



POWER CORPORATION
OF CANADA

2022
ANNUAL REPORT

Table of Contents

I	Power Corporation at a Glance
IV	Environmental, Social, Governance
VII	Directors' Report to Shareholders
XII	Our Group Companies
2	Review of Financial Performance
74	Consolidated Financial Statements
79	Notes to the Consolidated Financial Statements
169	Five-Year Financial Summary
170	Board of Directors
171	Officers
172	Corporate Information

The financial information in this Annual Report is presented in Canadian dollars for the period ended December 31, 2022, unless otherwise noted.

A list of the abbreviations used throughout can be found on the inside back cover of this Annual Report.

Readers are referred to the sections entitled "Forward-Looking Statements", "Non-IFRS Financial Measures", "Other Measures" and "Disclosures Concerning Public Investees Information", in each case on page 2 of this Annual Report.

For the convenience of readers, portions of this Annual Report may be extracted and made available separately as standalone documents.

However, in all cases, such extracts should be considered to be part of this Annual Report as a whole.

The trademarks contained in this report are owned by Power Corporation of Canada or by a Member of the Power Corporation Group of Companies®. Trademarks that are not owned by Power Corporation of Canada are used with permission.

Power Corporation

is an international management and holding company that focuses on financial services in North America, Europe and Asia.

Our core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

Integrity Trust
Respect
Corporate citizenship

Our mission

Enhancing shareholder value by actively managing operating businesses and investments which can generate long-term, sustainable growth in earnings and dividends.

Value is best achieved through a prudent approach to risk and through responsible corporate citizenship. Power Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

We are long-term active shareholders overseeing leading franchises with attractive growth profiles



POWER CORPORATION OF CANADA

PUBLICLY TRADED OPERATING COMPANIES^[1]

GREAT-WEST
LIFECO INC.

66.6%^[2]

IGM
Financial

62.2%^[2]

GBL

14.9%^[3]

ALTERNATIVE ASSET INVESTMENT PLATFORMS

 **Sagard**

**POWER
SUSTAINABLE**

Our key investing principles

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

[1] Percentages of participating equity securities beneficially owned, or over which control or direction is exercised, directly or indirectly by Power Corporation, as at December 31, 2022.

[2] As of January 12, 2023, the Corporation held a 68.2% interest in Great-West Lifeco, and an additional 2.4% interest through IGM. Power Corporation also held a 62.2% interest in IGM, and an additional 3.9% interest through Great-West Lifeco as of the same date. On January 12, 2023, the Corporation and IGM completed a transaction in which the Corporation's 13.9% interest in ChinaAMC was combined under IGM. In a separate agreement, IGM sold approximately 15.2 million Great-West Lifeco common shares (representing a 1.6% interest in Great-West Lifeco) to Power Corporation.

[3] Held through Parjointco, a jointly controlled corporation (50%).

Financials at a glance

\$1.9 billion

Net and adjusted net earnings^{[1][2]}

\$23.5 billion

Market capitalization^[3]

\$2.7 trillion

Consolidated assets and
assets under administration^[2]

\$734 billion

Total consolidated assets

6.2%

Dividend yield^[4]

\$1.7 billion

Capital returned to shareholders^[5]

We manage our business sustainably and responsibly

- › Incorporating an environmental, social and governance lens in our investment process
- › Making a positive contribution in the communities where we are established
- › Sharing knowledge and best practices with our group companies as part of our active ownership approach

[1] Attributable to participating shareholders.

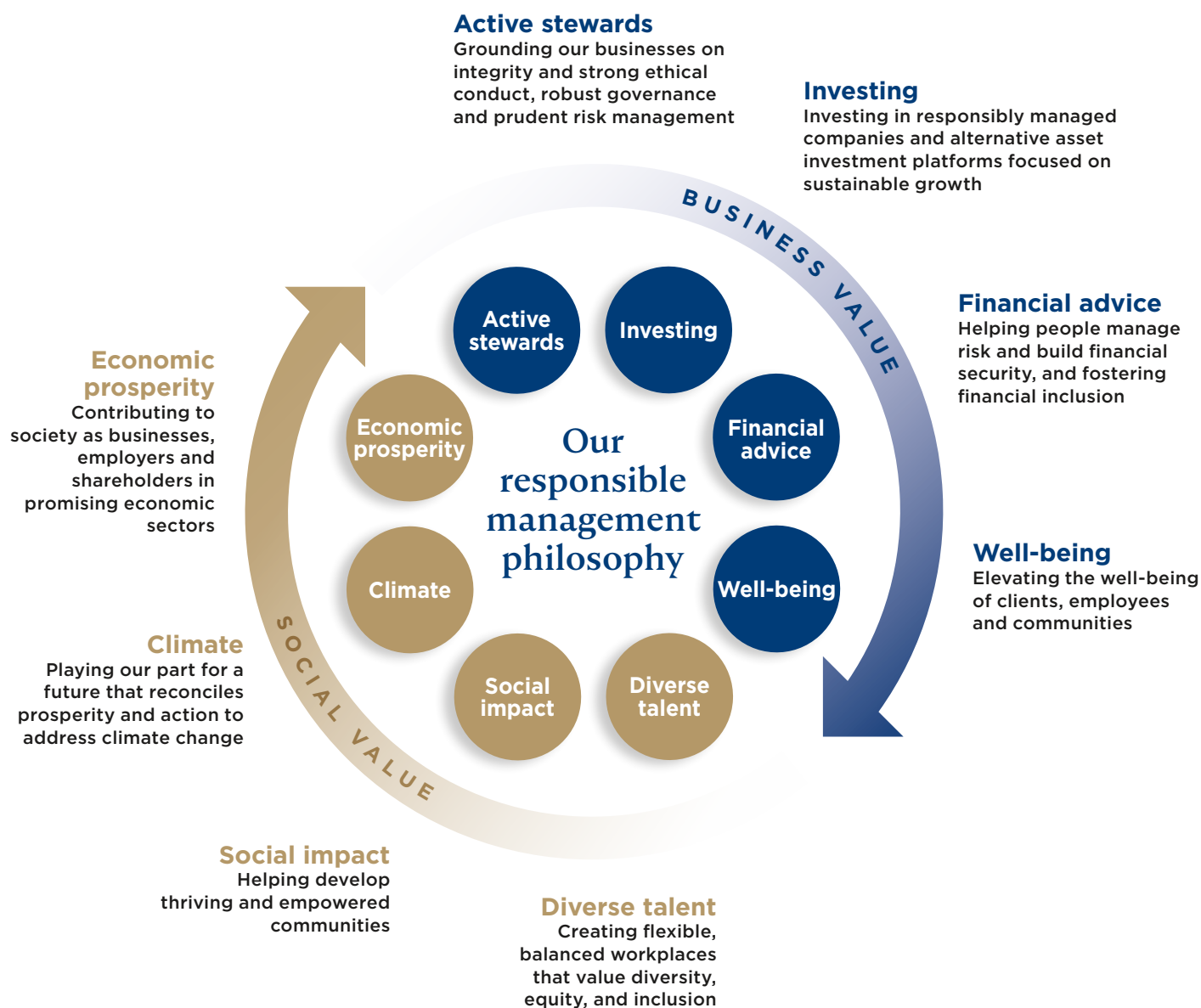
[2] Adjusted net earnings and consolidated assets and assets under administration are non-IFRS financial measures. Please refer to "Non-IFRS Financial Measures" in the Review of Financial Performance section of this Annual Report.

[3] As at March 16, 2023.

[4] Dividend yield is calculated as the annualized dividend based on the dividend declared on November 9, 2022 divided by the December 31, 2022 share price.

[5] Includes dividends paid to participating shareholders and shares repurchased under the NCIB program.

We grow resilient businesses focused on driving a positive sustainable impact



Invested in our communities, fostering meaningful change

As we view our society holistically, we believe in the creation of vibrant, caring, and sustainable communities. We support a wide range of initiatives across various sectors, including health, education, arts and culture, and environmental sustainability. Each of those sectors needs to be strong for our communities to thrive.

\$43.8 million
in charitable contributions
from the Power group

More than
1,800
community organizations supported

\$4.6 billion
in goods and services, and taxes
paid by the Power group to various
levels of government

	Commitments to global initiatives		Climate		2022 listings and ratings ^[1]		
	PRI ^[2]	UNGC	2022 CDP	TCFD supporters	Sustainalytics ESG Risk	MSCI ESG	FTSE4Good
Power Corporation		●	A-		Low	A	●
Great-West Lifeco	●		A-	●	Medium	A	
IGM Financial	●		A-	●	Low	A	●
GBL	●	●	A-	●	Negligible	A	
Sagard	●						
Power Sustainable	●						

[1] The use by Power Corporation of any ESG research or third-party ESG rating firms' data, names or index names does not constitute a sponsorship, an endorsement, a recommendation, or a promotion of Power Corporation by such third-party firms. The referenced data is their property, "as-is" and without warranty, and their names are their trademarks or service marks.

[2] Either directly or through wholly owned subsidiaries. Great-West Lifeco's subsidiaries Putnam and Irish Life Investment Managers are signatories to the PRI. IGM Financial's subsidiaries IG Wealth Management and Mackenzie Investments are also signatories to the PRI.

Power has continued to execute on its value creation strategy with concrete actions and progress

1

OpCo Organic

- › Targeting earnings growth at our publicly traded operating companies, building on significant business momentum
- › Diversified, broad-based earnings at Great-West Lifeco, with growth led by Empower
- › IGM business momentum led by IG Wealth Management
- › GBL increasing its investments in private assets

2

OpCo M&A

- › Continued execution and integration of recently completed M&A transactions
- › Ongoing assessment of potential opportunities in high-growth areas
- › Continuously manage portfolio to ensure return objectives are met

3

Power Company Level

- › Return capital to Power shareholders
- › Opportunities for further simplification
- › Continued fundraising at Sagard and Power Sustainable to realize the benefits of scale
- › Continued communication with stakeholders
- › Further reduction of the NAV discount

Directors' Report to Shareholders

Power Corporation and its group companies focused on execution in 2022. This followed several years marked by numerous transactions and initiatives, many of which were driven by the company's value creation strategy adopted as part of the reorganization in early 2020.

Public attention shifted quickly in early 2022 from the pandemic and other pressing social issues to rising inflation, higher interest rates, the war in Ukraine and energy security. Financial markets were volatile, with both equity and bond markets losing substantial value during the year.

The year 2022 underscored the need for individuals and businesses to be prepared and have a plan.

In this regard, the advice, planning and financial security provided to our clients by our group companies has never been more important.

As we managed through the challenges of 2022, we remained steadfast in the execution of our value creation strategy. It includes three levers:

- 1) realizing higher organic growth at our publicly traded operating companies;
- 2) adding to that growth through M&A; and
- 3) creating additional returns through various opportunities at the Power Corporation level.

The strategy also includes simplifying our group in several ways:

- simplifying what we do – financial services, not diversification;
- simplifying how we are structured; and
- simplifying how we communicate to our various stakeholders.

While public attention may have shifted in 2022, the need to address the risks posed by climate change and to pursue greater equity, diversity and inclusion in our society and in our workplaces has in no way diminished.

Across Power and our group companies, resources and energy continued to be devoted to making progress on these important challenges.

Great-West Lifeco and IGM Financial delivered solid earnings in 2022 despite the challenging environment

Each of Great-West Lifeco and IGM Financial produced solid earnings in 2022. This was achieved despite significantly lower equity and bond market levels relative to 2021, which reduced fee income at both companies.

A combination of strong business momentum across their many business platforms and discipline in expense management contributed to the solid performance.

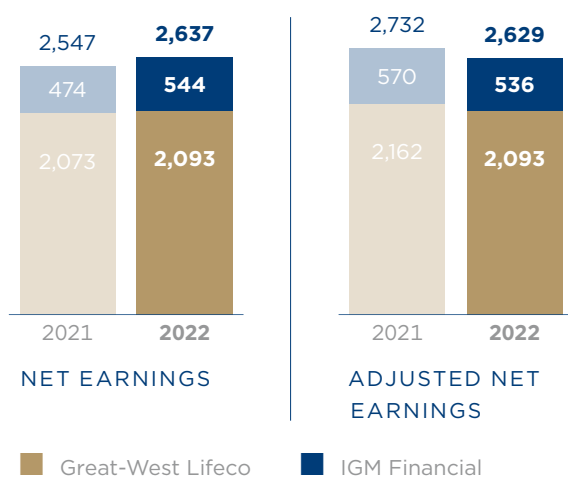
Great-West Lifeco and IGM Financial represent approximately 75% of the Corporation's gross asset value^[1]. These two companies have produced the great majority of Power's recurring earnings from year to year.

Earnings at GBL and most of the other investments held at Power can be volatile from period to period, given the nature of their respective business strategies and/or their stage of development. GBL's business model and strategy, for example, focuses on growing the value of its investment portfolio over time, versus producing stable earnings.

Power's investment platforms and some of its standalone businesses are at earlier stages of development and are not yet producing recurring earnings. These companies can experience large variations in value that sometimes flow through Power's income statements, producing overall gains in years such as 2020 and 2021, and occasionally losses, as in 2022.

All in all, earnings in 2022 for Power Corporation were solid in a challenging year.

Contribution of Great-West Lifeco and IGM Financial to the Corporation's earnings



[1] Gross asset value represents the fair value of the assets of the combined Power Corporation and Power Financial holding company. Please refer to the discussion of adjusted net asset value, a non-IFRS Financial Measure, in the section "Non-IFRS Financial Measures" in the Review of Financial Performance section of this Annual Report.

Our publicly traded OpCos made significant progress in pursuit of their strategies

Great-West Lifeco's U.S.-based Empower completed the integration of MassMutual's retirement services business and of Personal Capital, meeting or exceeding the objectives set at the time these two acquisitions were announced in 2020. Empower also completed the acquisition of Prudential's full-service retirement business, increasing the number of individuals it serves in the United States to over 17 million. Across Great-West Lifeco's platforms, the addition of new digital capabilities is making advice and solutions available to more people than ever.

At IGM Financial, IG Wealth Management continued to demonstrate strength with net client inflows of \$2.7 billion in 2022. In December, IG Wealth Management announced a strategic agreement to have nesto, a company in one of our Portage fintech funds, provide next-generation white-label mortgage services to IG Wealth Management clients across Canada. In partnership with Northleaf Capital, Mackenzie Investments launched numerous alternative investment products to give retail investors access to private market investment solutions. Wealthsimple, of which IGM Financial is the largest shareholder, grew its number of clients by 16% to over two million in 2022.

In 2022, GBL continued to pursue its strategy of increasing its investment mix towards private assets, with 23% of its assets now in private holdings. It acquired Sanoptis, a leader in ophthalmology services in Europe; this was GBL's first private investment in the growing and resilient healthcare sector, which was followed by the acquisition of a majority stake in Affidea, another European leader in healthcare.

Our alternative asset management businesses continued to fundraise and build scale

In 2022, Sagard and Power Sustainable raised a total of \$2.4 billion, primarily from third parties and associated companies. Both platforms continued to add scale through the launch of new strategies and funds. Power Sustainable announced the launch of its North American agri-food private equity strategy, Power Sustainable Lios, and of Vintage II of its Power Sustainable Energy Infrastructure Partnership, and early in 2023 the launch of its Global and European infrastructure credit strategies. Additionally, Sagard launched its late-stage, fintech-focused Portage Capital Solutions fund and continued fundraising in its existing strategies. The platforms now have \$21.1 billion in funded and unfunded assets under management^[1], an increase from \$19.1 billion at the end of 2021.

[1] The description of assets under management of alternative asset investment platforms can be found under "Other Measures" in the Review of Financial Performance section of this Annual Report.

We continued to simplify the structure of our group and its holdings

The Power group combined its 27.8% ownership stake in ChinaAMC under IGM Financial, with Power acquiring around 15 million common shares of Great-West Lifeco from IGM at the same time. ChinaAMC has a market-leading position in China's

asset management industry, with total assets under management of approximately RMB¥1,722 billion (\$338 billion) at December 31, 2022, an increase of 4% from December 31, 2021.

We returned capital to shareholders

Power was active in 2022 buying back shares under its normal course issuer bid program, while building cash and maintaining a strong financial position.

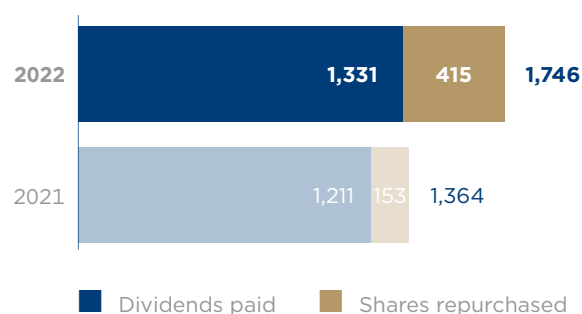
In 2022, Power returned \$1.7 billion of capital to shareholders, with \$1.3 billion of dividends paid and \$415 million of shares repurchased.

The Corporation purchased for cancellation 11.2 million subordinate voting shares, representing 1.7% of its participating shares.

Power has approximately \$1.6 billion of available cash, including the net pre-tax proceeds from the sale of its ChinaAMC stake received in January of this year.

In March of 2023, the Corporation also declared a quarterly dividend of 52.50 cents per participating share, an increase of 6.1%.

Capital Returned to Shareholders



We advanced ESG strategies across the group

The consideration of ESG factors has long been part of the Power group's responsible management philosophy. This concept is aligned with our active ownership approach, value creation strategy, and drive to sustain profitability over the long term.

Throughout the year, we continued to embed ESG considerations in our businesses through our board representation at our group companies, knowledge sharing, senior management engagement, and our group-wide sustainability committee. For our group

companies, the focus in 2022 was on furthering their respective ESG strategies and initiatives, including enhancing their diversity- and climate-related data.

In May 2022, we were delighted to welcome Ms. Elizabeth D. Wilson, Vice-Chair of CPA Canada, to our Board. Her election brings the representation of women on our Board to 29%, putting us well on track to reach our objective for women to account for at least 30% of the Board by 2025.

We are well positioned for further value creation

Our value creation strategy has provided a clear path to guide Power's decisions and actions through the many challenges and risks presented by global events over the past several years. A good plan is essential for everyone to realize their objectives and to manage risk. We are well positioned and optimistic about the opportunities in front of us, while recognizing that we are operating in an environment of heightened risk.

We would like to thank our shareholders for their support and our clients and business partners for the trust they place in us. We also thank our talented management teams and employees for their dedication and hard work.

On behalf of the Board of Directors,

Signed,

R. Jeffrey Orr

President and
Chief Executive Officer

Signed,

Paul Desmarais, Jr., O.C., O.Q.

Chairman of the Board

Signed,

André Desmarais, O.C., O.Q.

Deputy Chairman of the Board

March 16, 2023

Our Group Companies

Publicly Traded Operating Companies



An international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses operating in Canada, the United States and Europe.



A leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors globally.



A leading and active investor in Europe, focused on long-term value creation with a diversified high-quality portfolio of listed and private investments, as well as of alternative investments through GBL Capital. In addition, GBL is developing its third-party asset management activity through Sienna Investment Managers.

Alternative Asset Investment Platforms



A multi-strategy alternative asset management firm, Sagard seeks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge.



A pure-play sustainable investment manager, Power Sustainable aims to create long-term value by investing in companies and projects that contribute to decarbonization, social progress and quality growth.

