidelines and procedures designed to identify, measure, monitor, report and mitigate risks associated with financial instruments. The key risks related to financial instruments are liquidity risk, credit risk and market risk.

- Liquidity risk is the risk that the Corporation and its subsidiaries would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivative products.
- Market risk is the risk that the market value or future cash flows of a financial instrument and the value of insurance and investment contract liabilities will fluctuate as a result of changes in market factors. Market factors include three types of risks: foreign exchange risk, interest rate (including inflation) risk and equity risk.
  - Foreign exchange risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian investments and earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
  - Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in the interest rates.
  - Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

Estimates of sensitivities and risk exposure measures are included for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons, including, but not limited to, changes in the Corporation and its subsidiaries' asset or liability profile, changes in business mix, effective income tax rates, other market factors, difference in the actual exposure relative to broad market indices, variation in exposures by geography, and general limitations of 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 Corporation cannot provide assurance that the actual impact on net earnings will be as indicated.

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments. In the first section below, the risk management policies and procedures of Power Corporation, Power Financial and the Corporation's alternative asset investment platforms and other (other subsidiaries) are discussed. Risks related to Lifeco and IGM are discussed in subsequent sections. For a more detailed discussion, refer to Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2022.

NOTE 15 Risk Management (continued)

POWER CORPORATION, POWER FINANCIAL AND ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

a) Liquidity and funding

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. Regulatory requirements may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends. The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends.

Power Corporation and Power Financial believe their ongoing cash flows from operations, available cash balances and liquidity available through their lines of credit are sufficient to address their liquidity needs.

b) Equity risk

As at September 30, 2023, the impact of a 10% decrease in the value of other investments held by Power Corporation, Power Financial and other subsidiaries would have resulted in an approximate $45 million unrealized loss recorded in other comprehensive income related to investments classified as fair value through other comprehensive income and $201 million of loss recorded in net earnings related to investments classified as fair value through profit or loss and investments in jointly controlled corporations and associates measured at fair value through profit or loss.

GBL holds a portfolio of investments which are classified as fair value through other comprehensive income or fair value through profit or loss. As at September 30, 2023, the impact of a 10% decrease in equity markets would have resulted in an approximate $250 million unrealized loss recorded in other comprehensive income related to investments classified as fair value through other comprehensive income and a $66 million loss recorded in net earnings related to investments classified as fair value through profit or loss, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation, Power Financial and other subsidiaries' exposure and management of liquidity risk, credit risk and market risk have not changed materially since December 31, 2022.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks. Lifeco has established policies and procedures designed to identify, measure, manage, monitor and report material risks associated with financial instruments. Lifeco's approach to risk management has not changed significantly since December 31, 2022. A summary of the risks is presented below. For a more detailed discussion of Lifeco's risk governance structure and risk management approach, refer to the Risk Management note in the Corporation's December 31, 2022 financial statements.

Liquidity risk

Lifeco has the following policies and procedures in place to manage liquidity risk:

- Management of Lifeco 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 of Lifeco 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. Lifeco maintains committed lines of credit with Canadian chartered banks.

Credit risk

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

NOTE 15 Risk Management (continued)

Market risk

a) Foreign exchange risk

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco 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 to net earnings.

Lifeco has net investments in foreign operations. Lifeco'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 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 Lifeco's total equity. Correspondingly, Lifeco's book value per share and capital ratios monitored by rating agencies are also impacted.

b) Interest rate risk

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

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

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

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

NOTE 15 Risk Management (continued)

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

Change in market yield curves

	Net earnings	
	50 basis point increase in interest rates, UIR no change	50 basis point decrease in interest rates, UIR no change
September 30, 2023	50	(75)
December 31, 2022	75	(125)

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

The potential impact on the net earnings does not take into account any future potential changes to Lifeco's ultimate investment rate (UIR) assumptions. As at both September 30, 2023 and December 31, 2022, the sensitivity of net earnings to a 10 basis point increase or decrease in the UIR in all geographies would be an increase of $25 million or a decrease of $25 million post-tax, respectively.

c) Equity risk

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate this risk.

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 shares and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private equities, and equity-release mortgages. Net earnings will reflect changes in the value of non-fixed income assets. However, in most cases the value of the liabilities will not fluctuate with changes in the value of the non-fixed income assets.