\$3.2 billion
Net earnings and
base earnings ^{[1][2]}

13.6%
Return on equity
and base return
on equity ^{[1][2][3]}

\$29.2 billion
Market capitalization ^[4]

38 million+
Customer relationships

\$2.5 trillion
Total assets under
administration ^[2]

\$701 billion
Consolidated assets

234,500+
Advisor relationships

31,000+
Employees

2022 value creation highlights

- › Delivered strong results with discipline and diversification, driving strong returns and resilient performance
- › Strengthened market leadership positions through strategic and disciplined acquisition and integration efforts
- › Continued to drive responsible growth by expanding access to advice-enabled insurance, wealth, retirement and wellness solutions for its diverse clients

BRANDS



[1] Attributable to common shareholders.

[2] Base earnings, base return on equity and assets under administration are identified as non-GAAP financial measures or ratios by Great-West Lifeco. Additional information regarding these measures and ratios, including reconciliations, is incorporated by reference from and can be found under "Non-GAAP Financial Measures and Ratios" in Great-West Lifeco's annual MD&A for the year ended December 31, 2022, included in the Corporation's annual MD&A for the year ended December 31, 2022, available on SEDAR at www.sedar.com.

[3] The description of return on equity is incorporated by reference from and can be found under "Glossary" in Great-West Lifeco's annual MD&A for the year ended December 31, 2022, included in the Corporation's annual MD&A for the year ended December 31, 2022, available on SEDAR at www.sedar.com.

[4] The description of market capitalization can be found under "Other Measures" in the Review of Financial Performance section of this Annual Report.



\$867.2 million
Net earnings^[1]

14.0%
Return on equity^[1]

\$9.0 billion
Market capitalization

\$249.4 billion
Assets under management and advisement^[2]

\$1.2 billion
Net inflows

1 million+
IG Wealth Management clients

30,000+
External advisors serving 1 million+ Mackenzie clients

198,000
Investment Planning Counsel clients

4,000+
Employees across the IGM family of companies

2022 value creation highlights

- › Strong results led by wealth management and increased earnings contributions from strategic investments, enhancing growth profile and extending capabilities
- › IGM's operating companies remain strong and uniquely well positioned, gaining momentum with their respective wealth and asset management strategies
- › Entered into a strategic mortgage operations partnership with nesto to bring innovative tools and digital capabilities to advisors and a leading-edge mortgage experience to clients

WEALTH MANAGEMENT



ASSET MANAGEMENT



STRATEGIC INVESTMENTS



[1] Available to common shareholders.

[2] The description of assets under management and advisement for IGM can be found under "Other Measures" in the Review of Financial Performance section of this Annual Report.



€17.8 billion
Net asset value^[1]

Private assets
23%
of GBL's portfolio

€116.18
Net asset value
per share^[1]

€1.0 billion
Capital returned
to shareholders^[2]

€11.4 billion
Market capitalization

Sienna
INVESTMENT MANAGERS

€30.0 billion
Assets under management^[3]

- › Real estate
- › Private credit
- › Venture capital
- › Private equity
- › Fund of funds
- › Listed assets

2022 value creation highlights

- › Continued transitioning towards fast-growing private assets, GBL Capital and Sienna Investment Managers, supported by a strong balance sheet
- › Returned €1.0 billion to shareholders, including €643 million of share buybacks, 3.4 million shares cancelled, and a proposal to cancel an additional 6.3 million shares^[4]
- › Moody's designation of "CIS-1 (positive)", the highest possible ESG Credit Impact Score, tying for #1 out of 44 investment holding companies

LISTED ASSETS



PRIVATE ASSETS



ALTERNATIVE ASSETS



THIRD PARTY ASSET MANAGEMENT



[1] The description of net asset value reported by GBL can be found under "Other Measures" in the Review of Financial Performance section of this Annual Report.

[2] Includes €643 million in share buybacks and fiscal year 2022 dividend of €2.75 per share payable in May 2023 (subject to approval at GBL's Ordinary General Meeting on May 4, 2023).

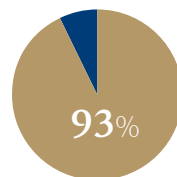
[3] Corresponds to assets in portfolios marketed by Sienna Investment Managers, whether Sienna Investment Managers manages, advises or delegates their management to an external manager, and includes the net asset value of proprietary capital.

[4] Subject to approval at GBL's Extraordinary General Meeting.

Alternative Asset Investment Platforms



\$17.7 billion
Assets under
management ^{[1][2]}

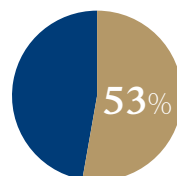


- › Venture Capital & Growth
- › Private Equity
- › Private Credit
- › Royalties
- › Real Estate

● Power Corporation
● Third parties^[3]



\$3.4 billion
Assets under
management ^[1]

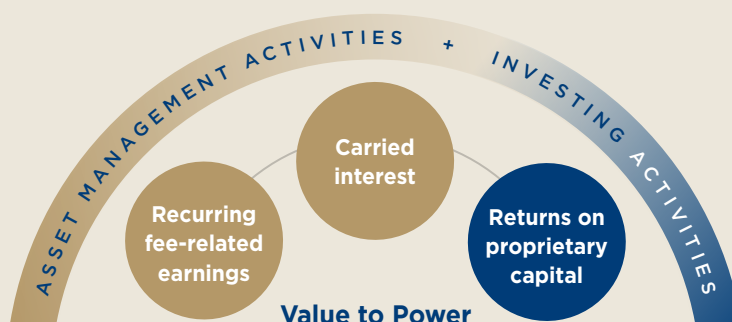


- › Energy Infrastructure
- › China Public Equities
- › Agri-Food Private Equity
- › Infrastructure Credit

● Power Corporation
● Third parties^[3]

Value creation through our alternative asset investment platforms

- › Focusing on asset classes where they can create a competitive advantage
- › Partnering with Power's operating companies to distribute and offer alternative investments to their clients



[1] Includes unfunded commitments. The description of assets under management of alternative asset investment platforms can be found under "Other Measures" in the Review of Financial Performance section of this Annual Report.

[2] Includes ownership in Wealthsimple valued at \$0.9 billion at December 31, 2022 and excludes assets under management of Sagard's wealth management business.

[3] Included in third parties are associated companies including Great-West Lifeco, IGM and GBL as well as commitments from management.

Table of Contents

REVIEW OF FINANCIAL PERFORMANCE	2	CONSOLIDATED FINANCIAL STATEMENTS	74
Overview	3	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	79
Power Corporation of Canada	3	Note 1 Corporate Information	79
2022 Highlights	3	Note 2 Basis of Presentation and Summary of Significant Accounting Policies	79
Publicly Traded Operating Companies	5	Note 3 Business Acquisitions and Other Transactions	94
Alternative Asset Investment Platforms	7	Note 4 Cash and Cash Equivalents	96
Basis of Presentation	15	Note 5 Investments	97
Results of Power Corporation	18	Note 6 Funds Held by Ceding Insurers	99
Consolidated Statements of Earnings in Accordance with IFRS	19	Note 7 Investments in Jointly Controlled Corporations and Associates	100
Contribution to Net Earnings and Adjusted Net Earnings	20	Note 8 Owner-Occupied Properties and Capital Assets	102
Financial Position	37	Note 9 Other Assets	103
Adjusted Net Asset Value	42	Note 10 Goodwill and Intangible Assets	104
Cash Flows	44	Note 11 Segregated Funds and Other Structured Entities	107
Capital Management	47	Note 12 Insurance and Investment Contract Liabilities	110
Risk Management	49	Note 13 Obligations to Securitization Entities	116
Financial Instruments and Other Instruments	53	Note 14 Power Corporation's Debentures and Other Debt Instruments	117
Off-Balance Sheet Arrangements	55	Note 15 Non-Recourse Debentures and Other Debt Instruments	118
Contingent Liabilities	56	Note 16 Other Liabilities	121
Commitments and Contractual Obligations	56	Note 17 Income Taxes	122
Income Taxes	56	Note 18 Stated Capital	124
Transactions with Related Parties	57	Note 19 Share-Based Compensation	126
Summary of Critical Accounting Estimates and Judgments	57	Note 20 Non-Controlling Interests	128
Changes in Accounting Policies	60	Note 21 Capital Management	130
Future Accounting Changes	61	Note 22 Risk Management	131
Disclosure Controls and Procedures	63	Note 23 Operating and Administrative Expenses	142
Internal Control over Financial Reporting	63	Note 24 Financing Charges	142
Power Financial Corporation	64	Note 25 Pension Plans and Other Post-Employment Benefits	143
Non-IFRS Financial Measures	66	Note 26 Derivative Financial Instruments	148
Selected Annual Information	73	Note 27 Fair Value Measurement	152
		Note 28 Other Comprehensive Income	157
		Note 29 Earnings Per Share	157
		Note 30 Related Parties	158
		Note 31 Contingent Liabilities	158
		Note 32 Commitments and Guarantees	159
		Note 33 Segmented Information	160
		INDEPENDENT AUDITOR'S REPORT	165
		FIVE-YEAR FINANCIAL SUMMARY	169

Review of Financial Performance

All tabular amounts are in millions of Canadian dollars, unless otherwise noted.

MARCH 16, 2023

This Annual Report is intended to provide interested shareholders and others with selected information concerning Power Corporation of Canada. For further information concerning the Corporation, shareholders and other interested persons should consult the Corporation's disclosure documents, such as its Annual Information Form and Management's Discussion and Analysis (MD&A). Copies of the Corporation's continuous disclosure documents can be obtained on the Corporation's website at www.powercorporation.com, on SEDAR at www.sedar.com, or from the office of the Secretary at the addresses shown at the end of this report.

FORWARD-LOOKING STATEMENTS > Certain statements in this Annual Report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' current expectations as disclosed in their respective disclosure materials. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries including the fintech strategy, the expected impact of the COVID-19 pandemic on the Corporation and its subsidiaries' operations, results and dividends, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the Corporation's NCIB (as defined herein) commenced in 2023, the impacts of the Corporation's sale of its interest in ChinaAMC (as defined herein) to IGM and IGM's sale of a portion of its interest in Lifeco, statements concerning deferred taxes, statements concerning the expected impact of IFRS 17 on shareholders' equity, management of standalone businesses to realize value over time, fundraising activities by investment platforms, capital commitments by the Power group and third parties, the intended acquisition opportunity of Portage Fintech Acquisition Corporation, the objective to maintain at or above a minimum level of cash and cash equivalents relative to fixed charges, and the Corporation's subsidiaries' disclosed expectations, including the expectations as a result of the acquisitions of the Prudential full-service retirement business (as defined herein), the retirement services business of MassMutual (as defined herein) and related synergies, impacts and timing thereof; the impacts of the acquisitions of Affidea (as defined herein) and Sanoptis (as defined herein); and the strategic agreement with nesto (as defined herein) and timing of offerings thereunder. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

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

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, that

any required approvals (including regulatory approvals) for strategic transactions, acquisitions, divestitures or other growth or optimization strategies will be received when and on such terms as are expected, as well as other considerations that are believed to be appropriate in the circumstances, including the availability of cash to complete purchases under the NCIB, that the list of risks and uncertainties in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries, and with respect to forward-looking statements of the Corporation's subsidiaries disclosed in this Annual Report, the risks identified by such subsidiaries in their respective disclosure materials and Annual Information Form most recently filed with the securities regulatory authorities in Canada and available at www.sedar.com. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

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

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

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

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

DISCLOSURES CONCERNING PUBLIC INVESTEE INFORMATION > In this Annual Report, (i) disclosure concerning Great-West Lifeco and IGM, as applicable, has been derived from Great-West Lifeco's and IGM's respective annual MD&A for the year ended December 31, 2022, as prepared and disclosed by the respective companies in accordance with applicable securities legislation, and which is also available either directly from SEDAR at www.sedar.com or directly from their websites, www.greatwestlifeco.com and www.igmfinc.com and (ii) disclosure concerning GBL has been derived from publicly disclosed information, as issued by GBL, including in its fourth quarter of 2022 press release, and further information on GBL's results is available on its website at www.gbl.be.

For definitions and reconciliations of non-IFRS financial measures, disclosed by Great-West Lifeco and IGM, refer to the "Non-GAAP Financial Measures and Ratios" section and specifically the subsections entitled "Base earnings (loss)" and "Non-GAAP Ratios" of Great-West Lifeco's and "Non-IFRS Financial Measures and Other Financial Measures" section and specifically "Table 1: Reconciliations of Non-IFRS Financial Measures" of IGM's respective annual MD&A for the year ended December 31, 2022, included in Parts B and C, respectively, of the Corporation's annual MD&A for the year ended December 31, 2022 on SEDAR at www.sedar.com.

Readers are reminded that a list of the abbreviations used throughout can be found on the inside back cover of this Annual Report. In addition, the following abbreviation is used in the Review of Financial Performance and in the Financial Statements and Notes thereto: Audited Consolidated Financial Statements of Power Corporation and Notes thereto for the year ended December 31, 2022 (the 2022 Consolidated Financial Statements or the Financial Statements).

Overview

POWER CORPORATION OF CANADA

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

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

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

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

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

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

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

- Sagard is a multi-strategy alternative asset management firm active in venture capital & growth, private equity, private credit, royalties and real estate. Sagard also engages in private wealth management. Sagard looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge.
- Power Sustainable is a sustainability-led global alternative asset manager with a long-term investment approach. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. Power Sustainable currently manages three main platforms:
 - Power Sustainable China selects a high-conviction portfolio based on fundamental research and takes an active approach to investing in China's public equity markets, selecting companies and business models that have significant alignment with the following goals: innovation and technology, decarbonization and quality growth.

- Power Sustainable Energy Infrastructure invests in the development, construction, and operation of renewable energy infrastructure assets across North America.
- Power Sustainable Lios invests in mid-market companies across the food value chain in North America that support the sustainability transformation occurring within the food system.

The Corporation also has significant influence and controlling interests in several standalone businesses managed to create and realize value over time.

2022 HIGHLIGHTS

Highlights at the Publicly Traded Operating Companies and Alternative Asset Investment Platforms

A number of strategic transactions were completed throughout 2022, including:

- **Prudential Financial, Inc.'s (Prudential) full-service retirement business:** On April 1, 2022, Empower completed the acquisition of the full-service retirement services business of Prudential. With the completion of the acquisition, Empower's reach in the U.S. has expanded to approximately 81,000 workplace savings plans as of December 31, 2022. Lifeco funded the total transaction value of US\$3,480 million with US\$1,193 million of Limited Recourse Capital Notes (LRCN Series 1) and US\$823 million of short-term debt, in addition to its existing resources.

Lifeco anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's record-keeping platform. Estimated run-rate cost synergies are expected to be US\$180 million and to be phased in over 24 months, primarily when systems migrations are completed. As of December 31, 2022, US\$43 million of pre-tax run-rate cost synergies had been achieved. Revenue synergies of US\$20 million are expected by Lifeco on a run-rate basis by the end of 2024 and Lifeco expects them to grow to US\$50 million by 2026. Lifeco expects to incur one-time integration and restructuring expenses of US\$170 million pre-tax related to the Prudential acquisition, of which US\$68 million pre-tax had been incurred as of December 31, 2022. Lifeco expects the integration to be completed in the first half of 2024.

- **MassMutual's retirement services business:** Lifeco completed the integration of MassMutual's retirement services business as of December 31, 2022, and has achieved US\$160 million of final pre-tax run-rate cost synergies in line with its original expectations. Lifeco is on track to achieve run-rate revenue synergies of US\$30 million pre-tax in 2024 and Lifeco expects them to continue to grow beyond 2024. To date, Lifeco has incurred restructuring and integration expenses of US\$125 million pre-tax related to the MassMutual acquisition, of which US\$116 million pre-tax have been expensed as of December 31, 2022, in line with Lifeco's original expectations.
- **Personal Capital:** As of December 31, 2022, Lifeco completed the integration of Personal Capital. To date, Lifeco has incurred restructuring and integration expenses of US\$57 million pre-tax, of which US\$43 million pre-tax had been expensed as of December 31, 2022, in line with Lifeco's original expectations. During the third quarter of 2022, Lifeco released a contingent consideration provision of US\$41 million pre-tax, as the growth in assets under management was below the level where further contingent consideration was payable.

- **Nesto Inc. (nesto):** On December 13, 2022, IG Wealth Management and nesto announced that they had entered into a strategic agreement to have nesto provide next-generation white label mortgage services to IG Wealth management clients across Canada through its Mortgage Cloud solution. The initiative is part of IG Wealth Management's ongoing strategy to transform its business and follows the firm's modernization of its investment management and financial planning platforms.

nesto's Mortgage Cloud solution will be integrated into IG Wealth Management's mortgage solutions business and will allow IG Wealth Management advisors to provide clients with an enhanced mortgage experience through an online application process, quick turnaround times, live tracking, regular status updates, and dynamic tools. IG Wealth Management and nesto will begin offering the newly integrated mortgage services on the Mortgage Cloud solution in 2023. As well, IGM announced that in conjunction with this agreement it has made an equity investment in nesto.

- **In 2022, the alternative asset investment platforms continued their fundraising efforts, raising a total of \$2.4 billion, including the following fund commitments:**

SAGARD

- **Portage Ventures III:** On July 21, 2022, Portage announced the final close of its Portage Ventures III fund. In 2022, Sagard raised committed capital of US\$78 million, increasing the total committed capital of the fund to US\$655 million.
- **Sagard Private Equity Canada:** On June 22, 2022, Sagard announced that its first private equity fund, Sagard Private Equity Canada, achieved its initial target fund size of \$400 million ahead of schedule. SPEC completed the final close in 2022 with total committed capital of \$406 million.
- **Sagard MidCap 4:** In 2022, Sagard completed the final close of its European private equity fund, Sagard MidCap 4, raising additional capital of €138 million, increasing the total committed capital to €815 million.
- **Sagard Senior Lending:** On February 8, 2023, subsequent to year-end, Sagard announced the initial close of Sagard Senior Lending Partners, a fund launched in 2022, with commitments totalling US\$315 million, of which US\$237 million is currently callable. Sagard also manages, through a separately managed account, an additional investment of up to US\$240 million.

POWER SUSTAINABLE

- **Power Sustainable Lios:** On March 30, 2022, Power Sustainable announced the launch of its North American agri-food private equity platform, Power Sustainable Lios, and its inaugural Lios Fund I. At December 31, 2022, Lios Fund I had total capital commitments of up to \$219 million, of which \$161 million is currently callable by the fund.
- **Power Sustainable Energy Infrastructure Partnership (PSEIP):** On November 29, 2022, Power Sustainable announced the closing of Vintage II of PSEIP. The partnership raised \$600 million of additional capital commitments from new and existing capital partners, increasing the committed capital of the investment platform to \$1.6 billion.

SUBSEQUENT EVENT

- **China Asset Management Company, Ltd. (ChinaAMC):** Founded in 1998 as one of the first fund management companies in China, ChinaAMC has developed and maintained its position among the market leaders in China's asset management industry. ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,722 billion (C\$338 billion) at December 31, 2022.

At December 31, 2022, the Corporation and IGM each held an interest of 13.9% in ChinaAMC, representing a combined 27.8% interest. Together they had significant influence and accounted for their respective interests as an associate using the equity method.

On January 12, 2023, subsequent to year-end, the Corporation and IGM completed a transaction in which the group's interest in ChinaAMC was combined under IGM. The Corporation sold its 13.9% interest in ChinaAMC to Mackenzie, a wholly owned subsidiary of IGM, for aggregate consideration of \$1.15 billion in cash. The Corporation's shareholders will continue to participate in ChinaAMC through the Corporation's interest in IGM.

In a separate transaction, on January 12, 2023, IGM sold approximately 15.2 million Lifeco common shares to Power Financial, for cash consideration of approximately \$553 million (Lifeco Share Transfer). Power Financial acquired an equity interest of approximately 1.6% from IGM, increasing its equity interest in Lifeco to approximately 68.2%. The Lifeco Share Transfer did not impact Power Financial's aggregate beneficial ownership of Lifeco common shares, which remains at 70.6% of the issued and outstanding Lifeco common shares (including indirect beneficial ownership through its controlling interest in IGM). Power Financial's economic interest increased to 69.7%. Power Financial and its subsidiaries continue to own, in the aggregate, voting securities representing approximately 65% of the votes attached to all voting securities of Lifeco.

The Corporation expects to return a portion of the net cash proceeds from the transaction to its shareholders, after factoring in the purchase of Lifeco common shares, through share repurchases over time pursuant to normal course issuer bids.

The transactions were reviewed and approved by the relevant related party and conduct review committees and will not have a significant impact on the statements of earnings and balance sheets.

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

UPDATE ON TRANSITION TO IFRS 17 AND IFRS 9

- IFRS 17, *Insurance Contracts* (IFRS 17) has replaced IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. While the new standard will change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Corporation's consolidated financial statements, it is not expected to have a material financial impact or to change Lifeco's underlying business strategy.

IFRS 9, *Financial Instruments* (IFRS 9) has replaced IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023, and is not expected to lead to a material change in the level of investments. Upon adoption of IFRS 17 and IFRS 9, the Corporation expects an increase in net earnings volatility. Refer to the section "Future Accounting Changes".

The Corporation will report under the new standards for the first time for the quarter ended March 31, 2023. The Corporation and Lifeco continue to evaluate the impact of the adoption of these standards. Based on analysis to date, the expected impacts of the adoption of IFRS 17 include:

- An expected decrease of the January 1, 2022 participating shareholders' equity by approximately 10% on the adoption of IFRS 17 on January 1, 2023 in line with original expectations, primarily due to the establishment of the contractual service margin (CSM), partially offset by the removal of provisions no longer required under IFRS 17; and

- The CSM established by Lifeco for in-force contracts at January 1, 2022 will have an impact to the Corporation of \$4.4 billion associated with shareholders' equity and \$4.2 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 or opening equity.

For additional information and description of the expected impacts of the adoption of IFRS 17 and IFRS 9 at Lifeco, refer to its annual MD&A.

PUBLICLY TRADED OPERATING COMPANIES

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

Lifeco

Great-West Lifeco Inc. (TSX: GWO), market capitalization of \$29.2 billion at December 31, 2022, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States (U.S.) and Europe under the brands Canada Life, Empower, Putnam Investments and Irish Life. For reporting purposes, Lifeco has four major reportable segments: Canada, the United States, Europe, and Capital and Risk Solutions.

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

The United States segment operates two primary business units, Financial Services and Asset Management. The Financial Services business unit, and specifically the Empower brand, helps people with saving, investing and advice through employer-sponsored plans and individual product solutions. This includes the full-service retirement services business of Prudential acquired on April 1, 2022 and Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice. Empower's products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. Financial Services also includes a retained block of life insurance, predominately participating policies, which are now administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance. The Asset Management business unit, and specifically the Putnam brand, provides investment management services and related administrative functions and distribution services, through a broad range of investment products, including the Putnam funds, its own family of mutual funds, which are offered to individual and institutional investors. PanAgora, a Putnam subsidiary, offers a broad range of investment solutions using quantitative strategies.

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany and offers protection and wealth management products, including payout annuity products. The U.K. and Germany business units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand. The core products offered by the U.K. business unit are bulk and individual payout annuities, equity-release mortgages, investments (including life bonds, retirement drawdown and pension) and group insurance. The core products

offered by the Ireland business unit are savings and investments, individual and group life insurance, health insurance and pension products. Irish Life Investment Managers (ILIM) is one of Lifeco's fund management operations in Ireland. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional clients across Europe and North America. The core products offered by the Germany business unit are individual and group pensions and life insurance products.

The Capital and Risk Solutions segment includes the operating results of the Reinsurance business unit which operates primarily in the U.S., Barbados, Bermuda and Ireland. Reinsurance products are provided through Canada Life and its subsidiaries and include both reinsurance and retrocession business transacted directly with clients or through reinsurance brokers.

At December 31, 2022, Power Financial and IGM held interests of 66.6% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%. On January 12, 2023, subsequent to year-end, the Corporation and IGM completed a transaction under which IGM sold approximately 15.2 million common shares of Lifeco, representing a 1.6% interest in Lifeco, to Power Financial. Refer to the section "ChinaAMC" in the section "2022 Highlights".

For additional information on Lifeco, refer to its annual MD&A.

IGM Financial

IGM Financial Inc. (TSX: IGM), market capitalization of \$9.0 billion at December 31, 2022, is a leading wealth and asset management company supporting advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments and IGM also holds a number of strategic investments that provide benefits to the operating subsidiaries while furthering IGM's growth prospects. IGM has three reportable segments: Wealth Management, Asset Management, and Strategic Investments and Other.

The Wealth Management segment reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households and represents the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations that serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. The Wealth Management segment provides a comprehensive planning approach through IG Wealth Management and IPC advisors by offering a broad range of financial products and services in the areas of advanced financial planning, mortgages and banking, insurance, and securities. IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients that synchronizes their financial lives. Investment Planning Counsel is an independent distributor of financial products, services and advice in Canada.

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

The Strategic Investments and Other segment primarily represents the key strategic investments made by IGM, including ChinaAMC (refer to the section “ChinaAMC” in the section “2022 Highlights”), Lifeco, Northleaf, Wealthsimple, and the Portage Ventures funds (refer to the section “Alternative Asset Investment Platforms”), as well as unallocated capital.

On January 12, 2023, subsequent to year-end, IGM completed a transaction in which it acquired an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from the Corporation, which increased IGM's equity interest in ChinaAMC from 13.9% to 27.8%. In a separate transaction, IGM sold approximately 15.2 million common shares of Lifeco to the Corporation for cash consideration of approximately \$553 million, which reduced IGM's equity interest in Lifeco from 4.0% to 2.4%. Refer to the section “ChinaAMC” in the section “2022 Highlights”.

At December 31, 2022, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 62.2% and 3.9%, respectively, in IGM's common shares.

For additional information on IGM, refer to its annual MD&A.

GBL

Power Financial Europe SA, a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. At December 31, 2022, Parjointco held a 29.8% indirect (44.0% of the voting rights) controlling interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

GBL (EBR: GBLB), market capitalization of €11.4 billion at December 31, 2022, is an established investment holding company. As a leading and active investor in Europe, GBL is focused on long-term value creation with the support of a stable family shareholder base. GBL aims to grow its diversified high-quality portfolio of listed, private and alternative investments through GBL Capital (formerly Sienna Capital). In addition, GBL is developing its third-party asset management activity through Sienna Investment Managers, a wholly owned subsidiary. GBL's portfolio is composed of global companies, leaders in their sectors, in which GBL can contribute to value creation by being an active professional investor.

At December 31, 2022, GBL's portfolio was mainly comprised of the following investments:

PUBLICLY LISTED

- Imerys (EPA: NK) – mineral-based specialty solutions for industry
- SGS (SIX: SGSN) – inspection, verification, testing and certification solutions
- adidas (XETR: ADS) – design, development, production and distribution of sporting goods
- Pernod Ricard (EPA: RI) – wines and spirits
- Holcim (SIX: HOLN) – construction materials and solutions including cement, aggregates and concrete
- Umicore (EBR: UMI) – materials technology and recycling of precious metals
- GEA (XETR: GIA) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors
- Ontex (EBR: ONTEX) – personal hygiene solutions provider
- MOWI (OSE: MOWI) – producer of Atlantic salmon

PRIVATELY HELD

- Webhelp – business process outsourcer, specializing in customer experience, sales and marketing services and payment services
- Canyon – direct-to-consumer manufacturer of premium bicycles
- Affidea – provider of advanced diagnostics and outpatient services
- Sanoptis – ophthalmology services
- Voodoo – developer and publisher of mobile games
- Parques Reunidos – leisure park operator

Through GBL Capital and Sienna Investment Managers, GBL has expanded its activities into alternative asset management and is developing an alternative investment portfolio including investments in funds externally managed and direct private equity co-investments, and as well offers a full range of investment strategies through its third-party fund managers. In 2021, Sienna Investment Managers acquired L'Etoile Properties (renamed Sienna Real Estate), marking the launch of Sienna Investment Managers' third-party asset management platform. In March 2022, Sienna Investment Managers completed the acquisitions of a majority interest in Malakoff Humanis and Acofi Gestion, which have been rebranded as Sienna Gestion and Sienna Private Credit, respectively. As well, in 2022, Sienna Investment Managers launched Sienna Private Equity, Sienna Venture Capital and Sienna Multi-Manager Private Equity, dedicated to primary and secondary fund investing and direct co-investments.

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

On July 22, 2022, GBL completed the acquisition of a majority stake in Affidea, a leading European provider of healthcare diagnostic services, with 328 locations operating in 15 countries. GBL invested €1.0 billion of equity into the transaction alongside management of Affidea. Together with Affidea management, GBL will work to accelerate organic growth, external growth transactions and digital health programs.

During 2022, and subsequent to year-end, GBL has reduced its exposure in certain of its publicly listed investments, generating total proceeds of approximately €1.4 billion, including:

- MOWI: In 2022, GBL reduced its holdings in MOWI from 7.0% at the end of 2021 to 1.9% at December 31, 2022, representing a reduction in its interest of 3.5% and 1.6% in the second and fourth quarters, respectively. These sales generated proceeds of €512 million and a net gain for GBL of €75 million. Subsequent to year-end, GBL further disposed of its interest in MOWI, reducing its interest to 1.3%, for proceeds of €47 million and generating a net loss for GBL in accordance with IFRS 9 of €2 million.
- Holcim: During the third and fourth quarters of 2022, GBL finalized the exit of its 2.1% interest in Holcim through forward sales settling on May 31, 2023, generating net proceeds of €75 million and €463 million, respectively. These sales will generate a net gain for GBL in accordance with IFRS 9 of €49 million, including pre-financing costs.
- Pernod Ricard: During the fourth quarter of 2022, GBL crystallized gains on its investment in Pernod Ricard, the largest asset in its portfolio, reducing its interest from 7.6% at the end of 2021 to 6.9% at December 31, 2022, for proceeds of €384 million and generating a net gain for GBL in accordance with IFRS 9 of €255 million based on the historical acquisition price. Subsequent to year-end, GBL completed its disposal plan, reducing its interest in Pernod Ricard to 6.7%, for proceeds of €110 million and generating a net gain for GBL in accordance with IFRS 9 of €76 million based on the historical acquisition price.

In 2022, GBL repurchased, directly and through its subsidiaries, 7.6 million shares of its own capital for a total consideration of €643 million, representing 5.0% of GBL's capital at December 31, 2022. In May 2022, GBL's board of directors approved a fifth allocation for share buybacks of €500 million, which GBL started to implement in June 2022, and had 63.0% completed at December 31, 2022. During the second quarter of 2022, GBL cancelled 3.4 million of its treasury shares.

On January 31, 2023, subsequent to year-end, Imerys completed its previously announced disposition of its High Temperature Solution business to the investment firm Platinum Equity for an enterprise value of €930 million. On September 9, 2022, Imerys announced that it had entered into exclusive negotiations with Syntagma Capital for the potential sale of most of its assets serving the paper markets for an enterprise value of €390 million, including an earnout depending on the future performance of the business. The transaction, which is subject to the fulfillment of customary closing conditions, including the information and consultation of works councils and other regulatory approvals, is expected to be completed in 2023.

GBL reported a net asset value (refer to the section "Other Measures") at December 31, 2022 of €17,775 million, compared with €22,501 million at December 31, 2021.

For additional information on GBL, refer to its public disclosure.

ALTERNATIVE ASSET INVESTMENT PLATFORMS

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

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

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

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

Sagard

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

The alternative investment management business of Sagard is consolidated under Sagard Holdings Management Inc. (SHMI). The Corporation, through Sagard, held an 80.9% controlling interest in SHMI at December 31, 2022 (86.3% at December 31, 2021).

In November 2021, SHMI completed the acquisition of EverWest, a real estate investment management firm, from Lifeco. In exchange, Lifeco acquired a minority equity stake in SHMI which may increase as a result of the attainment of certain financial objectives up until December 31, 2026.

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

Asset Management Activities

At December 31, 2022, Sagard had US\$14.0 billion of assets under management (US\$13.8 billion at December 31, 2021), including unfunded commitments (refer to the section "Other Measures"), across five asset classes: venture capital & growth, private equity, private credit, royalties and real estate, including US\$1.0 billion through its private wealth investment platform (US\$1.0 billion at December 31, 2021).

Composition of assets under management is as follows:

December 31 [In billions of U.S. dollars]	2022	2021
Funds	8.0	9.4
Separately managed accounts and co-investment vehicles	1.2	0.4
Real estate – separately managed accounts	3.8	3.0
Other ^[1]	1.0	1.0
Assets under management	14.0	13.8
Power Corporation	0.9	1.4
Third parties and associated companies ^[2]	13.1	12.4
Fee-bearing capital ^{[1][3]}	10.4	8.4
Power Corporation	0.5	0.5
Third parties and associated companies ^[2]	9.9	7.9

[1] Includes assets managed through its private wealth investment platform.

[2] Associated companies includes commitments from management, as well as commitments from Lifeco, IGM and GBL.

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

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

December 31, 2022				Interest held			Manager compensation		
[in millions; except as otherwise noted]	Currency	Vintage	Capital commitment	Power Corporation	Associated companies ^[1]	Third parties	Fees ^[2]		Carried interest
			(\$)	(%)	(%)	(%)	(%)		(%)
Venture Capital & Growth									
Portage Ventures I ^{[3][4]}	C\$	2016	458	38.0	62.0	–	2.00	Invested capital	10.0
Portage Ventures II ^{[3][5]}	C\$	2018	427	12.4	16.8	70.8	2.00	Invested capital	20.0
Portage Ventures III	US\$	2021	655	2.4	15.3	82.3	2.25	Committed capital	20.0
Private Equity									
Sagard Private Equity Canada	C\$	2021	406	3.7	13.5	82.8	2.00	Committed capital	20.0
Sagard MidCap II ^[5]	€	2006	728	22.4	26.0	51.6	1.75	Invested capital	20.0
Sagard MidCap III ^{[5][6]}	€	2013	729	0.2	27.0	72.8	2.00	Invested capital	20.0
Sagard MidCap IV	€	2020	815	18.6	27.2	54.2	1.75	Committed capital	20.0
Sagard NewGen ^[7]	€	2020	231	26.3	30.4	43.3	2.00	Committed capital	20.0
Private Credit									
Sagard Credit Partners I	US\$	2017	557	18.0	1.0	81.0	1.50	Invested capital	15.0
Sagard Credit Partners II	US\$	2020	1,167	4.3	5.2	90.5	1.50	Invested capital	20.0
Sagard Senior Lending Partners ^[7]	US\$	2022	45	–	19.5	80.5	1.25	Invested capital	15.0
Royalties									
Sagard Healthcare Partners	US\$	2019	726	10.3	0.5	89.2	1.75	Committed capital	20.0
Real Estate									
USPF ^[8]	US\$	2002	1,103	1.6	22.3	76.1	0.75-0.98	Net asset value	–

[1] Associated companies includes commitments from management as well as commitments from Lifeco (\$33 million in Portage Ventures II, US\$59 million in Portage Ventures III, \$50 million in SPEC, €50 million in Sagard MidCap IV, US\$50 million in Sagard Credit Partners II, up to US\$120 million in SSLP, and US\$246 million in USPF), IGM (\$33 million in Portage Ventures II and US\$26 million in Portage Ventures III), Pargesa (€33 million in Sagard MidCap II), and GBL (€102 million in Sagard MidCap II, €192 million in Sagard MidCap III, €150 million in Sagard MidCap IV and €50 million in Sagard NewGen). Lifeco and IGM have invested \$26 million and \$258 million, respectively, in Portage Ventures I.

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

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

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

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

[6] In 2021, the Corporation disposed of its interest in Sagard MidCap III in a secondary transaction. The Corporation's remaining interest is held in carried interest units.

[7] Fundraising activities continue for Sagard NewGen and Sagard Senior Lending Partners.

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

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

December 31, 2022 [in millions; except as otherwise noted]		Commitment			Distributions to date ⁽¹⁾	NAV ⁽²⁾
	Currency	Total funded	Unfunded	Unfunded		
		(\$)	(\$)	(%)	(\$)	(\$)
Venture Capital & Growth						
Portage Ventures I ⁽³⁾	C\$	458	–	–	614	1,025
Portage Ventures II	C\$	359	68	15.9	17	793
Portage Ventures III	US\$	197	458	69.9	–	163
Private Equity						
Sagard Private Equity Canada	C\$	52	354	87.1	–	45
Sagard MidCap II ⁽⁴⁾	€	722	6	0.9	1,163	35
Sagard MidCap III	€	666	63	8.7	925	611
Sagard MidCap IV	€	388	427	52.4	–	384
Sagard NewGen	€	186	45	19.7	–	204
Private Credit						
Sagard Credit Partners I ⁽⁵⁾	US\$	514	315	56.6	500	130
Sagard Credit Partners II	US\$	270	897	76.9	5	280
Sagard Senior Lending Partners	US\$	–	45	100.0	–	–
Royalties						
Sagard Healthcare Partners ⁽⁵⁾	US\$	415	311	42.8	5	405

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

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

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

[4] On April 21, 2022, Sagard MidCap II disposed of its last investment.

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

VENTURE CAPITAL & GROWTH (Fintech Investments)

- Portage, a global fintech and financial services investment platform within Sagard, had assets under management of US\$2.1 billion (C\$2.8 billion) at December 31, 2022 (US\$3.3 billion (C\$4.2 billion) at December 31, 2021), including unfunded commitments and an investment in Wealthsimple, a consolidated subsidiary. Portage’s mission is to empower entrepreneurs reshaping financial services and its team partners with ambitious companies across all stages, through Portage Ventures and Portage Capital Solutions. Portage has also sponsored a special purpose acquisition company, Portage Fintech Acquisition Corporation.
- Portage Ventures is a global fintech venture capital investment strategy dedicated to supporting fintech innovators in insurance, consumer & small and medium business finance, wealth & asset management, and fintech enablers. Through its funds, Portage Ventures has invested in more than 90 fintech companies and investment funds. The Corporation, through investments held by Power Financial, together with Lifeco, IGM and Sagard, are anchor investors in the Portage Ventures I, Portage Ventures II and Portage Ventures III funds.
 - Portage Ventures I held investments of \$129 million at December 31, 2022 (\$164 million at December 31, 2021), excluding the investment in Wealthsimple, a consolidated subsidiary discussed below.
 - Portage Ventures II had total capital commitments of \$427 million at December 31, 2022, of which Sagard has committed \$20 million and Power Financial, Lifeco and IGM have each committed \$33 million, for a total of \$119 million. At December 31, 2022, the fair value of Portage Ventures II’s investment portfolio was \$810 million (\$874 million at December 31, 2021).
 - Portage Ventures III had total capital commitments of US\$655 million at December 31, 2022, of which Sagard committed US\$16 million and Lifeco and IGM have committed US\$59 million and US\$26 million, respectively. At December 31, 2022, the fair value of Portage Ventures III’s investment portfolio was \$235 million (US\$174 million), (\$137 million (US\$108 million) at December 31, 2021).
- In July 2022, Portage announced the launch of Portage Capital Solutions, a capital partner for fintech and financial services businesses which aims to deliver flexible equity capital solutions and resources to later-stage fintech and financial services companies, and will generally target investments over \$50 million. Portage Capital Solutions commenced fundraising efforts in the third quarter of 2022.
- Portage launched Portage SPAC in the second quarter of 2021, a special purpose acquisition company focused on fintech and financial services opportunities sponsored by PFTA I LP, an affiliate of Sagard. On July 21, 2021, Portage SPAC successfully completed an initial public offering of 25.9 million units at a price of US\$10.00 per unit of PFTA, raising gross proceeds of US\$259 million, including the exercise of the over-allotment option granted to underwriters of the offering. Since July 21, 2021, the units have been listed on the Nasdaq exchange and trade under the ticker symbol “PFTAU”. Each unit consists of one Class A ordinary share of PFTA and one-third of one redeemable warrant.