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

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

Change in publicly traded common share values

	Net earnings			
	Increase		Decrease	
	20%	10%	10%	20%
September 30, 2023	225	100	(125)	(225)
December 31, 2022	200	100	(125)	(225)

NOTE 15 Risk Management (continued)

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

Change in other non-fixed income asset values

	Net earnings			
	Increase		Decrease	
	10%	5%	5%	10%
September 30, 2023	400	200	(200)	(425)
December 31, 2022	400	200	(200)	(425)

IGM FINANCIAL

The risk committee of the board of IGM is responsible for assisting the board of directors of IGM in reviewing and overseeing the risk governance structure and risk management program of IGM.

The risk management policies and procedures of IGM are discussed in the IGM section of the Corporation's Management's Discussion and Analysis (Part C) for the nine months ended September 30, 2023 and in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2022 and have not changed significantly since December 31, 2022.

a) Liquidity risk

IGM's 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 IGM's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity by management and by the financial risk management committee, a committee of finance and other IGM business leaders.

A key liquidity requirement for IGM 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. IGM 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.

IGM believes its cash flows from operations, available cash balances and liquidity available through its lines of credit are sufficient to meet its liquidity needs. IGM's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2022.

b) Credit risk

IGM manages credit risk related to cash and cash equivalents by adhering to its investment policy that outlines credit risk parameters and concentration limits. IGM regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

IGM's allowance for credit losses was $1 million at September 30, 2023, unchanged from December 31, 2022, and is considered adequate by IGM's 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) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

IGM's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2022.

NOTE 16 Insurance Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Contracts not measured under the PAA				
Amounts relating to changes in liabilities for remaining coverage				
Experience adjustments	(16)	(28)	(77)	(121)
CSM recognized for services provided	299	283	922	866
Change in risk adjustment for non-financial risk for risk expired	163	162	464	486
Expected incurred claims and other insurance service expenses	2,295	2,136	6,831	6,624
Recovery of insurance acquisition cash flows	139	107	415	318
	2,880	2,660	8,555	8,173
Contracts measured under the PAA	2,230	1,988	6,673	6,017
Total insurance revenue	5,110	4,648	15,228	14,190

NOTE 17 Insurance Service and Operating and Administrative Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Claims and benefits incurred	3,495	2,980	10,418	9,264
Allocation of premium directly to recovery of insurance acquisition cash flows	177	158	525	487
Adjustments to the liability for incurred claims	(187)	80	(377)	(156)
Losses and reversal of losses on onerous insurance contracts	41	8	65	30
Salaries and other employee benefits	1,453	1,342	4,277	3,800
General and administrative	651	406	2,173	1,558
Amortization, depreciation and impairment	215	215	621	621
Commissions	685	735	2,100	2,172
Restructuring and other	45	61	193	138
Total expenses	6,575	5,985	19,995	17,914
Represented by:				
Insurance service expenses	3,921	3,622	11,879	10,904
Operating and administrative expenses	2,654	2,363	8,116	7,010
Total expenses	6,575	5,985	19,995	17,914

RESTRUCTURING AND OTHER

IGM Financial

During the second quarter of 2023, IGM recognized restructuring and other charges of $103 million ($76 million after-tax) resulting from streamlining and simplifying IGM's business to more effectively align with its business priorities. The charge includes IGM's changes to the organizational structure to advance the growing needs of its business, digital transformation by retiring duplicate systems and modernizing information technology and an effort to consolidate its real estate footprint to better reflect client and advisor needs.

NOTE 18 Pension Plans and Other Post-Employment Benefits

The pension plan and other post-employment benefits expense included in net earnings and other comprehensive income is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Pension plans				
Service costs	77	65	230	218
Past service costs, plan amendments and curtailments	(1)	–	–	(2)
Net interest cost	1	7	2	15
	77	72	232	231
Post-employment benefits				
Service costs	1	2	2	3
Net interest cost	3	2	10	10
	4	4	12	13
Expense recognized in net earnings	81	76	244	244
Remeasurements				
Pension plans				
Actuarial gains	(581)	(113)	(308)	(2,574)
Return on assets less than discount rate	437	233	317	1,740
Change in the asset ceiling	8	(1)	(61)	227
Post-employment benefits				
Actuarial (gains) losses	(17)	4	(12)	(86)
Expense (income) recognized in other comprehensive income (loss)	(153)	123	(64)	(693)
Total expense (income)	(72)	199	180	(449)

The discount rates increased by 0.2% to 0.4% during the nine months ended September 30, 2023 (increased by 1.7% to 2.3% in the corresponding period in 2022), primarily due to the increase in yields on high-quality corporate bonds.

NOTE 19 Income Taxes

INCOME TAX EXPENSE

The components of income tax expense (recovery) recognized in net earnings are:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Current taxes	104	168	609	547
Deferred taxes	94	28	(203)	104
	198	196	406	651

EFFECTIVE INCOME TAX RATE

The effective income tax rate for the Corporation for the nine months ended September 30, 2023 was 12.2% compared with 15.8% for the nine months ended September 30, 2022.

The effective income tax rate for the nine months ended September 30, 2023 is lower than the effective income tax rate for the same period last year mainly due to: i) the jurisdictional mix of earnings and higher non-taxable investment income, partially offset by the favourable impact of the resolution of outstanding tax issues in Canada in 2022 at Lifeco; and ii) higher results from jointly controlled corporations that are not taxable.

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

The effective income tax rates are generally lower than the Corporation's statutory income tax rate of 26.5% due to non-taxable investment income, lower tax in certain foreign jurisdictions and results from jointly controlled corporations and associates that are not taxable.

In December 2021, the OECD published model rules outlining a structure for a new 15% global minimum tax to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. Detailed commentary and guidance on the rules were released by the OECD during 2022 and 2023. At this point, the countries in which the Corporation and its subsidiaries currently operate, other than the U.S., have indicated their commitment.

The Corporation and its subsidiaries are reviewing the relevant legislation and available guidance to assess the full implications of the minimum tax regime. A number of the countries in which the Corporation and its subsidiaries operate have a lower tax rate than the proposed minimum, and when legislation is enacted, an increase in the effective income tax rate is expected.

NOTE 20 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings			
Nine months ended September 30, 2023	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Investment revaluation	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	Total
Balance, beginning of year (restated)	(267)	1,205	1,087	–	(49)	(13)	1,963
Impact of initial application of IFRS 9	(117)	–	(1,271)	(14)	–	1,105	(297)
Restated balance, beginning of year	(384)	1,205	(184)	(14)	(49)	1,092	1,666
Other comprehensive income (loss)	103	1	(66)	(76)	35	(166)	(169)
Realized (gains) losses on FVOCI equity instruments transferred to retained earnings	–	–	–	65	–	(50)	15
Other	(3)	4	(58)	–	–	67	10
Balance, end of period	(284)	1,210	(308)	(25)	(14)	943	1,522

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Nine months ended September 30, 2022	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	247	847	1,976	(474)	(17)	2,579
Impact of application of IFRS 9 overlay	34	–	–	–	–	34
Restated balance, beginning of year	281	847	1,976	(474)	(17)	2,613
Other comprehensive income (loss)	(663)	266	(1,192)	384	5	(1,200)
Other	–	–	56	–	–	56
Balance, end of period	(382)	1,113	840	(90)	(12)	1,469

NOTE 21 Earnings Per Share

The following is a reconciliation of the numerators and the denominators used in the computations of earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Earnings				
Net earnings attributable to shareholders	988	656	1,828	2,145
Dividends on non-participating shares	(13)	(13)	(39)	(39)
Net earnings attributable to participating shareholders	975	643	1,789	2,106
Net (earnings) loss attributable to participating shareholders from discontinued operations	22	(1)	84	4
Net earnings attributable to participating shareholders from continuing operations	997	642	1,873	2,110
Dilutive effect of subsidiaries' outstanding stock options	(2)	–	(3)	(3)
Effect of equity-settled method for TSARs	–	(2)	–	(19)
Net earnings adjusted for dilutive effect from continuing operations	995	640	1,870	2,088
Number of participating shares [millions]				
Weighted average number of participating shares outstanding – Basic	660.4	668.7	664.3	671.8
Potential exercise of outstanding stock options	1.4	1.8	1.1	3.4
Weighted average number of participating shares outstanding – Diluted	661.8	670.5	665.4	675.2
Net earnings per participating share from continuing operations				
Basic	1.50	0.96	2.82	3.14
Diluted	1.50	0.96	2.81	3.09
Net earnings per participating share				
Basic	1.47	0.96	2.69	3.13
Diluted	1.47	0.96	2.68	3.09

For the nine months ended September 30, 2023, 1.7 million stock options (0.7 million in 2022) were excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 22 Fair Value Measurement