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

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

PRIVATE EQUITY

- Sagard, under its private equity asset class, had assets under management of US\$2.6 billion at December 31, 2022 (US\$2.5 billion at December 31, 2021), including unfunded commitments and an investment in a controlled subsidiary, managed under three strategies including Sagard Private Equity Canada, Sagard Midcap (Europe), and Sagard NewGen (Europe).
- Sagard Private Equity Canada is a private equity strategy investing in the Canadian middle market, with a focus on business and financial services, as well as manufacturing. At December 31, 2022, SPEC had total capital commitments of \$406 million, of which Sagard and Lifeco have committed \$15 million and \$50 million, respectively. In the fourth quarter of 2022, upon the final close of the fund, the Corporation reassessed its control assessment for SPEC and determined that its exposure to the variable returns supports that Sagard is acting as an agent. The Corporation no longer controls SPEC and derecognized the assets and liabilities of the fund at December 31, 2022.
- Sagard MidCap (formerly Sagard Europe) is a European private equity investment strategy which invests in middle-market business services, healthcare, food & consumer, and industrial sectors.
 - Sagard MidCap III, a fund launched in 2013, had total committed capital of €729 million at December 31, 2022.
In March 2022, Sagard established a special purpose co-investment vehicle, Sagard Minority Extended Participation Fund 1 S.L.P. (Sagard MEP). At December 31, 2022, Sagard MEP had total commitments of €207 million and is a continuation fund that has invested in certain portfolio companies, alongside new financial investors, formerly held by Sagard MidCap III.
 - Sagard MidCap IV, a fund launched in 2020, had total committed capital of €815 million at December 31, 2022, of which the Corporation and Lifeco have committed an amount of €150 million and €50 million, respectively. In the fourth quarter of 2022 the fund completed its final close and is closed to new capital commitments.
- Sagard NewGen, a fund launched in 2020, is a European lower-middle-market private equity investment strategy that invests in high-growth technology and healthcare industry leaders, with investment sizes typically between €10 million and €50 million. At December 31, 2022, Sagard NewGen had total committed capital of €231 million, of which the Corporation has committed an amount of €60 million. At December 31, 2022, the fair value of Sagard NewGen's investment portfolio, excluding an investment in a controlled subsidiary, was \$247 million (€171 million), (\$139 million (€97 million) at December 31, 2021).

Sagard continues its fundraising activities for Sagard NewGen.

PRIVATE CREDIT

- Sagard, under the private credit asset class, had assets under management of US\$2.1 billion, including unfunded commitments, at December 31, 2022 (US\$1.9 billion at December 31, 2021) managed under two strategies, Sagard Credit and Sagard Senior Lending.
- Sagard Credit is a non-sponsor, direct lending strategy focused on middle-market public and private companies in North America. It provides bespoke debt solutions across the credit spectrum in first- and second-lien loans, such as unsecured and mezzanine financings, tailored to a company's specific needs.
 - Sagard Credit Partners I, a fund launched in 2017, had total capital commitments of US\$557 million at December 31, 2022, of which Sagard has committed US\$100 million. Sagard Credit Partners I closed its investment period in December 2021.
 - Sagard Credit Partners II is a successor fund to Sagard Credit Partners I and was launched in 2020. At December 31, 2022, Sagard Credit Partners II had commitments totalling US\$1,167 million, of which Sagard and Lifeco have each committed US\$50 million.

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

- In October 2021, Sagard announced the launch of a new senior direct lending strategy, Sagard Senior Lending, focused on middle-market companies in North America. It provides non-sponsor first-lien, floating-rate debt to public and private middle-market companies to help fund growth and other strategic initiatives. Sagard Senior Lending Partners, a fund launched in 2022, had total committed capital of US\$215 million at December 31, 2022, of which US\$45 million was callable and included a commitment of up to US\$120 million from Lifeco.

On February 8, 2023, subsequent to year-end, SSLP announced an additional close, raising additional capital commitments of US\$100 million. Total commitments of the fund increased to US\$315 million, of which US\$237 million is currently callable.

Sagard also manages, through a separately managed account with Lifeco, an additional investment of up to US\$240 million under the Sagard Senior Lending strategy at December 31, 2022.

Sagard continues its fundraising activities for Sagard Senior Lending Partners.

ROYALTIES

- Sagard, under the royalties asset class, had assets under management of US\$911 million, including unfunded commitments and assets managed on behalf of co-investors, at December 31, 2022 (US\$823 million at December 31, 2021).
- Sagard Healthcare, a biopharmaceutical royalties investment strategy, invests in royalties and credit backed by approved and commercialized biopharmaceutical products, diagnostics and medical devices. Sagard Healthcare aims to accelerate the returns on innovation for owners of intellectual property, while offering investors an attractive healthcare exposure largely uncorrelated to other asset classes. Sagard Healthcare Partners, a fund launched in 2019, had total capital commitments of US\$726 million, of which Sagard has committed US\$75 million.

REAL ESTATE

- EverWest, acquired in November 2021, is a full-service real estate investment platform operating in acquisitions, development, asset management, and property management in specific sub-markets within the United States. EverWest is headquartered in Denver, Colorado and has regional offices throughout the United States. EverWest manages assets with a fair value at December 31, 2022 of US\$5.3 billion (US\$4.3 billion at December 31, 2021), representing more than 130 properties.

EverWest offers a variety of investment strategies including separately managed accounts and funds. EverWest manages, through its separately managed account segment and legacy private investment vehicles, real estate assets with a fair value at December 31, 2022 of US\$3.8 billion,

which includes US\$1.2 billion of assets managed on behalf of Lifeco (US\$2.9 billion and US\$800 million, respectively, at December 31, 2021). EverWest's flagship fund, USPF, is a core open-end real estate investment fund, and is included in the NCREIF Fund Index – Open-End Diversified Core Equity Index (NFI-ODCE). At December 31, 2022, USPF managed assets with a fair value of US\$1.5 billion (US\$1.4 billion at December 31, 2021).

PRIVATE WEALTH INVESTMENT PLATFORM

- Sagard indirectly holds a 65.0% controlling interest in Grayhawk, a private wealth investment platform offering independent, bespoke and client-centric investment solutions for Canadian families. Grayhawk had \$1.3 billion in assets under management at December 31, 2022 (\$1.3 billion at December 31, 2021).

Investing Activities

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

December 31 [in millions of Canadian dollars]	2022			2021		
	Investments to date ^[1]	Distributions to date ^[1]	Fair value of the investment	Investments to date ^[1]	Distributions to date ^[1]	Fair value of the investment
Venture Capital & Growth						
Portage Ventures I ^[2]	179	222	391	158	159	854
Portage Ventures II	53	12	87	50	10	93
Portage Ventures III	6	–	5	4	–	3
Private Equity						
Sagard Private Equity Canada	3	1	2	2	–	2
Sagard MidCap II ^[3]	221	329	9	221	289	49
Sagard MidCap III	525	776	37	525	762	46
Sagard MidCap IV	206	112	100	163	102	63
Sagard NewGen	115	45	76	72	3	71
Private Credit						
Sagard Credit Partners I	158	150	34	157	100	79
Sagard Credit Partners II	16	1	16	–	–	–
Royalties						
Sagard Healthcare Partners	101	47	57	54	43	10
Real Estate						
USPF	22	–	25	–	–	–

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

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

[3] In the second quarter of 2022, Sagard MidCap II completed the sale of its last investment, and the Corporation received its share of proceeds of \$41 million (€30 million) which excludes a deferred payment as part of the sale agreement.

Fintech Investments

Fintech investments are comprised of the Corporation's investments, primarily held through Power Financial, in the Portage Ventures I, Portage Ventures II and Portage Ventures III funds and Wealthsimple. The Corporation's investments in the Portage Ventures funds allow it to deepen its knowledge and accelerate the adoption of innovation within the Power group of companies, while significant investments such as Wealthsimple give direct access to novel capabilities.

WEALTHSIMPLE

At December 31, 2022, Portage Ventures I, Power Financial and IGM collectively held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 54.3% (54.8% at December 31, 2021), representing a voting interest of 56.5% and a fully diluted

equity interest of 42.5%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple continues to strengthen its presence in the marketplace and offers a suite of financial products, ranging from investing to spending, saving and tax. At December 31, 2022, Wealthsimple had 2.0 million clients^[1], excluding tax filers, across the Canadian market with assets under administration of \$18.3 billion, compared with \$18.4 billion (excluding the assets under administration of U.S. and U.K. clients) at December 31, 2021.

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

[1] In 2022, Wealthsimple refined its client definition based on continuing adjustments to the business. At December 31, 2021, the number of clients, excluding tax filers, was 1.8 million in accordance with the refined client definition.

The fair value of the Power group's interest in Wealthsimple was \$0.9 billion at December 31, 2022, compared with a fair value of \$2.1 billion at December 31, 2021. The fair value of the Power group's interest decreased in the first and second quarters of 2022 by \$0.4 billion and \$0.8 billion, respectively. The change in fair value was consistent with the decline in stock markets and public market peer valuations, and Wealthsimple focusing on its core business

lines and revising revenue expectations. The fair value of the Corporation's 15.9% equity interest in Wealthsimple, including its indirect interest held through Portage Ventures I, on a fully diluted basis, was \$333 million at December 31, 2022 (\$796 million at December 31, 2021).

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

Power Sustainable

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

Asset Management Activities

At December 31, 2022, Power Sustainable had \$3.4 billion of assets under management (\$2.9 billion at December 31, 2021), including unfunded commitments. Assets under management reflect the fair value of assets, net of liabilities and project debt, and includes unfunded commitments.

Composition of assets under management is as follows:

December 31 [in millions]	2022	2021
Power Sustainable China		
Funds	132	194
Separate investment management agreements	813	1,162
Power Sustainable Energy Infrastructure		
Funds	1,949	1,132
Direct Investments	391	461
Power Sustainable Lios		
Funds	157	–
Assets under management	3,442	2,949
Power Corporation	1,626	1,866
Third parties and associated companies ^[1]	1,816	1,083
Fee-bearing capital ^{[2][3]}	2,533	1,904
Power Corporation	1,444	1,173
Third parties and associated companies ^[1]	1,089	731

[1] Associated companies includes commitments from management, as well as commitments from Lifeco.

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

[3] Includes NAV of direct investments in energy assets since the second quarter of 2022.

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

December 31, 2022 [in millions; except as otherwise noted]	Commitments				Interest held			NAV
	Currency	Vintage	Capital commitments	Total funded	Power Corporation	Associated companies ^[1]	Third parties	
			(\$)	(\$)	(%)	(%)	(%)	(\$)
Power Sustainable China ^[2]	C\$	2005	945	n.a.	70.4	–	29.6	945
Power Sustainable Energy Infrastructure								
Energy Infrastructure Partnership ^{[3][4]}	C\$	2021	1,600	686	39.4	14.9	45.7	1,035
Power Sustainable Lios ^[5]	C\$	2022	161	49	–	20.5	79.5	45

[1] Associated companies includes commitments from management as well as commitments from Lifeco of \$220 million in PSEIP and \$30 million in Power Sustainable Lios.

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

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

[4] The interest in the fund is based on invested capital as of December 31, 2022. Excludes direct investments in energy assets, which have a net asset value of \$391 million.

[5] Fund commitments of up to \$219 million, of which \$161 million is currently callable.

Power Sustainable China

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

Power Sustainable China manages China-based equity investment funds and holds a Private Fund Manager (PFM) licence for domestic Chinese investors. Power Sustainable China also manages the Corporation's capital, which is invested in mainland China's public equity markets through a Qualified Foreign Institutional Investor (QFII) licence as well as through the Hong Kong Stock Connect program. At December 31, 2022, Power Sustainable China had \$945 million of assets under management (\$1,356 million at December 31, 2021), of which \$0.3 billion of assets under management are on behalf of third-party investors (\$0.4 billion at December 31, 2021). Power Sustainable China continues fundraising activities across all investment vehicles.

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

Power Sustainable Energy Infrastructure

At December 31, 2022, Power Sustainable Energy Infrastructure (Power Sustainable Energy) had \$2,340 million of assets under management (\$1,593 million at December 31, 2021), including unfunded commitments and direct investments in energy infrastructure, and operated a leading North American-focused renewable energy platform with 1.8 GW of utility-scale and distributed energy assets, including 546 MW of assets under construction, and 346 MW of assets in advanced development projects. Through its wholly owned operating companies, Potentia Renewables and Nautilus Solar, Power Sustainable Energy has a dedicated team of over 100 in-house professionals to oversee the development, construction, financing and operation of renewable energy assets across North America.

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

Power Sustainable Energy actively manages investments through PSEIP and through direct investments. Power Sustainable Energy earns management fees of 0.80% to 1.00% charged on the net asset value of PSEIP as well as a carried interest of 15%. Power Sustainable Energy also earns management fees of 0.85% charged on the net asset value of direct investments.

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP

At December 31, 2022, PSEIP had \$1.9 billion of assets under management (\$1.1 billion at December 31, 2021), including unfunded commitments, throughout North America. During the fourth quarter of 2022, Power Sustainable Energy closed the second vintage of PSEIP, raising additional capital commitments of \$600 million from new and existing limited partners,

including a commitment of \$50 million from Power Sustainable and \$70 million from Lifeco. The commitments of the first and second vintage of PSEIP will be invested proportionately in the portfolio of underlying renewable energy assets. At December 31, 2022, PSEIP had total capital commitments of \$1.6 billion dedicated to the renewable energy sector and includes a total commitment of \$450 million from Power Sustainable and \$220 million from Lifeco.

In 2022, PSEIP invested \$299 million in multiple solar and wind portfolios and distributed \$16 million. At December 31, 2022, the NAV of PSEIP was \$1,035 million.

On March 31, 2022, a wind project in construction representing approximately 200 MW, Golden South Wind Project, reached commercial operation. In August 2022, the project and the related debt were transferred from Potentia to PSEIP in exchange for a total consideration in cash and units in the fund of \$94 million.

DIRECT INVESTMENTS IN ENERGY INFRASTRUCTURE

Power Sustainable Energy had \$391 million of assets under management through direct investments in projects under development and in operation in North America at December 31, 2022 (\$461 million at December 31, 2021). These direct investments have a combined 583 MW of solar and wind energy assets, including 306 MW of assets under construction, and 119 MW of assets in advanced development projects.

In the second quarter of 2022, Potentia disposed of its interest in a solar project, representing approximately 32 MW, in the Dominican Republic. In 2022, the Corporation recognized a net gain on the disposition of \$20 million. The revenues and net earnings of the project were not material to the results of the Corporation.

At December 31, 2022, the total assets on a consolidated basis of PSEIP and direct investments were \$3.5 billion (\$2.5 billion at December 31, 2021).

Power Sustainable Lios

On March 30, 2022, Power Sustainable announced the launch of its North American agri-food private equity platform, Power Sustainable Lios, and its inaugural Lios Fund I. Power Sustainable Lios is a specialized agri-food private equity investment platform supporting the sustainability transformation occurring within our food system. Lios Fund I invests in growth-oriented, mid-market companies across the food value chain in North America to drive positive and sustainable change. At December 31, 2022, Lios Fund I had total capital commitments of up to \$219 million, of which \$161 million is currently callable by the fund and includes a commitment from Lifeco of \$30 million.

Power Sustainable Infrastructure Credit

On March 9, 2023, subsequent to year-end, Power Sustainable announced the launch of its Global and European infrastructure credit platforms. These platforms will target global investments in energy, transportation, social, digital and other sustainable infrastructure. The Global platform, based in Miami, will target sub investment grade infrastructure investments. The European platform, based in London, will target both investment grade and sub investment grade infrastructure investments across the U.K. and Europe. The platforms will seek to support sustainable assets, portfolios and operating companies with tailored financing solutions.

Investing Activities

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

December 31 [in millions of Canadian dollars]	2022			2021		
	Investments to date	Distributions to date	Fair value of the investment	Investments to date	Distributions to date	Fair value of the investment
Power Sustainable China ^{[1][2]}	387	340	666	366	318	962
Power Sustainable Energy Infrastructure						
PSEIP ^[3]	269	9	388	167	2	211
Direct investments ^[4]	978	500	391	834	310	460

[1] The fair value of the investments at December 31, 2022 includes \$53 million held in cash net of unsettled transactions (\$227 million at December 31, 2021), and the portfolio has unrealized losses of \$2 million (unrealized gains of \$57 million at December 31, 2021). As well, the fair value of the investments excludes the Corporation's performance fee payable of \$20 million (\$38 million at December 31, 2021). In the first and third quarters of 2022, the Corporation received distributions of \$18 million and \$4 million, respectively.

[2] Investments to date includes \$150 million invested in the Power Sustainable China platform since 2005 to fund expenses (\$129 million at December 31, 2021).

[3] Includes the Corporation's share of investments in controlled and consolidated subsidiaries held through PSEIP at fair value. Investments to date include amounts previously held through direct investments which were transferred to PSEIP in 2021 and in the third quarter of 2022.

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

OTHER INVESTMENTS AND STANDALONE BUSINESSES

Other investments and standalone businesses includes the Corporation's investments in investment and hedge funds as well as the following equity investments in standalone businesses which are managed to create and realize value over time.

Standalone Businesses

Sagard

- Peak: Sagard held a 42.6% equity interest and a 50% voting interest in Peak at December 31, 2022. Peak designs, develops and commercializes sports equipment and apparel for ice hockey and lacrosse under iconic brands including Bauer. The Corporation's investment is accounted for using the equity method.

In the fourth quarter of 2022, Sagard received a return of capital of \$29 million from Peak.

Power sustainable

- LMPG: Power Sustainable, through Power Sustainable Energy, held a controlling interest of 49.6% at December 31, 2022 (54.4% at December 31, 2021) in LMPG, an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments.

In the fourth quarter of 2022, LMPG completed an equity financing of \$73 million, in which the Corporation's interest was diluted from 54.4% to 49.6%.

On February 16, 2023, subsequent to year-end, LMPG announced the acquisition of Architectural Lighting Works (ALW), a privately owned, innovative interior and exterior architectural LED lighting solutions provider. ALW produces a diverse selection of linear, architectural decorative, cylinder and acoustic lighting products, for commercial, institutional, corporate, and health care environments in North America.

- Lion Electric (NYSE: LEV) (TSX: LEV): Power Sustainable, through Power Sustainable Energy, held a 35.4% equity interest at December 31, 2022 (same as at December 31, 2021) in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion Electric creates, designs and manufactures all-electric Class 5 to Class 8 commercial urban trucks and all-electric buses and minibuses for the school, paratransit and mass transit segments. Lion designs, builds and assembles many of its vehicles' components, including chassis, battery packs, truck cabins and bus bodies.