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

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	▪ actively exchange-traded equity securities; ▪ exchange-traded futures; ▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions; ▪ open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.
Level 2	Utilize 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.	▪ assets and liabilities priced using a matrix which is based on credit quality and average life; ▪ government and agency securities; ▪ restricted shares; ▪ certain private bonds and investment funds; ▪ most investment-grade and high-yield corporate bonds; ▪ most asset-backed securities; ▪ most over-the-counter derivatives; ▪ most mortgage and other loans; ▪ deposits and certificates; ▪ most debentures and other debt instruments; ▪ most of the investment contracts that are measured at fair value through profit or loss; ▪ certain limited-life and redeemable fund units.
Level 3	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, external appraisers or by discounting projected cash flows.	▪ certain bonds; ▪ certain asset-backed securities; ▪ certain private equities; ▪ certain mortgage and other loans, including equity-release mortgages; ▪ investments in mutual and segregated funds where there are redemption restrictions; ▪ certain over-the-counter derivatives; ▪ investment properties; ▪ obligations to securitization entities; ▪ certain other debt instruments; ▪ certain limited-life and redeemable fund units.

NOTE 22 Fair Value Measurement (continued)

The Corporation's assets and liabilities recorded at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of material accounting policies of the Corporation's December 31, 2022 Consolidated Financial Statements and above, are presented below. Fair values represent management's estimates and are generally calculated using market information at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, and involve uncertainties and matters of significant judgment.

September 30, 2023	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	138,407	248	138,655
Fair value through other comprehensive income	–	11,370	–	11,370
Mortgage and other loans				
Fair value through profit or loss	–	28,734	3,707	32,441
Fair value through other comprehensive income	–	578	–	578
Shares				
Fair value through profit or loss	10,275	275	4,832	15,382
Fair value through other comprehensive income	441	–	9	450
Investment properties	–	–	8,070	8,070
Derivative instruments	15	2,126	33	2,174
Assets held for sale [1]	194	623	889	1,706
Other assets	252	2,487	–	2,739
	11,177	184,600	17,788	213,565
Liabilities				
Investment contract liabilities	–	88,960	–	88,960
Derivative instruments	2	1,965	4	1,971
Limited-life and redeemable fund units	2	6	1,647	1,655
Other liabilities	–	279	–	279
	4	91,210	1,651	92,865

[1] Assets held for sale measured at fair value includes shares of $43 million and trading account assets of $1,663 million.

NOTE 22 Fair Value Measurement (continued)

December 31, 2022 [1]	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	143,190	195	143,385
Fair value through other comprehensive income	–	12,701	–	12,701
Available for sale	–	358	–	358
Mortgage and other loans				
Fair value through profit or loss	–	29,013	3,476	32,489
Fair value through other comprehensive income	–	621	–	621
Shares				
Fair value through profit or loss	10,721	86	3,646	14,453
Available for sale	613	–	351	964
Investment properties	–	–	8,344	8,344
Derivative instruments	13	2,439	28	2,480
Other assets	320	1,903	940	3,163
	11,667	190,311	16,980	218,958
Liabilities				
Investment contract liabilities	–	94,810	–	94,810
Derivative instruments	–	1,712	5	1,717
Limited-life and redeemable fund units	86	34	1,577	1,697
Other liabilities	11	180	–	191
	97	96,736	1,582	98,415

[1] The Corporation has elected to apply the overlay approach on an instrument-by-instrument basis and therefore includes the application of the IFRS 9 overlay for certain instruments.

There were no significant transfers between Level 1 and Level 2 in these periods.

NOTE 22 Fair Value Measurement (continued)

Additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value is presented below.

	Bonds	Mortgage and other loans	Shares							
September 30, 2023	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss [2]	Fair value through other comprehensive income [3]	Investment properties	Derivatives, net	Limited-life and redeemable fund units	Assets held for sale	Other assets (liabilities)	Total
Balance, beginning of year	195	3,476	3,646	351	8,344	23	(1,577)	–	940	15,398
Impact of initial application of IFRS 9	–	–	349	(349)	–	–	–	–	–	–
Restated balance, beginning of year	195	3,476	3,995	2	8,344	23	(1,577)	–	940	15,398
Total gains (losses)										
Net earnings	3	(99)	265	–	(365)	5	(117)	–	(12)	(320)
Other comprehensive income [1]	–	18	7	7	44	–	(6)	7	–	77
Purchases	58	6	1,047	–	160	(1)	(83)	–	23	1,210
Issues	–	480	17	–	–	–	(255)	–	–	242
Sales	(8)	(10)	(442)	–	(113)	–	–	(69)	–	(642)
Settlements	–	(102)	–	–	–	2	132	–	–	32
Transfers into Level 3	–	14	33	–	–	–	(73)	–	–	(26)
Transfers out of Level 3	–	–	(21)	–	–	–	–	–	–	(21)
Other [4]	–	(76)	(69)	–	–	–	332	951	(951)	187
Balance, end of period	248	3,707	4,832	9	8,070	29	(1,647)	889	–	16,137

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

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

[3] Balance at the beginning of year represents available-for-sale shares reclassified as fair value through profit or loss on transition.