In the fourth quarter of 2022, Power Sustainable invested US\$25 million (\$34 million) in Lion in consideration of 9,842,519 common shares and 9,842,519 warrants. The fair value of the warrants was \$9 million at December 31, 2022.

At December 31, 2022, Power Sustainable held call rights to acquire up to 2,270,895 shares from certain existing shareholders of Lion, which expire on October 31, 2023. The fair value of the call rights was estimated to be nil at December 31, 2022 (\$8 million at December 31, 2021). In the first and second quarters of 2022, the Corporation recognized a loss on revaluation of the call rights of \$3 million and \$5 million, respectively, recorded in net investment income on the consolidated statement of earnings.

In the fourth quarter of 2022, Power Sustainable recognized an impairment charge on its investment in Lion of \$109 million after tax (\$126 million before tax) reflecting a decline in the market value at December 31, 2022.

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The 2022 Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS and are presented in Canadian dollars.

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

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

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

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

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

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

Control	Accounting Method	Earnings and Other Comprehensive Income	Impairment Testing	Impairment Reversal
Controlling interest in the entity	Consolidation	Consolidated with non-controlling interests	Goodwill and indefinite life intangible assets are tested at least annually for impairment	Impairment of goodwill cannot be reversed Impairment of intangible assets is reversed if there is evidence of recovery of value
Significant influence or joint control	Equity method	Corporation's share of earnings and other comprehensive income	Entire investment is tested for impairment	Reversed if there is evidence the investment has recovered its value
	Fair value through profit or loss (FVPL) ^[1]	Investments are marked to market through earnings and earnings include dividends received	n.a.	n.a.
Investment	Available for sale (AFS)	Earnings consist of dividends received and gains or losses on disposals The investments are marked to market through other comprehensive income Earnings are reduced by impairment charges, if any	Impairment testing is done at the individual investment level A significant or prolonged decline in the value of the investment results in an impairment charge A share price decrease subsequent to an impairment charge leads to a further impairment	A subsequent recovery of value does not result in a reversal
	FVPL	Investments are marked to market through earnings and earnings include dividends received	n.a.	n.a.

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

At December 31, 2022, the Corporation's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Publicly traded operating companies^[1]			
Lifeco ^[2]	66.6	Controlling interest	Consolidation
IGM ^[3]	62.2	Controlling interest	Consolidation
GBL ^[4]	14.9	Joint control	Equity method
ChinaAMC ^[5]	13.9	Significant influence	Equity method
Alternative asset investment platforms			
Sagard	100.0	Controlling interest	Consolidation
SHMI ^[6]	80.9	Controlling interest	Consolidation
Wealthsimple ^{[1][7]}	13.5	Controlling interest	Consolidation
Portage Ventures I ^{[1][8]}	63.0	Controlling interest	Consolidation
Portage Ventures II ^{[1][9]}	12.4	Controlling interest	Consolidation
Portage Ventures III ^[10]	2.4	Controlling interest	Consolidation
Sagard Credit Partners I	18.0	Investment	Fair value through profit or loss
Sagard Credit Partners II ^[11]	4.3	Investment	Fair value through profit or loss
Sagard Healthcare Partners	10.3	Investment	Fair value through profit or loss
Sagard Private Equity Canada ^[12]	3.7	Investment	Fair value through profit or loss
Sagard MidCap II	22.4	Investment	Available for sale
Sagard MidCap IV ^[13]	18.6	Investment	Available for sale
Sagard NewGen	26.3	Controlling interest	Consolidation
Power Sustainable	100.0	Controlling interest	Consolidation
Power Sustainable Investment Management Inc.	100.0	Controlling interest	Consolidation
Investments	< 5.0	Investment	Available for sale
Power Sustainable Energy Infrastructure Partnership ^[14]	39.4	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Standalone businesses			
Peak	42.6	Joint control	Equity method
LMPG	49.6	Controlling interest	Consolidation
Lion	35.4	Significant influence	Equity method

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

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

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

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

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

[6] During the second quarter of 2022, management of Sagard made an additional investment in SHMI and acquired an interest of 3.0%. SHMI also has a long-term incentive program pursuant to which certain key members of management have received, or will receive in the future, compensation in the form of equity of SHMI vesting over a 6-year period. At December 31, 2022, management of Sagard held a 12.2% interest in SHMI. Lifeco also holds a 6.9% interest in SHMI.

[7] Portage Ventures I and IGM also hold interests of 10.8% and 30.0%, respectively, in Wealthsimple (see also the section "Wealthsimple").

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

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

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

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

[12] Lifeco also holds a 12.3% interest in Sagard Private Equity Canada.

[13] Lifeco also holds a 6.1% interest in Sagard MidCap IV.

[14] Lifeco also holds a 14.9% interest in PSEIP.

At December 31, 2022, Parjointco's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	29.8	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
Pernod Ricard	6.9	Investment	Available for sale
adidas	7.6	Investment	Available for sale
SGS	19.1	Investment	Available for sale
Umicore	15.9	Investment	Available for sale
MOWI	1.9	Investment	Available for sale
Holcim	2.1	Investment	Available for sale
GEA	6.3	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Investment Managers	100.0	Controlling interest	Consolidation
GBL Capital	100.0	Controlling interest	Consolidation
Webhelp	61.5	Controlling interest	Consolidation
Canyon	48.2	Controlling interest	Consolidation
Affidea	99.6	Controlling interest	Consolidation
Sanoptis	83.8	Controlling interest	Consolidation
Voodoo	16.2	Investment	Available for sale
Parques Reunidos	23.0	Significant influence	Equity method

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

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

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

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

This basis of presentation should be read in conjunction with the following notes to the Corporation's 2022 Consolidated Financial Statements:

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

Results of Power Corporation

This section presents:

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

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

PRESENTATION OF THE HOLDING COMPANY

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

The holding company comprises the corporate activities of the Corporation and Power Financial, on a combined basis, and presents the investment activities of the Corporation. The investment activities of the holding company, including the investments in Lifeco, IGM and controlled entities within the alternative asset investment platforms, are presented using the equity method. The holding company activities present the holding company’s assets and liabilities, including cash, investments, debentures and non-participating shares. The discussions included in the sections “Financial Position” and “Cash Flows” present the segmented balance sheet and cash flow statement of the holding company, which are presented in Note 33 of the Corporation’s 2022 Consolidated Financial Statements, and reconciliations of these statements are provided throughout this review of financial performance.

DEFERRAL OF IFRS 9, *FINANCIAL INSTRUMENTS* (IFRS 9)

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

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

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the twelve months ended December 31, 2022 are presented below. The Corporation's reportable segments include Lifeco, IGM and GBL, as well as the holding company. This table reflects the contributions to the net earnings attributable to Power Corporation's participating shareholders from its reportable segments and Sagard and Power Sustainable, the Corporation's alternative asset investment platforms, which include controlled and consolidated investment funds and investments, its investment in ChinaAMC, and the Corporation's other investments and standalone businesses.

Consolidated net earnings

	Lifeco	IGM ^[1]	GBL ^[2]	Holding company	Alternative Asset Investment Platforms and Other ^[3]	Effect of consolidation ^[4]	Power Corporation Consolidated net earnings	
Twelve months ended December 31							2022	2021
Revenues								
Total net premiums	52,821	-	-	-	-	(26)	52,795	52,791
Net investment income (loss)	(15,778)	24	-	48	(60)	15	(15,751)	5,246
Fee income	7,598	3,431	-	-	253	(168)	11,114	10,955
Other revenues	-	-	-	-	537	-	537	569
Total revenues	44,641	3,455	-	48	730	(179)	48,695	69,561
Expenses								
Total paid or credited to policyholders	29,664	-	-	-	-	-	29,664	50,295
Commissions	2,675	1,295	-	-	-	(48)	3,922	3,910
Operating and administrative expenses	8,157	1,134	-	125	1,089	(130)	10,375	10,170
Financing charges	398	114	-	55	94	15	676	599
Total expenses	40,894	2,543	-	180	1,183	(163)	44,637	64,974
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,747	912	-	(132)	(453)	(16)	4,058	4,587
Share of earnings (losses) of investments in jointly controlled corporations and associates	21	211	(15)	57	(146)	(162)	(34)	729
Earnings before income taxes	3,768	1,123	(15)	(75)	(599)	(178)	4,024	5,316
Income taxes	234	250	-	4	(8)	1	481	643
Net earnings	3,534	873	(15)	(79)	(591)	(179)	3,543	4,673
Attributable to								
Non-controlling interests	1,441	329	-	135	(148)	(179)	1,578	1,704
Non-participating shareholders	-	-	-	52	-	-	52	52
Participating shareholders of Power Corporation ^[4]	2,093	544	(15)	(266)	(443)	-	1,913	2,917
	3,534	873	(15)	(79)	(591)	(179)	3,543	4,673

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

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

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

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

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

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

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

Twelve months ended December 31	2022	2021
Adjusted net earnings^[1]		
Lifeco ^[2]	2,143	2,175
IGM ^[2]	538	601
GBL ^[2]	(133)	60
Effect of consolidation ^[3]	66	68
	2,614	2,904
Sagard and Power Sustainable ^[4]	(365)	426
ChinaAMC	57	62
Other investments and standalone businesses	(20)	259
Corporate operating and other expenses	(184)	(233)
Dividends on non-participating and perpetual preferred shares	(187)	(188)
	1,915	3,230
Adjustments^[5]		
Lifeco ^[2]	–	(87)
IGM ^[2]	–	5
Effect of consolidation	8	(103)
	8	(185)
Sagard and Power Sustainable	(10)	(115)
Corporate operations	–	(13)
	(2)	(313)
Net earnings^[6]		
Lifeco ^[2]	2,143	2,088
IGM ^[2]	538	606
GBL ^[2]	(133)	60
Effect of consolidation	74	(35)
	2,622	2,719
Sagard and Power Sustainable ^[4]	(375)	311
ChinaAMC	57	62
Other investments and standalone businesses	(20)	259
Corporate operating and other expenses	(184)	(246)
Dividends on non-participating and perpetual preferred shares	(187)	(188)
	1,913	2,917
Earnings per share – basic^[6]		
Adjusted net earnings	2.85	4.77
Adjustments	–	(0.46)
Net earnings	2.85	4.31

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

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

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

[4] Consists of earnings (losses) of the Corporation's investment platforms including investments held through Power Financial.

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

[6] Attributable to participating shareholders.

Effect of consolidation reflects:

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

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

Twelve months ended December 31	2022	2021
Lifeco		
Application of the Corporation's accounting method on investments under common control and other	(50)	(13)
IGM		
Application of the Corporation's accounting method on investments under common control	(5)	(43)
Adjustments in accordance with IAS 39 and other	3	12
	(2)	(31)
GBL		
Adjustments in accordance with IAS 39 and other	118	112
	66	68
Per share	0.11	0.10

2022 vs. 2021

Net earnings	\$1,913 million or \$2.85 per share, compared with \$2,917 million or \$4.31 per share in the corresponding period in 2021, a decrease of 33.9% on a per share basis.
Adjusted net earnings	\$1,915 million or \$2.85 per share, compared with \$3,230 million or \$4.77 per share in the corresponding period in 2021, a decrease of 40.3% on a per share basis.
Contribution to net earnings and adjusted net earnings from Lifeco, IGM and GBL	<p>Contribution to net earnings of \$2,622 million, compared with \$2,719 million in the corresponding period in 2021, a decrease of 3.6%.</p> <p>Contribution to adjusted net earnings of \$2,614 million, compared with \$2,904 million in the corresponding period in 2021, a decrease of 10.0%.</p>

A discussion of the results of the Corporation is provided in the sections "Lifeco", "IGM Financial", "GBL", "Sagard and Power Sustainable", "ChinaAMC", "Other investments and standalone businesses", "Corporate operations", and "Adjustments" below.

LIFECO

Contribution to Power Corporation

Twelve months ended December 31	2022	2021
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings		
As reported by Lifeco	2,143	2,175
Effect of consolidation ^[2]	(50)	(13)
	2,093	2,162
Adjustments		
As reported by Lifeco	–	(87)
Effect of consolidation ^[3]	–	(2)
	–	(89)
Net earnings	2,093	2,073

[1] Power Financial's average direct ownership in Lifeco was 66.6% for the year ended December 31, 2022 (66.7% in the corresponding period in 2021).

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

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

Adjusted and net earnings per share as reported by Lifeco

Twelve months ended December 31	2022	2021
Adjusted net earnings per share ^{[1][2]}	3.455	3.507
Adjustments ^[3]	–	(0.142)
Net earnings per share^[1]	3.455	3.365

[1] Attributable to Lifeco common shareholders.

[2] Defined as "base earnings per common share" by Lifeco, a non-IFRS ratio, in its public disclosure. Refer to the section "Disclosures Concerning Public Investees" in this document.

[3] See the section "Adjustments" below.

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

Twelve months ended December 31	2022	2021
Adjusted net earnings^{[1][2]}		
Canada	1,146	1,220
United States	652	671
Europe	892	830
Capital and Risk Solutions	532	547
Lifeco Corporate	(3)	(8)
	3,219	3,260
Adjustments^{[3][4]}		
Actuarial assumption changes and other management actions	129	134
Market-related impacts on liabilities	(33)	24
Transaction costs related to acquisitions	(49)	(189)
Restructuring and integration costs	(131)	(66)
Tax legislative changes impact	84	(21)
Net gain/charge on business dispositions	–	(14)
	–	(132)
Net earnings^[1]		
Canada	1,116	1,187
United States	460	499
Europe	984	976
Capital and Risk Solutions	662	532
Lifeco Corporate	(3)	(66)
Net earnings^[1]	3,219	3,128

[1] Attributable to Lifeco common shareholders.

[2] Defined as “base earnings” by Lifeco, a non-IFRS financial measure in its public disclosure. Refer to the section “Disclosures Concerning Public Investees” in this document.

[3] Described as “items excluded from base earnings” by Lifeco in its public disclosure. Refer to the section “Disclosures Concerning Public Investees” in this document.

[4] See the section “Adjustments” below.

2022 vs. 2021

Net earnings	<p>\$3,219 million or \$3.455 per share, compared with \$3,128 million or \$3.365 per share in the corresponding period in 2021, an increase of 2.7% on a per share basis.</p> <p>Lifeco's net earnings in the third quarter of 2022 included a \$128 million after-tax provision primarily relating to estimated claims net of reinstatement premiums on these coverages following the impacts of Hurricane Ian.</p>
Adjusted net earnings	<p>\$3,219 million or \$3.455 per share, compared with \$3,260 million or \$3.507 per share in the corresponding period in 2021, a decrease of 1.5% on a per share basis.</p>

Canada

Net earnings in the twelve-month period ended December 31, 2022 decreased by \$71 million to \$1,116 million, compared with the corresponding period in 2021. Adjusted net earnings in the twelve-month period ended December 31, 2022 were \$1,146 million, a decrease of \$74 million compared with the corresponding period in 2021, primarily due to:

- Lower fee income driven by lower assets, less favourable mortality experience as well as lower policyholder behaviour experience in Individual Customer and less favourable investment experience on equity-release mortgages.
- Partially offset by changes in certain tax estimates and strong Group long-term disability results driven by effective claims management and disciplined pricing actions.

Adjusted net earnings in the twelve-month period ended December 31, 2022 excluded Adjustments of negative \$30 million, compared with Adjustments of negative \$33 million in the corresponding period in 2021. Actuarial assumption changes and other management actions were negative \$117 million, compared with negative \$43 million in the corresponding period in 2021 and primarily related to updated policyholder behaviour assumptions, partially offset by mortality updates and model refinements in the third quarter of 2022. The twelve months ended December 31, 2022 also included the favourable impact of the revaluation of net deferred tax assets and actuarial liabilities of \$84 million resulting from an increase to the Canadian statutory income tax rate substantively enacted during the fourth quarter of 2022. Market-related impacts were positive \$3 million, compared with positive \$10 million in the corresponding period in 2021.

United States

Net earnings in the twelve-month period ended December 31, 2022 decreased by US\$48 million (C\$39 million) to US\$349 million (C\$460 million), compared with the corresponding period in 2021. Adjusted net earnings were US\$499 million (C\$652 million) in the twelve-month period ended December 31, 2022, a decrease of US\$36 million (C\$19 million) compared with the corresponding period in 2021, primarily due to:

- A decrease of US\$126 million in Putnam to a net loss of US\$50 million, primarily due to lower asset-based fee income and the unfavourable impact of certain tax items.

Partially offset by:

- An increase of US\$62 million in Financial Services to adjusted net earnings of US\$544 million, primarily due to adjusted net earnings of US\$129 million related to the Prudential acquisition, as well as higher contributions from investment experience. These items were partially offset by lower fee income driven by lower average equity markets and transaction volumes as well as higher expenses driven by business growth; and
- An increase of US\$28 million in Corporate to adjusted net earnings of US\$5 million, primarily due to the impact of changes in certain tax estimates.

Adjusted net earnings in the twelve-month period ended December 31, 2022 excluded Adjustments of negative US\$150 million (C\$192 million), compared with negative US\$138 million (C\$172 million) in the corresponding period in 2021. The increase in Adjustments was primarily due to higher restructuring and integration costs related to the Prudential and MassMutual acquisitions,

as well as market volatility resulting in hedge ineffectiveness related to Prudential guaranteed lifetime withdrawal benefit products, partially offset by lower transaction costs, which were driven by a contingent consideration provision release of US\$39 million related to Personal Capital in the third quarter of 2022. The twelve-month period ended December 31, 2021 included \$76 million of additional contingent consideration expense related to the acquisition of Personal Capital.

Europe

Net earnings in the twelve-month period ended December 31, 2022 increased by \$8 million to \$984 million, compared with the corresponding period in 2021. Adjusted net earnings in the twelve-month period ended December 31, 2022 were \$892 million, an increase of \$62 million compared with the corresponding period in 2021, primarily due to:

- Favourable investment experience in the U.K. and Ireland, as well as higher fee income and favourable mortality experience in Ireland.
- Partially offset by unfavourable longevity experience in the U.K., the unfavourable impact of currency movement, and the non-recurrence of a 2021 pension settlement gain in Ireland.

Adjusted net earnings in the twelve-month period ended December 31, 2022 excluded Adjustments of positive \$92 million, compared with positive \$146 million in the corresponding period in 2021. The decrease was primarily due to lower contributions from actuarial assumption changes and other management actions as well as unfavourable market-related impacts driven by reductions in property market values in the U.K. The twelve-month period ended December 31, 2021 included unfavourable impacts of tax legislative changes on deferred tax liabilities, as well as lower transaction costs, including contingent consideration provisions, related to acquisitions in Ireland, and a net charge on a business disposition in Corporate.

Capital and Risk Solutions

Net earnings in the twelve-month period ended December 31, 2022 increased by \$130 million to \$662 million, compared with the corresponding period in 2021. Adjusted net earnings in the twelve-month period ended December 31, 2022 were \$532 million, a decrease of \$15 million compared with the corresponding period in 2021, primarily due to:

- A net provision for estimated claims resulting from the impact of Hurricane Ian of \$128 million after tax recorded during the third quarter of 2022. The third quarter of 2021 also included a provision for major weather events of \$61 million. Lifeco offers property and catastrophe coverage to reinsurance companies and as a result, Lifeco is exposed to potential claims arising from major weather events and other catastrophic events.
- Partially offset by business growth, favourable longevity experience and improved claims experience on the U.S. life business.

Adjusted net earnings in the twelve-month period ended December 31, 2022 excluded Adjustments of positive \$130 million, compared with Adjustments of negative \$15 million in the corresponding period in 2021. The twelve-month period of 2022 included positive contributions from insurance contract liability basis changes and a decrease in actuarial liabilities on a legacy block of business with investment performance guarantees.

Adjustments

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

In 2022, Adjustments were a net impact of nil, and consist of:

- In the fourth quarter of 2022, Adjustments were a positive net impact of \$134 million, which consisted of a positive earnings impact of \$49 million after tax (\$49 million pre-tax) relating to actuarial assumption changes and other management actions, positive market-related impacts on liabilities of \$38 million after tax (\$46 million pre-tax), and a positive impact from tax legislative changes of \$84 million after tax (\$55 million pre-tax), partially offset by restructuring and integration costs of \$32 million after tax (\$43 million pre-tax) in the United States segment and transaction costs of \$5 million after tax (\$5 million pre-tax) related to recent acquisitions in the Europe segment.
- In the third quarter of 2022, Adjustments were a net impact of nil, which consisted of a positive earnings impact of \$68 million after tax (\$24 million pre-tax) relating to actuarial assumption changes and other management actions, transaction costs of positive \$20 million after tax (\$16 million pre-tax) which include a contingent consideration provision release related to Personal Capital partially offset by transaction costs related to the acquisition of the full-service retirement business of Prudential, as well as recent acquisitions in the Europe segment, offset by restructuring and integration costs of \$43 million after tax (\$58 million pre-tax) in the United States segment and by negative market-related impacts on liabilities of \$45 million after tax (\$54 million pre-tax).
- In the second quarter of 2022, Adjustments were a net negative earnings impact of \$95 million, which consisted of a positive earnings impact of \$21 million after tax (\$24 million pre-tax) relating to actuarial assumption changes and other management actions, offset by negative market-related impacts on liabilities of \$15 million after tax (\$19 million pre-tax), transaction costs of \$57 million after tax (\$71 million pre-tax) related to the acquisition of the full-service retirement business of Prudential, as well as recent acquisitions in the Europe segment, and restructuring and integration costs of \$44 million after tax (\$60 million pre-tax) in the United States segment.
- In the first quarter of 2022, Adjustments were a negative earnings impact of \$39 million which consisted of a negative earnings impact of \$9 million after tax (\$9 million pre-tax) relating to actuarial assumption changes and other management actions, negative market-related impacts on liabilities of \$11 million after tax (\$14 million pre-tax), restructuring and integration costs of \$12 million after tax (\$17 million pre-tax) in the United States segment, and transaction costs of \$7 million after tax (\$8 million pre-tax) related to the acquisition of the full-service retirement business of Prudential, as well as acquisitions in the Europe segment.

In 2021, Adjustments with a negative earnings impact of \$132 million after tax consisted of:

- In the fourth quarter of 2021, Adjustments were a negative earnings impact of \$60 million which consisted of a positive earnings impact of \$23 million after tax (\$28 million pre-tax) relating to actuarial assumption changes and other management actions and positive market-related impacts on liabilities of \$20 million after tax (\$22 million pre-tax), offset by transaction costs of \$74 million after tax (\$76 million pre-tax) related to the acquisitions of the full-service retirement business of Prudential, Personal Capital and MassMutual in the United States segment, restructuring and integration costs of \$15 million after tax (\$21 million pre-tax), and a net charge on business dispositions of \$14 million after tax (\$14 million pre-tax) in the Europe segment.
- In the third quarter of 2021, Adjustments were a positive earnings impact of \$2 million which consisted of a positive earnings impact of \$69 million after tax (\$74 million pre-tax) relating to actuarial assumption changes and other management actions and positive market-related impacts on liabilities of \$47 million after tax (\$52 million pre-tax), offset by transaction costs of \$90 million after tax (\$104 million pre-tax) related to the acquisitions of the full-service retirement business of Prudential, Personal Capital and MassMutual, which includes a provision for payments relating to Lifeco's 2003 acquisition of The Canada Life Assurance Company of \$58 million recognized in Corporate, and restructuring and integration costs of \$24 million after tax (\$32 million pre-tax).
- In the second quarter of 2021, Adjustments were a negative earnings impact of \$42 million which consisted of a positive earnings impact of \$37 million after tax (\$42 million pre-tax) relating to actuarial assumption changes and other management actions, offset by negative market-related impacts on liabilities of \$19 million after tax (\$14 million pre-tax), a negative impact from U.K. tax legislative changes of \$21 million, transaction costs related to the acquisitions of Personal Capital and MassMutual of \$24 million after tax (\$25 million pre-tax) and restructuring and integration costs of \$15 million after tax (\$21 million pre-tax).
- In the first quarter of 2021, Adjustments were a negative earnings impact of \$32 million which consisted of a positive earnings impact of \$5 million after tax (\$4 million pre-tax) relating to actuarial assumption changes and other management actions, offset by negative market-related impacts on liabilities of \$24 million after tax (\$25 million pre-tax), restructuring and integration costs of \$12 million after tax (\$16 million pre-tax), and transaction costs related to the acquisitions of Personal Capital and MassMutual of \$1 million after tax (\$2 million pre-tax).

The information above has been derived from Lifeco's annual MD&A. Lifeco's most recent annual MD&A is available under its profile on SEDAR (www.sedar.com).

IGM FINANCIAL

Contribution to Power Corporation

Twelve months ended December 31	2022	2021
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings		
As reported by IGM	538	601
Effect of consolidation ^[2]	(2)	(31)
	536	570
Adjustments		
As reported by IGM	–	5
Effect of consolidation ^[3]	8	(101)
	8	(96)
Net earnings	544	474

[1] Power Financial's average direct ownership in IGM was 62.0% for the year ended December 31, 2022 (61.8% in the corresponding period in 2021).

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

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

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

Twelve months ended December 31	2022	2021
Adjusted net earnings per share ^{[1][2]}	3.63	4.05
Adjustments ^{[3][4]}	–	0.03
Net earnings per share^[1]	3.63	4.08

[1] Available to IGM common shareholders.

[2] Adjusted net earnings per share is identified as a non-IFRS ratio by IGM in its public disclosure. Refer to the section "Disclosures Concerning Public Investees" in this document.

[3] See the section "Adjustments" below.

[4] Described as "Other items" by IGM in its public disclosure. Refer to the section "Disclosures Concerning Public Investees" in this document.

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

Twelve months ended December 31	2022	2021
Wealth Management ^[1]	448	543
Asset Management ^[1]	213	241
Strategic Investments and Other ^[1]	206	187
Adjusted net earnings ^{[2][3]}	867	971
Adjustments ^{[3][4]}	–	8
Net earnings^[2]	867	979

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

[2] Available to IGM common shareholders.

[3] Adjusted net earnings is identified as a non-IFRS financial measure by IGM in its public disclosure. Refer to the section "Disclosures Concerning Public Investees" in this document. IGM does not allocate Adjustments to segments.

[4] Described as "Other items" by IGM in its public disclosure. Refer to the section "Disclosures Concerning Public Investees" in this document.

2022 vs. 2021

Net earnings	\$867 million or \$3.63 per share, compared with \$979 million or \$4.08 per share in the corresponding period in 2021, a decrease of 11.0% on a per share basis.
Adjusted net earnings	\$867 million or \$3.63 per share, compared with \$971 million or \$4.05 per share in the corresponding period in 2021, a decrease of 10.4% on a per share basis.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Corporation has deferred the adoption of IFRS 9 and continues to apply IAS 39 at December 31, 2022. The contribution to Power Corporation includes adjustments to reverse the impact of the application of IFRS 9 by IGM. During the second quarter of 2022, IGM disposed of corporate investments classified as fair value through other comprehensive income (FVOCI), which the Corporation classified as available for sale (AFS) under IAS 39. The gain on disposal has been recognized in net earnings by the Corporation and is included as an Adjustment in "Effect of consolidation".

IGM did not report Adjustments in 2022. Adjusted net earnings excluded Adjustments of a positive earnings impact of \$8 million in the twelve-month period ended December 31, 2021. These Adjustments are not allocated to segments. The following is a summary of each segment's net earnings:

Wealth Management

Net earnings decreased by \$95 million to \$448 million in the twelve-month period ended December 31, 2022, compared with the corresponding period in 2021. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of \$86 million, primarily due to:

- An increase in advisory and business development expenses of \$43 million to \$883 million in the twelve-month period which includes compensation paid to advisors, the majority of which varies directly with assets or sales levels. Asset-based compensation increased by \$23 million to \$559 million, primarily due to rate increases due to changes in advisor productivity. Sales-based compensation payments are based upon the level of new assets contributed to client accounts and are capitalized and amortized as they reflect incremental costs to obtain a client contract. Sales-based compensation increased by \$20 million to \$76 million, due to additional sales-based commission being capitalized and amortized throughout 2021 and 2022;
- A decrease in income from product and program fees of \$28 million to \$875 million, primarily due to the decrease in average assets under management of 3.0%. The average product and program fee rate for the twelve-month period was 85.9 basis points of average assets under management, compared with 86.0 basis points in 2021, reflecting price reductions in certain funds and changes in product mix;
- A decrease in other financial planning revenues of \$23 million to \$141 million, due to lower earnings from mortgage banking operations;
- A decrease in income from advisory fees of \$14 million to \$1,140 million, primarily due to the decrease in average assets under advisement of 0.5%, and a decrease in the advisory fee rate. The average advisory fee rate for the twelve-month period was 102.5 basis points of average assets under advisement, compared with 103.2 basis points in 2021, primarily reflecting changes in client and product mix;

- An increase in operations and support expenses of \$7 million to \$424 million, which includes costs that support wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses; and

- A decrease in redemption fees of \$6 million to \$4 million.

Partially offset by:

- A decrease in sub-advisory expenses of \$5 million to \$169 million, primarily due to lower assets under management; and
- A decrease in income taxes of \$31 million to \$160 million.

Asset Management

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

Net earnings decreased by \$28 million to \$213 million in the twelve-month period ended December 31, 2022, compared with the corresponding period in 2021, primarily due to:

- A decrease in net asset management fees, which is asset management fees offset by dealer compensation expenses, of \$21 million to \$750 million, mainly due to a decrease in net asset management fees – third party of \$18 million, due to a 2.6% decrease in average assets under management. Mackenzie's net asset management fee rate was 54.2 basis points for the twelve months ended December 31, 2022, consistent with 2021. Management fees – Wealth Management decreased by \$3 million to \$112 million, due to a 2.2% decrease in average assets under management. Mackenzie's management fee rate was 14.7 basis points for the twelve months ended December 31, 2022, consistent with 2021; and
- An increase in expenses of \$12 million to \$443 million, primarily due to an increase in operations and support expenses of \$23 million in the twelve-month period. Operations and support expenses includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. The increase in operations and support expenses was partially offset by a decrease in advisory and business development expenses of \$9 million and sub-advisory expenses of \$2 million. Advisory and business development expenses primarily include wholesale distribution activities which vary directly with assets or sales levels. The decrease in the twelve-month period was attributed to lower wholesale commissions consistent with the decline in net investment fund net sales.
- Partially offset by a decrease in income taxes of \$5 million to \$76 million.

Assets under Management and Advisement

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

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

Total assets under management and advisement were as follows:

December 31 [in billions of dollars]	2022	2021
Wealth Management		
Assets under management	103.9	116.2
Other assets under advisement	36.5	36.4
Assets under advisement	140.4	152.6
Asset Management		
Assets under management excluding sub-advisory to Wealth Management	113.1	129.1
Sub-advisory to Wealth Management	73.5	81.2
Assets under management	186.6	210.3
Consolidated^[1]		
Assets under management	217.0	245.3
Other assets under advisement ^[2]	32.4	31.8
Total assets under management and advisement^[2]	249.4	277.1

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

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

Total average assets under management and advisement were as follows:

	2022				2021			
[in billions of dollars]	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Wealth Management								
Assets under advisement	139.2	137.8	141.0	148.3	149.7	146.5	140.2	134.9
Assets under management	103.9	103.9	106.7	112.7	115.1	113.1	108.5	104.9
Asset Management								
Assets under management excluding sub-advisory to Wealth Management	112.6	113.4	118.5	125.7	126.8	125.2	119.3	112.7
Total assets under management	186.3	187.3	195.5	205.5	207.1	204.9	196.6	187.2
Consolidated^[1]								
Assets under management	216.5	217.3	225.2	238.4	241.9	238.3	227.8	217.6
Assets under management and advisement ^[2]	247.8	247.2	255.3	269.5	272.0	267.4	255.4	243.9

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

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

Adjustments

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

There were no Adjustments reported by IGM in 2022.

Adjustments in 2021 were a positive earnings impact of \$8 million after tax (\$11 million pre-tax) recorded in the fourth quarter and consisted of additional consideration receivable related to the sale of IGM's equity interest in Personal Capital in 2020, which was subsequently received. The Corporation has eliminated the amount of additional consideration receivable recognized by IGM related to the sale of its equity interest in Personal Capital on consolidation.

The information above has been derived from IGM's annual MD&A. IGM's most recent annual MD&A is available under its profile on SEDAR (www.sedar.com).

GBL

Contribution to Power Corporation

Twelve months ended December 31 [in millions of Canadian dollars]	2022	2021
Contribution to Power Corporation's net earnings ^[1] :		
As reported by GBL	(133)	60
Effect of consolidation ^[2]	118	112
Net earnings (loss)	(15)	172

[1] In the twelve-month period ended December 31, 2022, Power Financial's average indirect ownership in GBL was 14.8% (14.2% in the corresponding period in 2021).

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

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

Twelve months ended December 31	2022	2021
Share of earnings (loss) of associates and consolidated operating companies of:		
Imerys	130	132
Webhelp	26	40
Canyon	11	(15)
Parques Reunidos/Piolin II	1	13
Sanoptis	(21)	-
Affidea	(30)	-
GBL Capital and Sienna Investment Managers	(12)	116
	105	286
Net dividends from investments:		
SGS	110	104
Pernod Ricard	82	62
adidas	39	35
Umicore	31	31
Holcim	28	65
MOWI	19	16
GEA	10	13
Other ^[1]	3	37
	322	363
Interest income (expenses)	(34)	(20)
Other financial income (expenses)	(616)	(164)
Other operating income (expenses)	(273)	(312)
Gains (losses) from disposals, impairments and reversals of non-current assets	(87)	125
Taxes	(2)	1
Net earnings (loss)^{[2][3]}	(585)	279

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

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

[3] Attributable to GBL shareholders.

2022 vs. 2021

Net earnings (loss) A net loss of €585 million, compared with net earnings of €279 million in the corresponding period in 2021.

IAS 39 adjustments to the contribution of GBL

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

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

Power Corporation has deferred the adoption of IFRS 9 and continues to apply IAS 39 at December 31, 2022. The following table presents adjustments to the contribution of GBL to Power Corporation's earnings in accordance with IAS 39:

Twelve months ended December 31 [in millions of Canadian dollars]	2022	2021
Partial disposal of interest in Pernod Ricard ^[1]	67	-
Partial disposal of interest in MOWI ^[2]	22	-
Partial disposal of interest in Holcim ^[3]	-	122
Partial disposal of interest in Umicore ^[4]	-	33
Partial disposal of interest in GEA ^[5]	-	17
Impairment charges on listed investments ^[6]	(7)	(30)
Impairment charges on alternative funds and direct private equity co-investments ^[7]	(107)	-
Disposal of alternative funds and other ^[8]	38	27
Reversal of unrealized (gains) losses on alternative funds and other ^[9]	105	(57)
Total	118	112

[1] During the fourth quarter of 2022, a portion of the investment in Pernod Ricard was disposed of, resulting in a gain. The gain was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was \$67 million and included a recovery from the reversal of a previous impairment.

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

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

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

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

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

- **Ontex** – The investment in Ontex has been previously impaired, resulting in an adjusted cost of €6.99 per share. During the first and third quarters of 2022, the share price decreased to €6.63 and €5.52, respectively, resulting in an impairment charge. The Corporation's share was \$1 million in the first quarter and \$4 million in the third quarter. During the first and fourth quarters of 2021, the Corporation recorded its share of an impairment charge of \$8 million and \$7 million, respectively.
- **Other investments** – During the second quarter of 2022, Power Corporation recorded its share of impairment charges on other investments of \$2 million. During the fourth quarter of 2021, Power Corporation's share of impairment charges on other investments was \$15 million.

[7] GBL classifies investments in alternative funds and direct private equity co-investments at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Corporation continues to classify these investments as available for sale in accordance with IAS 39. During the second and third quarters of 2022, the value of certain private equity investments, primarily in GBL's digital portfolio, was reduced below their cost resulting in impairment charges. The Corporation's share of the impairment charges was \$84 million and \$23 million, respectively, in the second and third quarters of 2022.

[8] During the first, second, third and fourth quarters of 2022, investments held through alternative funds and other investments, classified as FVPL in accordance with IFRS 9, were disposed of, resulting in realized gains. Power Corporation's share of the realized gains in accordance with IAS 39 was \$11 million in the first quarter, \$22 million in the second quarter, \$2 million in the third quarter, and \$3 million in the fourth quarter of 2022 (\$7 million in the first quarter, \$6 million in the second quarter, \$11 million in the third quarter and \$3 million in the fourth quarter of 2021).

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

GBL's earnings includes dividends from its non-consolidated publicly listed investments, which are usually declared as follows:

- Holcim (second quarter)
- SGS (first quarter)
- adidas (second quarter)
- Umicore (second and third quarters)
- Pernod Ricard (second and fourth quarters)
- GEA (second quarter)
- MOWI (quarterly)

Results

For the twelve-month period ended December 31, 2022, the net loss was €585 million, compared with net earnings of €279 million in the corresponding period in 2021. The increase in the net loss was mainly due to:

- An increase in other financial expenses of €452 million to €616 million in the twelve-month period ended December 31, 2022, compared with financial expenses of €164 million in the same period in 2021. Other financial expenses in the twelve-month period of 2022 includes a gain of €98 million on marking to market derivatives on convertible and exchangeable bonds issued by GBL, offset by a negative impact of €255 million related to the increase in the liability to Webhelp's minority shareholders, including the effect of discounting. As well, GBL recognized a net decrease in the fair value of GBL Capital's alternative funds and direct private equity co-investments not consolidated or accounted for using the equity method of €487 million. In the twelve-month period ended December 31, 2021, GBL recognized a negative impact of €293 million related to the increase in the liability to Webhelp's minority shareholders, and a loss on marking to market derivatives on convertible and exchangeable bonds of €140 million, partially offset by an increase in fair value of €256 million for GBL Capital's alternative investments and direct co-investments in private equity not consolidated or accounted for using the equity method;
- A decrease in the contribution from investments consolidated or accounted for using the equity method by GBL Capital and Sienna Investment Managers of €128 million to a negative contribution to GBL of €12 million, compared with a positive contribution of €116 million for the twelve-month period of 2021;
- A negative contribution from gains (losses) from disposals, impairments and reversals of non-current assets of €87 million, compared with a positive contribution of €125 million in the corresponding period in 2021. In the twelve-month period ended December 31, 2022, GBL recognized an impairment on an investment held by GBL Capital of €103 million, partially offset by a net gain recognized on the sale of one investment held by GBL Capital. As well, in the twelve-month period ended December 31, 2022, GBL recognized an impairment of €15 million on the goodwill of Sienna Real Estate, one of Sienna Investment Managers' strategies. In the twelve-month period ended December 31, 2021, GBL recognized net gains on the sale of two investments held by GBL Capital;

- A decrease in dividends of €41 million to €322 million, mainly due to a decrease in dividends received from Holcim and other dividends of €37 million and €34 million, respectively. The decrease in the dividend received from Holcim is due to a decrease in the interest held by GBL. In the twelve-month period ended December 31, 2021, other dividends primarily included €37 million related to the reimbursement of withholding taxes received from the French tax authorities relating to dividends received from TotalEnergies in 2006 and 2019. These items are partially offset by increases in dividends received from Pernod Ricard of €20 million and SGS of €6 million;
- A negative contribution from Sanoptis and Affidea to GBL's earnings of €21 million and €30 million, respectively, both acquired during the third quarter of 2022, mainly related to costs incurred in the context of the acquisitions;
- A decrease in GBL's share in the net result of Webhelp of €14 million to a contribution to GBL of €26 million;
- A decrease in the contribution from Piolin II S.à.r.l. to GBL's earnings of €12 million to a contribution to GBL of €1 million, compared with a contribution of €13 million for the twelve-month period of 2021; and
- A decrease in the contribution from Imerys of €2 million to a contribution to GBL's earnings of €130 million. The contribution to GBL's earnings includes a goodwill impairment charge related to the divestiture of assets serving the paper market announced during the third quarter of 2022.