[4] Includes amounts reclassified to assets held for sale as a result of the agreement to sell Putnam Investments (Note 4).

NOTE 22 Fair Value Measurement (continued)

December 31, 2022	Bonds		Mortgage and other loans	Shares					
	Fair value through profit or loss		Fair value through profit or loss	Fair value through profit or loss[2]	Available for sale	Investment properties	Derivatives, net	Limited-life and redeemable fund units	Other assets (liabilities)	Total
Balance, beginning of year	100		2,667	2,240	565	7,763	6	(1,005)	473	12,809
Impact of application of IFRS 9 overlay	45		6	312	(167)	–	–	–	–	196
Restated balance, beginning of year	145		2,673	2,552	398	7,763	6	(1,005)	473	13,005
Total gains (losses)										
Net earnings	(12)		(640)	119	60	(41)	26	(14)	(125)	(627)
Other comprehensive income [1]	–		(67)	18	(26)	(42)	(1)	(39)	30	(127)
Purchases	82		–	1,180	53	710	(5)	–	710	2,730
Issues	–		1,693	–	–	–	–	(528)	–	1,165
Sales	(20)		–	(199)	(135)	(55)	–	–	(168)	(577)
Settlements	–		(161)	–	–	–	(3)	6	–	(158)
Derecognition	–		(22)	5	–	–	–	37	–	20
Transfers into Level 3	–		–	2	–	–	–	(34)	12	(20)
Transfers out of Level 3	–		–	(27)	(3)	–	–	–	8	(22)
Other	–		–	(4)	4	9	–	–	–	9
Balance, end of year	195		3,476	3,646	351	8,344	23	(1,577)	940	15,398

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

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

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.

NOTE 22 Fair Value Measurement (continued)

Significant unobservable inputs used at period-end in measuring assets categorized as Level 3 in the fair value hierarchy are presented below.

Type of asset	Valuation approach	Significant unobservable input	Input value	Interrelationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 4.0% – 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.0% – 7.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 3.7%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans – equity-release mortgages (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 5.2% – 7.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Limited-life and redeemable fund units	The determination of the fair value of the limited-life and redeemable fund units is based on the fair value of the underlying fund's investments.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 23 Segmented Information

The Corporation is an international management and holding company. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

As a holding company, the Corporation evaluates the performance of each operating segment based on its contribution to the earnings attributable to participating shareholders. The contribution to the earnings attributable to participating shareholders from Lifeco, IGM Financial, GBL, Sagard, Power Sustainable and other, represents the Corporation's share of their net earnings.

The Corporation's reportable segments include Lifeco and IGM Financial due to their quantitative contribution, and the Corporation also considers GBL as a reportable segment. Together, they represent the Corporation's investments in publicly traded operating companies. As well, the Corporation considers the Holding company to be a reportable segment.

- **Lifeco** is a financial services holding company with interests in life insurance, health insurance, retirement savings, wealth and asset management, and reinsurance businesses, primarily in Canada, the U.S. and Europe.
- **IGM Financial** is a leading wealth and asset management company supporting advisors and the clients they serve in Canada, and institutional investors through North America, Europe and Asia.
- **GBL** is indirectly held through Parjointco. GBL is a Belgian investment holding company and leading investor in Europe. Its portfolio is comprised of a portfolio of listed and private assets composed of global companies, which are leaders in their sectors.
- **Holding company** comprises the corporate activities of the Corporation and Power Financial, on a combined basis, and presents the investment activities of the Corporation including its investments in consolidated entities. The Holding company activities present the Holding company's assets and liabilities, including cash, investments, debentures and non-participating shares. The Holding company 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 Corporation's asset management activities through the investment platforms, Sagard and Power Sustainable, together with their investing activities, are presented on a combined basis in another category, Alternative asset investment platforms and other, as they do not qualify as reportable segments.

Alternative asset investment platforms and other are comprised of the results of:

- Alternative asset management businesses, Sagard and Power Sustainable;
- Investments managed by Sagard and Power Sustainable on behalf of the Corporation;
- Entities held through the alternative asset managers which are consolidated; and
- Standalone businesses representing a subsidiary, a jointly controlled corporation and associates which are managed to realize value over time.

Effect of consolidation represents the reconciliation between the measurement basis used for the presentation of the Holding company with the consolidated financial statements, as well as the intersegment elimination for investments under common control and other consolidation entries.

The segmented assets present the activities of the holding company, including its investments in consolidated entities, Lifeco and IGM, as well as other controlled entities, using the equity method of accounting as a measurement basis. These entities are consolidated in the Corporation's consolidated balance sheets. Common equity interests in Lifeco, IGM, and alternative asset investment platforms and other (intersegment investments) are included in their respective segment's assets.

NOTE 23 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

Three months ended September 30, 2023	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	5,110	–	–	–	–	–	5,110
Net investment income [2]	2,271	9	–	21	77	13	2,391
Change in fair value through profit or loss [2]	(5,457)	–	–	11	42	(10)	(5,414)
Fee income [3][4]	1,450	881	–	–	73	(29)	2,375
Other [3]	–	–	–	–	194	–	194
Total segment revenue	3,374	890	–	32	386	(26)	4,656
Other insurance and investment results							
Insurance service expenses [1]	(3,921)	–	–	–	–	–	(3,921)
Net expense from reinsurance contracts [1]	(401)	–	–	–	–	–	(401)
Net investment result from insurance activities [2][5]	3,836	–	–	–	–	–	3,836
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	(486)	–	–	–	–	–	(486)
Expenses							
Operating and administrative expenses [4]	1,660	617	–	50	347	(20)	2,654
Financing charges	103	41	–	14	42	2	202
Total expenses	1,763	658	–	64	389	(18)	2,856
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,125	232	–	(32)	(3)	(8)	1,314
Share of earnings (losses) of investments in jointly controlled corporations and associates	–	38	315	–	(9)	(17)	327
Earnings before income taxes	1,125	270	315	(32)	(12)	(25)	1,641
Income taxes	137	60	–	1	3	(3)	198
Net earnings from continuing operations	988	210	315	(33)	(15)	(22)	1,443
Net loss from discontinued operations [Note 4]	(31)	–	–	–	–	–	(31)
Net earnings	957	210	315	(33)	(15)	(22)	1,412
Attributable to							
Non-controlling interests	345	73	–	34	(6)	(22)	424
Non-participating shareholders	–	–	–	13	–	–	13
Participating shareholders [6][7]	612	137	315	(80)	(9)	–	975
	957	210	315	(33)	(15)	(22)	1,412

[1] Included within insurance service result in the statements of earnings.

[2] Included within net investment result in the statements of earnings.

[3] Included within fee income and other revenues in the statements of earnings.

[4] Dealer compensation expenses at IGM are included in operating and administrative expenses.

[5] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

[6] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[7] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 23 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

Three months ended September 30, 2022	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	4,648	–	–	–	–	–	4,648
Net investment income [2]	2,024	8	–	12	(4)	21	2,061
Change in fair value through profit or loss [2]	(7,399)	3	–	(1)	21	26	(7,350)
Fee income [3][4]	1,280	842	–	–	56	(28)	2,150
Other [3]	–	–	–	–	146	–	146
Total segment revenue	553	853	–	11	219	19	1,655
Other insurance and investment results							
Insurance service expenses [1]	(3,622)	–	–	–	–	–	(3,622)
Net expense from reinsurance contracts [1]	(374)	–	–	–	–	–	(374)
Net investment result from insurance activities [2][5]	6,177	–	–	–	–	–	6,177
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	2,181	–	–	–	–	–	2,181
Expenses							
Operating and administrative expenses [4]	1,490	590	–	34	265	(16)	2,363
Financing charges	97	29	–	14	12	3	155
Total expenses	1,587	619	–	48	277	(13)	2,518
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,147	234	–	(37)	(58)	32	1,318
Share of earnings (losses) of investments in jointly controlled corporations and associates	3	47	(50)	15	(10)	(36)	(31)
Earnings before income taxes	1,150	281	(50)	(22)	(68)	(4)	1,287
Income taxes	119	64	–	2	5	6	196
Net earnings from continuing operations	1,031	217	(50)	(24)	(73)	(10)	1,091
Net earnings from discontinued operations [Note 4]	1	–	–	–	–	–	1
Net earnings	1,032	217	(50)	(24)	(73)	(10)	1,092
Attributable to							
Non-controlling interests	362	81	–	34	(31)	(10)	436
Non-participating shareholders	–	–	–	13	–	–	13
Participating shareholders [6][7]	670	136	(50)	(71)	(42)	–	643
	1,032	217	(50)	(24)	(73)	(10)	1,092

[1] Included within insurance service result in the statements of earnings.

[2] Included within net investment result in the statements of earnings.