Partially offset by:

- A decrease in other operating expenses of €39 million to €273 million. The increase in liabilities recorded for Webhelp's employee incentive plan was €159 million in the period, including the effect of discounting and vesting, compared with an increase in liabilities of €213 million in the corresponding period in 2021; and
- An increase of €26 million in the contribution from Canyon to earnings to a contribution to GBL of €11 million. Canyon was acquired in the first quarter of 2021 and GBL recognized related transaction costs in 2021.

Average Exchange Rates

The average exchange rates for the twelve-month ended December 31, 2022 and 2021 were as follows:

Twelve months ended December 31	2022	2021	Change %
Euro/CAD	1.370	1.483	(7.6)

The information above has been derived from GBL's public disclosure. Further information on GBL's results is available on its website (www.gbl.be).

SAGARD AND POWER SUSTAINABLE

Sagard and Power Sustainable comprise the results of the investment platforms, which includes income earned from asset management and investing activities. Asset management activities includes fee-related earnings (a non-IFRS financial measure, refer to the section “Non-IFRS Financial Measures”), which is comprised of management fees less investment platform expenses. Asset management activities also includes carried interest and income from other management activities. Investing activities comprises income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms.

Refer to the section “Alternative Asset Investment Platforms” for details and discussion related to the assets under management and fee-bearing capital of Sagard and Power Sustainable.

Income earned from investing activities (proprietary capital) is volatile in nature as it depends on many factors, including and primarily related to the timing of realizations.

Contribution to Power Corporation

Summary of Adjusted and net earnings (loss) from Sagard and Power Sustainable:

Twelve months ended December 31	2022	2021
Contribution to Power Corporation's:		
Adjusted net earnings (loss)		
Asset management activities		
Sagard	(68)	72
Power Sustainable ^[1]	(15)	(27)
Investing activities (proprietary capital)		
Sagard	26	122
Power Sustainable ^[1]	(308)	259
	(365)	426
Adjustments		
Sagard	-	(100)
Power Sustainable	(10)	(15)
Net earnings (loss)	(375)	311

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

ASSET MANAGEMENT ACTIVITIES

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

Twelve months ended December 31	2022	2021
Sagard		
Management fees ^[1]	158	100
Investment platform expenses	(162)	(106)
Fee-related earnings ^[2]	(4)	(6)
Net carried interest ^{[3][4]}	(62)	96
Other ^[2]	(5)	(9)
	(71)	81
Loss from private wealth platform and other asset management activities ^[5]	(9)	(5)
Non-controlling interests ^[6]	12	(4)
	(68)	72
Power Sustainable		
Management fees ^[1]	22	16
Investment platform expenses	(63)	(51)
Fee-related earnings ^[2]	(41)	(35)
Net performance fees and carried interest ^{[3][7]}	30	4
Other ^{[2][8]}	(4)	4
	(15)	(27)
Net earnings (loss)	(83)	45

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

[2] Fee-related earnings is a non-IFRS financial measure. Items excluded from fee-related earnings have been included in Other. Refer to the section "Non-IFRS Financial Measures" for a description and reconciliation. The comparative amounts have been restated in accordance with this presentation.

[3] Net carried interest is comprised of carried interest earned, net of employee costs which are recognized over the vesting period. Carried interest is recognized based on changes in fair value of investments held within each consolidated fund, and based on carried interest earned when it is highly probable that a significant reversal will not occur with respect to unconsolidated funds. The Corporation's share of carried interest expense payable by the fund is included in investing activities.

[4] The first and second quarters of 2022 include a reversal of net carried interest of \$13 million and \$42 million, respectively, mainly due to decreases in the fair value of Wealthsimple and investments held in Portage Ventures II in the periods. The third quarter of 2021 included the effect of the deconsolidation of Sagard Credit Partners I, including the reversal of carried interest recognized over the life of the fund.

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

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

[7] The fourth quarter of 2022 includes net carried interest of \$17 million as a result of the increase in the net asset value of PSEIP, and a reversal of performance fee payable due to a decline in value of investments within Power Sustainable China.

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

INVESTING ACTIVITIES

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

Twelve months ended December 31	2022	2021
Adjusted net earnings (loss)		
Sagard		
Private equity and other strategies ^[1]	36	129
Venture capital (fintech investments) ^[2]	(10)	(7)
Power Sustainable		
Public equity ^[3]	(218)	301
Energy infrastructure		
Losses before changes in non-controlling interests liabilities ^[4]	(19)	(37)
Revaluation of non-controlling interests liabilities ^[5]	(71)	(5)
	(282)	381
Adjustments		
Remeasurements of Wealthsimple's put right liability	-	(100)
Impairment charges on direct investments in energy infrastructure	(10)	(15)
Net earnings (loss)	(292)	266

[1] The third quarter of 2021 includes a realized gain of \$66 million recognized by the Corporation on disposal of its interest in Sagard MidCap III.

[2] Includes the Corporation's share of earnings (losses) of Wealthsimple. The first and second quarters of 2022 include a reversal of carried interest payable of \$13 million and \$25 million, respectively, mainly due to decreases in the fair value of Wealthsimple and investments held in Portage Ventures II in the periods. The first quarter of 2021 included a charge of \$52 million related to the Corporation's share of the carried interest payable due to increases in fair value of investments held in the Portage Ventures Funds and Wealthsimple; as well, it excluded a charge of \$100 million related to the remeasurement of the put right liability held by certain of the non-controlling interests in Wealthsimple to fair value which has been included in Adjustments (see the section "Adjustments" below). The net decrease in fair value of the Corporation's investments, including its investments held through Power Financial, in Portage Ventures I, Portage Ventures II, Portage Ventures III, Koho and Wealthsimple was \$430 million in the twelve-month period ended December 31, 2022, compared with an increase of \$650 million in fair value in the corresponding period in 2021.

[3] Mainly comprised of gains (losses) realized on the disposal of investments and dividends received. In the first, second, third and fourth quarters of 2022, the Corporation realized a loss of \$54 million, \$70 million, \$22 million and \$55 million, respectively, on the disposal of investments in Power Sustainable China and \$16 million in impairments recognized in 2022, of which \$13 million was recorded in the first quarter due to declines in Chinese equity markets (realized gains of \$229 million, \$54 million, \$18 million and \$10 million in the first, second, third and fourth quarters of 2021, respectively).

[4] The fourth quarter of 2022 includes the Corporation's share of carried interest expense of \$19 million, which results from an increase in fair value of assets held in PSEIP and operating losses mainly related to seasonality. In the year ended December 31, 2022, these losses were partially offset by a gain on disposal of a portfolio of solar assets of \$20 million, of which \$17 million was recognized in the second quarter, and unrealized gains on derivative contracts hedging energy infrastructure projects of \$46 million, of which \$10 million was recognized in the fourth quarter. The operating losses in the fourth quarter of 2021 were mainly attributable to lower insolation, seasonality, and snow losses, as well as charges associated with the replacement of certain solar panels with higher generating capacity. The first quarter of 2022 and the fourth quarter of 2021 exclude a charge of \$10 million and \$15 million, respectively, due to impairments on direct investments in energy infrastructure assets, recorded as an Adjustment (see the section "Adjustments" below).

[5] The fourth quarter of 2022 includes a charge of \$63 million related to the Corporation's share of the revaluation of non-controlling interests liabilities which mainly results from an increase in fair value of assets held in PSEIP. The NAV of PSEIP was \$1,035 million at December 31 2022, compared with \$805 million at September 30, 2022. The Corporation controls and consolidates the activities of PSEIP on a historical cost basis; however, equity interests held by third parties have redemption features and are classified as a financial liability which are remeasured at their redemption value.

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

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

POWER SUSTAINABLE

For the twelve-month period ended December 31, 2022, Power Sustainable recognized an impairment of \$10 million in the first quarter on projects under construction which are included in direct investments in energy infrastructure within the Power Sustainable platform, compared with an impairment of \$15 million on projects under construction recognized in the fourth quarter of 2021.

CHINAAMC

For the twelve-month period ended December 31, 2022, income from ChinaAMC was \$57 million, compared with \$62 million in the corresponding period in 2021.

OTHER INVESTMENTS AND STANDALONE BUSINESSES

Other investments and standalone businesses includes the Corporation's investments in investment and hedge funds and the share of earnings (losses) of standalone businesses.

Income earned from other investments is volatile in nature as it depends on many factors, including and primarily related to realizations.

Summary of other investments and standalone businesses:

Twelve months ended December 31	2022	2021
Other investments		
Investment and hedge funds	23	37
Other ^[1]	25	(3)
Standalone businesses ^[2]	(68)	225
Net earnings (loss)	(20)	259

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

[2] Includes the Corporation's share of earnings (losses) of Lion, LMPG, Peak, and GP Strategies (up to the date of disposal in the fourth quarter of 2021).

For the twelve-month period ended December 31, 2022, the net loss from other investments and standalone businesses was \$20 million, compared with net earnings of \$259 million in the corresponding period in 2021. Standalone businesses had a net loss of \$68 million, compared with net earnings of \$225 million in the corresponding period in 2021. The decrease in net earnings of the standalone businesses of \$293 million was mainly due to:

- A non-cash impairment charge of \$109 million after tax (\$126 million pre-tax) recognized in the fourth quarter of 2022, reflecting a decline in the market value of Lion at December 31, 2022;
- A decrease in the contribution related to the Corporation's investment in Lion of \$211 million in 2022. In 2021, the contribution related to the Corporation's investment in Lion included a net gain of \$153 million

recognized in the second quarter which was comprised of i) a gain of \$62 million related to the effect of the change in ownership as a result of the completion of the merger transaction between Lion and Northern Genesis Acquisition Corp.; ii) a gain of \$147 million related to the revaluation of call rights held by Power Sustainable, a portion of which were exercised during the second quarter of 2021; and iii) an expense of \$56 million related to the increase in amounts payable for long-term incentive plans and deferred taxes; and

- A reversal of a previously recognized impairment on its investment in GP Strategies of \$33 million recorded in the second quarter of 2021.
- Partially offset by a recovery due to a decrease in amounts payable for long-term incentive plans, net of related taxes.

CORPORATE OPERATIONS (of the holding company)

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

Operating and other expenses

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

Twelve months ended December 31	2022	2021
Operating expenses ^[1]	119	145
Financing charges ^[2]	55	54
Depreciation	6	8
Income taxes	4	26
	184	233

[1] During the second quarter of 2022, the Corporation attached tandem share appreciation rights to certain options, which were reclassified as cash-settled share-based payments. The Corporation has entered into a total return swap agreement to manage exposure to the volatility of a portion of its cash-settled share-based payments and related liability. The year ended December 31, 2022 includes a net gain of \$20 million, of which a gain of \$17 million was recorded in the second quarter of 2022, arising from the change in fair value of the liability, net of the loss on the remeasurement to fair value of the derivative instrument.

[2] Financing charges related to Power Financial were \$18 million in the twelve-month period ended December 31, 2022, same as in 2021.

INCOME TAXES

For the twelve-month period ended December 31, 2022, income tax expense was \$4 million, compared with \$26 million in the corresponding period in 2021. The twelve-month period of 2021 included i) an income tax expense of \$42 million, primarily related to the deferred tax expense resulting from the realization of gains recorded in earnings on the sale of investments (of which \$38 million was a reclassification of the income tax previously recorded in

other comprehensive income at December 31, 2020); partially offset by ii) an income tax recovery of \$16 million primarily related to the recognition of tax attributes to offset the realized gain on the secondary sale of Wealthsimple (the realized gain and the related income tax expense were recognized through the statement of changes in equity).

ADJUSTMENTS (excluded from adjusted net earnings)

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

Twelve months ended December 31	2022	2021
Lifeco^[1]		
Actuarial assumption changes and other management actions	86	90
Market-related impacts on liabilities	(22)	16
Transaction costs related to acquisitions	(33)	(126)
Restructuring and integration charges	(87)	(44)
Tax legislative changes impact	56	(14)
Net gain (loss) on business dispositions	–	(9)
	–	(87)
Effect of consolidation^[2]	–	(2)
	–	(89)
IGM^[1]		
Net gain on business dispositions	–	5
Effect of consolidation ^[2]	8	(101)
	8	(96)
Sagard and Power Sustainable		
Remeasurements of Wealthsimple's put right liability	–	(100)
Impairment charges on direct investments in energy infrastructure	(10)	(15)
	(10)	(115)
Corporate operations		
Reorganization charges	–	(13)
	(2)	(313)

[1] As reported by Lifeco and IGM.

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

Effect of consolidation

The Effect of consolidation in the twelve-month period ended December 31, 2021 mainly related to the remeasurements of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value.

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

Corporate operations

During the third quarter of 2021, the Corporation recognized charges of \$13 million in conjunction with the reorganization of the Corporation and Power Financial completed in February 2020, related to the impairment of certain assets of the Corporation.

For additional information on each of Lifeco, IGM and Sagard and Power Sustainable, refer to their respective "Adjustments" sections above. Also refer to the section "Non-IFRS Financial Measures" in this review of financial performance.

Financial Position

CONSOLIDATED BALANCE SHEETS (condensed)

The condensed balance sheets of Lifeco, IGM, and the combined holding company balance sheet of Power Corporation and Power Financial, as well as the alternative asset investment platforms and other, are presented below. These tables reconcile the holding company balance sheet with the condensed consolidated balance sheets of the Corporation at December 31, 2022 and 2021, which are included in Note 33 of the 2022 Consolidated Financial Statements.

December 31, 2022	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other ^[1]	Effect of consolidation	Power Corporation Consolidated balance sheet
Assets						
Cash and cash equivalents	7,290	1,073	1,277	493	(285)	9,848
Investments	229,639	5,200	194	1,976	151	237,160
Investments in publicly traded operating companies, investment platforms and other:						
Lifeco and IGM	375	1,075	20,331	–	(21,781)	–
GBL ^[2]	–	–	3,314	–	–	3,314
Other	327	596	2,524	–	(3,447)	–
Investments in jointly controlled corporations and associates	207	1,112	783	1,147	(47)	3,202
Funds held by ceding insurers	15,186	–	–	–	–	15,186
Reinsurance assets	25,018	–	–	–	–	25,018
Other assets	18,703	5,651	310	4,664	(208)	29,120
Intangible assets ^[3]	6,209	1,364	2	751	(31)	8,295
Goodwill ^[3]	10,604	2,802	–	591	613	14,610
Investments on account of segregated fund policyholders	387,897	–	–	–	–	387,897
Total assets	701,455	18,873	28,735	9,622	(25,035)	733,650
Liabilities						
Insurance and investment contract liabilities	247,698	–	–	–	–	247,698
Obligations to securitization entities	–	4,610	–	–	–	4,610
Power Corporation's debentures and other debt instruments	–	–	647	–	–	647
Non-recourse debentures and other debt instruments ^[4]	10,509	2,100	250	1,956	(88)	14,727
Other liabilities	23,033	5,900	987	4,366	(317)	33,969
Insurance and investment contracts on account of segregated fund policyholders	387,897	–	–	–	–	387,897
Total liabilities	669,137	12,610	1,884	6,322	(405)	689,548
Equity						
Limited recourse capital notes	1,500	–	–	–	(1,500)	–
Perpetual preferred shares	–	–	2,830	–	(2,830)	–
Non-participating shares	2,720	–	950	–	(2,720)	950
Participating shareholders' equity	24,790	6,196	23,071	2,895	(33,881)	23,071
Non-controlling interests ^{[5][6]}	3,308	67	–	405	16,301	20,081
Total equity	32,318	6,263	26,851	3,300	(24,630)	44,102
Total liabilities and equity	701,455	18,873	28,735	9,622	(25,035)	733,650

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

[2] Indirectly held through Parjointco. The holding company balance sheet includes the Corporation's investment in GBL, which is separately presented in Note 33 of the 2022 Consolidated Financial Statements.

[3] The assets of Lifeco, IGM, and Alternative Asset Investment Platforms and Other exclude the corporate allocation of goodwill and intangible assets.

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

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

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

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

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

[2] Indirectly held through Parjointco. The holding company balance sheet includes the Corporation's investment in GBL, which is separately presented in Note 33 of the 2022 Consolidated Financial Statements.

[3] The assets of Lifeco, IGM, and Alternative Asset Investment Platforms and Other exclude the corporate allocation of goodwill and intangible assets.

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

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

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

Total assets of the Corporation increased to \$733.7 billion at December 31, 2022, compared with \$661.6 billion at December 31, 2021, primarily due to Lifeco's acquisition of Prudential during the second quarter of 2022, as well as the impact of currency movement due to the strengthening of the U.S. dollar, partially offset by the impacts of lower equity market levels,

higher interest rates and the impact of currency movements due to the weakening of the British pound and the euro. The acquisition of the full-service retirement business of Prudential added \$119 billion in total assets as at December 31, 2022.

Liabilities increased to \$689.5 billion at December 31, 2022, compared with \$617.9 billion at December 31, 2021, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities increased by \$26.9 billion. The increase was primarily due to \$44.2 billion acquired through the Prudential acquisition, the impacts of new business, and the strengthening of the U.S. dollar, partially offset by fair value adjustments.

- Insurance and investment contracts on account of segregated fund policyholders increased by \$30.5 billion, primarily due to an increase of \$77.7 billion related to the acquisition of Prudential, the impact of currency movement of \$9.5 billion and non-controlling mutual funds interest of \$3.3 billion. The increase was partially offset by the combined impact of net investment income and market value losses of \$53.7 billion and net withdrawals (net of policyholder deposits) of \$6.2 billion.

Refer to Lifeco's and IGM's annual MD&As for a discussion of their respective consolidated balance sheets.

HOLDING COMPANY BALANCE SHEETS

In the holding company balance sheets shown below, Power Corporation and Power Financial are shown on a combined basis; investments in subsidiaries are presented using the equity method. This presentation assists the reader by identifying changes in the combined holding company balance sheet of Power Corporation and Power Financial, and presents the investment activities, as well as the holding company's assets and liabilities, including cash, debentures and non-participating shares.

December 31	2022	2021
Holding company assets		
Cash and cash equivalents ^[1]	1,277	1,635
Investment in:		
Lifeco	16,646	15,496
IGM	3,685	3,434
GBL ^[2]	3,314	4,278
Alternative asset investment platforms ^[3]	1,848	2,211
ChinaAMC	783	766
Other investments and standalone businesses	870	987
Other assets ^[4]	312	349
Total holding company assets	28,735	29,156
Holding company liabilities		
Debentures and other debt instruments ^[5]	897	897
Other liabilities	987	1,090
Total holding company liabilities	1,884	1,987
Holding company equity		
Perpetual preferred shares ^[6]	2,830	2,830
Non-participating shares	950	954
Participating shareholders' equity	23,071	23,385
Total holding company equity	26,851	27,169
Total holding company liabilities and equity	28,735	29,156

[1] Cash equivalents include \$358 million (\$480 million at December 31, 2021) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Consolidated Financial Statements.