[3] Included within fee income and other revenues in the statements of earnings.

[4] Dealer compensation expenses at IGM are included in operating and administrative expenses.

[5] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

[6] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[7] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 23 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

Nine months ended September 30, 2023	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	15,228	–	–	–	–	–	15,228
Net investment income [2]	6,418	204	–	33	185	(145)	6,695
Change in fair value through profit or loss [2]	(4,553)	(1)	–	25	112	(17)	(4,434)
Fee income [3][4]	4,316	2,595	–	–	213	(80)	7,044
Other [3]	–	–	–	–	522	–	522
Total segment revenue	21,409	2,798	–	58	1,032	(242)	25,055
Other insurance and investment results							
Insurance service expenses [1]	(11,879)	–	–	–	–	–	(11,879)
Net expense from reinsurance contracts [1]	(1,158)	–	–	–	–	–	(1,158)
Net investment result from insurance activities [2][5]	(612)	–	–	–	–	–	(612)
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	(13,649)	–	–	–	–	–	(13,649)
Expenses							
Operating and administrative expenses [4]	4,992	1,953	–	147	1,081	(57)	8,116
Financing charges	322	102	–	41	108	6	579
Total expenses	5,314	2,055	–	188	1,189	(51)	8,695
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,446	743	–	(130)	(157)	(191)	2,711
Share of earnings (losses) of investments in jointly controlled corporations and associates	15	149	424	99	12	(91)	608
Earnings before income taxes	2,461	892	424	(31)	(145)	(282)	3,319
Income taxes	223	161	–	42	(5)	(15)	406
Net earnings from continuing operations	2,238	731	424	(73)	(140)	(267)	2,913
Net loss from discontinued operations [Note 4]	(121)	–	–	–	–	–	(121)
Net earnings	2,117	731	424	(73)	(140)	(267)	2,792
Attributable to							
Non-controlling interests	783	394	–	103	(49)	(267)	964
Non-participating shareholders	–	–	–	39	–	–	39
Participating shareholders [6][7]	1,334	337	424	(215)	(91)	–	1,789
	2,117	731	424	(73)	(140)	(267)	2,792

[1] Included within insurance service result in the statements of earnings.

[2] Included within net investment result in the statements of earnings.

[3] Included within fee income and other revenues in the statements of earnings.

[4] Dealer compensation expenses at IGM are included in operating and administrative expenses.

[5] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

[6] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[7] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 23 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

Nine months ended September 30, 2022	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	14,190	–	–	–	–	–	14,190
Net investment income [2]	5,474	13	–	26	(82)	31	5,462
Change in fair value through profit or loss [2]	(32,351)	(5)	–	2	(15)	35	(32,334)
Fee income [3][4]	3,786	2,592	–	–	193	(85)	6,486
Other [3]	–	–	–	–	403	–	403
Total segment revenue	(8,901)	2,600	–	28	499	(19)	(5,793)
Other insurance and investment results							
Insurance service expenses [1]	(10,904)	–	–	–	–	–	(10,904)
Net expense from reinsurance contracts [1]	(1,155)	–	–	–	–	–	(1,155)
Net investment result from insurance activities [2][5]	29,385						29,385
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	17,326	–	–	–	–	–	17,326
Expenses							
Operating and administrative expenses [4]	4,443	1,828	–	91	714	(66)	7,010
Financing charges	280	85	–	41	26	12	444
Total expenses	4,723	1,913	–	132	740	(54)	7,454
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,702	687	–	(104)	(241)	35	4,079
Share of earnings (losses) of investments in jointly controlled corporations and associates	35	145	(63)	43	–	(114)	46
Earnings before income taxes	3,737	832	(63)	(61)	(241)	(79)	4,125
Income taxes	449	187	–	3	5	7	651
Net earnings from continuing operations	3,288	645	(63)	(64)	(246)	(86)	3,474
Net loss from discontinued operations [Note 4]	(6)	–	–	–	–	–	(6)
Net earnings	3,282	645	(63)	(64)	(246)	(86)	3,468
Attributable to							
Non-controlling interests	1,185	211	–	101	(88)	(86)	1,323
Non-participating shareholders	–	–	–	39	–	–	39
Participating shareholders [6][7]	2,097	434	(63)	(204)	(158)	–	2,106
	3,282	645	(63)	(64)	(246)	(86)	3,468

[1] Included within insurance service result in the statements of earnings.

[2] Included within net investment result in the statements of earnings.

[3] Included within fee income and other revenues in the statements of earnings.

[4] Dealer compensation expenses at IGM are included in operating and administrative expenses.

[5] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

[6] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[7] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 23 Segmented Information (continued)

TOTAL ASSETS AND LIABILITIES

September 30, 2023	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	6,978	557	–	1,475	734	(233)	9,511
Investments	209,132	5,229	–	125	2,045	144	216,675
Investments in Lifeco, IGM and alternative asset investment platforms and other	810	1,177	–	21,539	–	(23,526)	–
Investments in jointly controlled corporations and associates	277	3,049	3,499	3	1,173	(396)	7,605
Assets held for sale	4,133	–	–	–	–	–	4,133
Other assets	41,041	5,139	–	308	7,153	(159)	53,482
Goodwill and intangible assets	15,785	4,207	–	2	1,531	(1)	21,524
Investments on account of segregated fund policyholders	402,284	–	–	–	–	–	402,284
Total assets [1]	680,440	19,358	3,499	23,452	12,636	(24,171)	715,214
Insurance and investment contract liabilities	222,684	–	–	–	–	–	222,684
Liabilities held for sale	2,023	–	–	–	–	–	2,023
Obligation to securitization entities	–	4,675	–	–	–	–	4,675
Power Corporation's debentures and other debt instruments	–	–	–	647	–	–	647
Non-recourse debentures and other debt instruments	9,207	2,950	–	250	2,715	(88)	15,034
Other liabilities	14,283	5,337	–	926	6,318	(262)	26,602
Insurance and investment contracts on account of segregated fund policyholders	402,284	–	–	–	–	–	402,284
Total liabilities	650,481	12,962	–	1,823	9,033	(350)	673,949

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

December 31, 2022	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	7,290	1,073	–	1,277	493	(285)	9,848
Investments	215,024	5,199	–	194	1,976	152	222,545
Investments in Lifeco, IGM and alternative asset investment platforms and other	702	1,536	–	20,710	–	(22,948)	–
Investments in jointly controlled corporations and associates	207	1,112	3,314	783	1,147	(47)	6,516
Other assets	44,260	5,652	–	310	4,664	(209)	54,677
Goodwill and intangible assets	17,271	4,173	–	2	1,487	–	22,933
Investments on account of segregated fund policyholders	387,882	–	–	–	–	–	387,882
Total assets [1]	672,636	18,745	3,314	23,276	9,767	(23,337)	704,401
Insurance and investment contract liabilities	230,248	–	–	–	–	–	230,248
Obligation to securitization entities	–	4,610	–	–	–	–	4,610
Power Corporation's debentures and other debt instruments	–	–	–	647	–	–	647
Non-recourse debentures and other debt instruments	10,509	2,100	–	250	1,956	(88)	14,727
Other liabilities	14,772	5,900	–	987	4,366	(317)	25,708
Insurance and investment contracts on account of segregated fund policyholders	387,882	–	–	–	–	–	387,882
Total liabilities	643,411	12,610	–	1,884	6,322	(405)	663,822

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

NOTE 23 Segmented Information (continued)

CONDENSED STATEMENTS OF CASH FLOWS

Nine months ended September 30, 2023	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	63	609	1,116	11	(1,142)	657
Financing activities	(2,952)	494	(1,478)	1,234	1,079	(1,623)
Investing activities	2,891	(1,619)	560	(1,005)	117	944
Effect of changes in exchange rates on cash and cash equivalents	34	–	–	1	(2)	33
Increase (decrease) in cash and cash equivalents	36	(516)	198	241	52	11
Cash and cash equivalents, beginning of year	7,290	1,073	1,277	493	(285)	9,848
Cash and cash equivalents from continuing and discontinued operations, end of period	7,326	557	1,475	734	(233)	9,859
Less: Cash and cash equivalents from discontinued operations, end of period [Note 4]	(348)	–	–	–	–	(348)
Cash and cash equivalents from continuing operations, end of period	6,978	557	1,475	734	(233)	9,511

Nine months ended September 30, 2022	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	5,431	504	1,122	(159)	(1,141)	5,757
Financing activities	(655)	(896)	(1,482)	824	1,204	(1,005)
Investing activities	(2,483)	150	132	(901)	(144)	(3,246)
Effect of changes in exchange rates on cash and cash equivalents	268	–	–	15	(9)	274
Increase (decrease) in cash and cash equivalents	2,561	(242)	(228)	(221)	(90)	1,780
Cash and cash equivalents, beginning of year	6,075	1,292	1,635	759	(252)	9,509
Cash and cash equivalents, end of period	8,636	1,050	1,407	538	(342)	11,289