[2] Indirectly held through Parjointco.

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

[4] Includes \$83 million of dividends declared in the fourth quarter by IGM (same as at December 31, 2021) and received by Power Financial on January 31, 2023.

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

[6] Perpetual preferred shares issued by Power Financial.

Cash and cash equivalents

Cash and cash equivalents held by the Corporation and Power Financial amounted to \$1,277 million at December 31, 2022, compared with \$1,635 million at the end of December 2021 (see "Holding Company Statements of Cash Flows" below for details).

The cash and cash equivalents held by Sagard and Power Sustainable including Power Sustainable China amounted to \$194 million at December 31, 2022 (\$441 million at December 31, 2021) and are included in the carrying amount of the investment platforms.

Investments

Investments in Lifeco, IGM and GBL (at equity)

The table below presents a continuity of the investments in Lifeco, IGM and GBL, which are presented using the equity method for the purposes of the holding company presentation. The carrying value of the investments in Lifeco, IGM and GBL, accounted for using the equity method, increased to \$23,645 million at December 31, 2022, compared with \$23,208 million at December 31, 2021:

	Lifeco	IGM	GBL ^[1]	Total
Carrying value, at the beginning of the year	15,496	3,434	4,278	23,208
Contribution from adjusted net earnings (loss)	2,093	536	(15)	2,614
Contribution from adjustments	–	8	–	8
Share of other comprehensive income (loss) ^[2]	256	58	(929)	(615)
Dividends	(1,216)	(333)	(84)	(1,633)
Effect of changes in ownership and other	17	(18)	64	63
Carrying value, at December 31, 2022	16,646	3,685	3,314	23,645

[1] Indirectly held through Parjointco.

[2] GBL's share of other comprehensive income (loss) includes \$919 million of unrealized losses on available-for-sale investments and \$16 million of unrealized losses on foreign currency translation.

Alternative and other investments

The table below presents the components of the alternative asset investment platforms, Sagard and Power Sustainable. The asset management companies, and controlled and consolidated investments held through the investment platforms are presented using the equity method for the purposes of the holding company presentation.

Alternative asset investment platforms are comprised of the following investments:

	2022	2021
Carrying value, as at December 31		
Asset management companies		
Sagard	60	116
Power Sustainable	33	21
Investing activities		
Sagard ^[1]	654	706
Power Sustainable	1,101	1,368
	1,848	2,211

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

Investment in ChinaAMC

The carrying value of Power Corporation's investment in ChinaAMC was \$783 million at December 31, 2022, compared with \$766 million at December 31, 2021.

Carrying value, at the beginning of the year	766
Dividends	(31)
Share of net earnings	57
Share of other comprehensive income (loss)	(9)
Carrying value, at December 31, 2022	783

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,722 billion (C\$338 billion) at December 31, 2022, compared with RMB¥1,662 billion (C\$331 billion) at December 31, 2021. Subsequent to year-end, the Corporation sold its 13.9% interest in ChinaAMC to IGM. Refer to the section "ChinaAMC" in the section "2022 Highlights".

Other investments and standalone businesses

The table below presents the components of other investments and standalone businesses; certain controlled standalone businesses are presented using the equity method for the purposes of the holding company presentation.

Other investments and standalone businesses are comprised of the following:

	2022	2021
Carrying value, as at December 31		
Other investments ^[1]	192	262
Standalone businesses	678	725
	870	987

[1] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as available for sale and are carried at fair value. At December 31, 2022, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of \$39 million.

EQUITY**Non-participating shares**

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

On January 15, 2022, the Corporation redeemed all 86,100 of its outstanding cumulative redeemable First Preferred Shares 1986 Series for \$50.00 per share. The terms and conditions of the outstanding First Preferred Shares are described in Note 18 of the Corporation's 2022 Consolidated Financial Statements.

Participating shareholders' equity

Participating shareholders' equity was \$23,071 million at December 31, 2022, compared with \$23,385 million at December 31, 2021:

Twelve months ended December 31	2022	2021
Participating shareholders' equity, at the beginning of the year	23,385	21,251
Changes in participating shares		
Purchase for cancellation of subordinate voting shares under NCIB	(169)	(61)
Issuance of subordinate voting shares (1,683,043 shares in 2022 and 3,436,756 shares in 2021) under the Corporation's Executive Stock Option Plans	52	107
	(117)	46
Changes in retained earnings		
Net earnings before dividends on non-participating shares	1,965	2,969
Dividends declared	(1,378)	(1,295)
Purchase for cancellation of subordinate voting shares under NCIB and other	(246)	(92)
Reclassification of options as cash-settled share-based payments ^[1]	(54)	-
Effects of changes in capital and ownership of subsidiaries, and other ^[2]	9	574
	296	2,156
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	417	(186)
Investment revaluation and cash flow hedges	(432)	(483)
Actuarial gains (losses) on defined benefit plans	425	495
Share of Parjointco and other jointly controlled corporations and associates	(885)	3
Share-based compensation, including the effect of subsidiaries	(18)	103
	(493)	(68)
Participating shareholders' equity, at December 31	23,071	23,385

[1] During the twelve months ended December 31, 2022, the Corporation attached tandem share appreciation rights to 13,621,606 options and reclassified the options as cash-settled share-based payments. See Note 19 to the 2022 Consolidated Financial Statements for additional information.

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

The book value per participating share (refer to the section "Other Measures") of the Corporation was \$34.58 at December 31, 2022, compared with \$34.56 at the end of 2021.

Outstanding number of participating shares

At the date hereof, there were 54,860,866 participating preferred shares of the Corporation outstanding (same as at December 31, 2021), and 611,476,233 subordinate voting shares of the Corporation outstanding, compared with 621,756,088 at December 31, 2021.

At the date hereof, options were outstanding to purchase up to an aggregate of 25,451,737 subordinate voting shares of the Corporation, which includes 10,900,781 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Normal Course Issuer Bids

The Corporation's Normal Course Issuer Bid (NCIB) that commenced on February 25, 2021 expired on February 24, 2022. The Corporation purchased 703,700 Subordinate Voting Shares pursuant to this bid in the first quarter of 2022, for a total of \$29 million (4,068,900 Subordinate Voting Shares for a total of \$153 million in 2021).

The Corporation commenced a new NCIB on February 28, 2022, which was effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this bid, the Corporation was authorized to purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding at February 14, 2022) at market prices.

At December 31, 2022, the Corporation had repurchased 10,515,700 Subordinate Voting Shares for a total of \$386 million. 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 \$246 million (\$92 million in 2021) and was recognized as a reduction to retained earnings.

Subsequent event

On March 1, 2023, the Corporation commenced a 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 bid, 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 at February 22, 2023) at market prices. At March 16, 2023, the Corporation has repurchased 857,400 Subordinate Voting Shares for a total of \$31 million.

The Corporation has entered into an automatic share purchase plan (ASPP) with a designated broker to allow for the purchase of Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Outside of these predetermined blackout periods, purchases under the Corporation's NCIB will be completed at management's discretion. The ASPP has been effective since March 1, 2023, the commencement date of the NCIB.

Adjusted Net Asset Value

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

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;

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

The presentation of the participating shareholders' equity at fair value is not in accordance with IFRS; adjusted net asset value is a non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures" for a description and a reconciliation of IFRS and non-IFRS financial measures.

The Corporation's adjusted net asset value is presented on a look-through basis. The combined holding company balance sheets of Power Corporation and Power Financial include the investments held in public entities through Power Financial (Lifeco, IGM and GBL), and the net debt and preferred shares of Power Financial. The adjusted net asset value per share, a non-IFRS ratio, was \$41.91 at December 31, 2022, compared with \$52.60 at December 31, 2021, representing a decrease of 20.3%. The Corporation's book value per participating share (refer to the section "Other Measures") was \$34.58 at December 31, 2022, comparable with \$34.56 at December 31, 2021.

December 31	2022			2021		
	Holding company balance sheet	Fair value adjustment	Adjusted net asset value	Holding company balance sheet	Fair value adjustment	Adjusted net asset value
Holding company assets						
Investments						
Power Financial						
Lifeco	16,646	2,768	19,414	15,496	8,049	23,545
IGM	3,685	1,907	5,592	3,434	3,315	6,749
GBL ^[1]	3,314	(926)	2,388	4,278	(1,121)	3,157
Alternative asset investment platforms						
Asset management companies ^[2]						
Sagard	60	–	60	116	–	116
Power Sustainable	33	–	33	21	–	21
Investing activities						
Sagard ^[3]	654	263	917	706	693	1,399
Power Sustainable	1,101	344	1,445	1,368	265	1,633
ChinaAMC	783	367	1,150	766	384	1,150
Other investments and standalone businesses						
Other investments	192	55	247	262	50	312
Standalone businesses ^[4]	678	151	829	725	606	1,331
Cash and cash equivalents	1,277	–	1,277	1,635	–	1,635
Other assets	312	–	312	349	–	349
Total holding company assets	28,735	4,929	33,664	29,156	12,241	41,397
Holding company liabilities and non-participating shares						
Debentures and other debt instruments	897	–	897	897	–	897
Other liabilities ^{[5][6]}	987	37	1,024	1,090	39	1,129
Non-participating shares and perpetual preferred shares	3,780	–	3,780	3,784	–	3,784
Total holding company liabilities and non-participating shares	5,664	37	5,701	5,771	39	5,810
Net value						
Participating shareholders' equity (IFRS)/						
Adjusted net asset value (non-IFRS)	23,071	4,892	27,963	23,385	12,202	35,587
Per share	34.58		41.91	34.56		52.60

[1] The Corporation's share of GBL's reported net asset value was \$3.8 billion (€2.6 billion) at December 31, 2022 (\$4.7 billion (€3.3 billion) at December 31, 2021).

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

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

[4] An additional deferred tax liability of \$13 million has been included in the adjusted net asset value at December 31, 2022 (\$80 million at December 31, 2021) with respect to the investments in standalone businesses at fair value, without taking into account possible tax planning strategies. The Corporation has tax attributes (not otherwise recognized on the balance sheet) that could be available to minimize the tax if the Corporation were to dispose of its interests held in the standalone businesses.

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

[6] At December 31, 2022, an additional deferred tax liability of \$37 million (\$39 million at December 31, 2021) has been included in the adjusted net asset value related to the investment in ChinaAMC at fair value.

Investments measured at market value and cash represent 88.7% of the total assets at fair value at December 31, 2022 (89.7% at December 31, 2021). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's adjusted net asset value of \$2,837 million or \$4.25 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (condensed)

The condensed cash flows of Lifeco, IGM and the holding company cash flows of Power Corporation and Power Financial on a combined basis, as well as the Corporation's alternative asset investment platforms, are presented below. These tables reconcile the holding company statement of cash flows to the condensed consolidated statement of cash flows of the Corporation for the twelve-month periods ended December 31, 2022 and 2021, which are included in Note 33 of the 2022 Consolidated Financial Statements. This presentation assists the reader in assessing the cash flows of the holding company.

Twelve months ended December 31	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other ^[1]	Effect of consolidation	Power Corporation Consolidated 2022
Cash flows from:						
Operating activities	7,047	738	1,473	(34)	(1,722)	7,502
Financing activities	(620)	(1,092)	(1,891)	1,146	1,509	(948)
Investing activities	(5,493)	135	60	(1,392)	192	(6,498)
Effect of changes in exchange rates on cash and cash equivalents	281	–	–	14	(12)	283
Increase (decrease) in cash and cash equivalents	1,215	(219)	(358)	(266)	(33)	339
Cash and cash equivalents, at the beginning of the year	6,075	1,292	1,635	759	(252)	9,509
Cash and cash equivalents, at December 31	7,290	1,073	1,277	493	(285)	9,848

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

Twelve months ended December 31	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other ^[1]	Effect of consolidation	Power Corporation Consolidated 2021
Cash flows from:						
Operating activities	10,373	943	1,312	(234)	(1,341)	11,053
Financing activities	(992)	(1,522)	(1,572)	689	2,435	(962)
Investing activities	(11,212)	1,099	669	(237)	(898)	(10,579)
Effect of changes in exchange rates on cash and cash equivalents	(40)	–	–	(4)	1	(43)
Increase (decrease) in cash and cash equivalents	(1,871)	520	409	214	197	(531)
Cash and cash equivalents, at the beginning of the year	7,946	772	1,226	545	(449)	10,040
Cash and cash equivalents, at December 31	6,075	1,292	1,635	759	(252)	9,509

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

Consolidated cash and cash equivalents increased by \$339 million in the twelve-month period ended December 31, 2022, compared with a decrease of \$531 million in the corresponding period in 2021.

Operating activities produced a net inflow of \$7,502 million in the twelve-month period ended December 31, 2022, compared with a net inflow of \$11,053 million in the corresponding period in 2021.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, the issuance and repurchase of participating and preferred shares, the issuance and redemption of common shares, limited-life fund and redeemable units by subsidiaries, dividends paid on the participating and non-participating shares of the Corporation, and dividends

paid by subsidiaries to non-controlling interests and increases and repayments of obligations to securitization entities by IGM, represented a net outflow of \$948 million in the twelve-month period ended December 31, 2022, compared with a net outflow of \$962 million in the corresponding period in 2021.

Cash flows from investing activities resulted in a net outflow of \$6,498 million in the twelve-month period ended December 31, 2022, compared with a net outflow of \$10,579 million in the corresponding period in 2021.

Refer to Lifeco's and IGM's annual MD&As for a discussion of their respective cash flows.

HOLDING COMPANY STATEMENTS OF CASH FLOWS

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

The following combined statements of cash flows of Power Corporation and Power Financial, present the cash flows of the holding company. This presentation has been prepared to assist the reader as it isolates the cash flows of the activities of the holding company.

Twelve months ended December 31	2022	2021
Operating activities of the holding company		
Dividends		
Lifeco	1,216	1,119
IGM	333	333
GBL	84	81
ChinaAMC	31	27
Corporate operations, net of non-cash items ^[1]	(191)	(248)
	1,473	1,312
Financing activities of the holding company		
Dividends paid on:		
Non-participating shares	(52)	(52)
Participating shares	(1,331)	(1,211)
Perpetual preferred shares	(134)	(137)
Issuance of subordinate voting shares	47	96
Issuance of perpetual preferred shares	–	200
Repurchase of subordinate voting shares	(415)	(153)
Repurchase of non-participating shares	(4)	(2)
Repurchase of perpetual preferred shares	–	(200)
Changes in other debt instruments	–	(106)
Other	(2)	(7)
	(1,891)	(1,572)
Investing activities of the holding company		
Distributions and proceeds from disposal of investments	386	1,165
Purchase of investments	(365)	(502)
Other ^[2]	39	6
	60	669
Increase (decrease) in cash and cash equivalents	(358)	409
Cash and cash equivalents, at the beginning of the year	1,635	1,226
Cash and cash equivalents, at December 31	1,277	1,635

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

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

Cash and cash equivalents of the Corporation and Power Financial decreased by \$358 million in the twelve-month period ended December 31, 2022, compared with an increase of \$409 million in the corresponding period in 2021.

Operating activities resulted in a net inflow of \$1,473 million in the twelve-month period ended December 31, 2022, compared with a net inflow of \$1,312 million in the corresponding period in 2021. Dividends received from the publicly traded operating companies include:

Twelve months ended December 31 [in millions of Canadian dollars; except as otherwise noted]	2022		2021	
	Dividend per share	Total dividend received	Dividend per share	Total dividend received
Lifeco	1.96	1,216	1.804	1,119
IGM	2.25	333	2.25	333

- Total dividend received from Parjointco was \$84 million (€62 million) for the period ended December 31, 2022, compared with \$81 million (€55 million) for the period ended December 31, 2021.
- On February 8, 2023, subsequent to year-end, Lifeco announced a 6.1% increase in the quarterly dividend on its common shares, from \$0.490 per share to \$0.520 per share, payable on March 31, 2023.

The Corporation's financing activities during the twelve-month period ended December 31, 2022 resulted in a net outflow of \$1,891 million, compared with a net outflow of \$1,572 million in the corresponding period in 2021, and included:

- Dividends paid on non-participating and participating shares by the Corporation of \$1,383 million, compared with \$1,263 million in the corresponding period in 2021. In the twelve-month period ended December 31, 2022, dividends paid on the Corporation's participating shares were \$1.980 per share, compared with \$1.790 per share in the corresponding period in 2021.
- Dividends paid on preferred shares by Power Financial of \$134 million, compared with \$137 million in the corresponding period in 2021.
- Issuance of subordinate voting shares of the Corporation for \$47 million pursuant to the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan, compared with issuance for an amount of \$96 million in the corresponding period in 2021.
- No issuance of perpetual preferred shares by Power Financial, compared with issuance for an amount of \$200 million in the corresponding period in 2021.

- No repurchase of perpetual preferred shares by Power Financial, compared with repurchase for an amount of \$200 million in the corresponding period in 2021.
- Repurchase of subordinate voting shares of \$415 million, as part of the NCIB, in the twelve-month period ended December 31, 2022, compared with repurchase for an amount of \$153 million in the corresponding period in 2021.
- Repurchase of non-participating shares of \$4 million, compared with repurchase for an amount of \$2 million in the corresponding period in 2021.
- No change in other debt instruments, compared with a decrease of \$106 million in the corresponding period in 2021.

The Corporation's investing activities during the twelve-month period ended December 31, 2022 resulted in a net inflow of \$60 million, compared with a net inflow of \$669 million in the corresponding period in 2021.

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

The Corporation decreased its level of fixed income securities with maturities of more than three months, resulting in a net inflow of \$122 million in the twelve-month period ended December 31, 2022, compared with a net inflow of \$64 million in the corresponding period in 2021.

Capital Management

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

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

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

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

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

The Corporation's consolidated capitalization includes the debentures, preferred shares and other equity instruments, and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 74% of consolidated capitalization at December 31, 2022.

December 31	2022	2021
Debentures and other debt instruments		
Power Corporation	647	647
Power Financial	250	250
Lifeco	10,509	8,804
IGM	2,100	2,100
Other ^[1]	1,956	1,467
Effect of consolidation	(88)	(88)
	14,727	12,533
	15,374	13,180
Non-participating shares and other equity instruments		
Power Corporation	950	954
Power Financial	2,830	2,830
Lifeco	4,220	4,220
	7,050	7,050
	8,000	8,004
Equity		
Participating shareholders' equity	23,071	23,385
Non-controlling interests ^[2]	13,031	12,339
	36,102	35,724
	59,476	56,908

[1] Includes other debt instruments of controlled and consolidated investments and standalone businesses; consists of \$113 million (\$72 million in 2021) of debt under revolving credit facilities held by the investment funds and other debt held by controlled investees, \$1,763 million (\$1,301 million in 2021) of project-related debt held within the Power Sustainable Energy Infrastructure platform, and \$80 million (\$94 million in 2021) of other debt held by standalone businesses. The other debt instruments are secured by the assets of the controlled investments which are non-recourse to the Corporation. See Note 15 B) to the 2022 Consolidated Financial Statements for additional information.

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

Power Corporation

- The Corporation filed a short-form base shelf prospectus dated November 16, 2022, pursuant to which, for a period of 25 months thereafter, the Corporation may issue First Preferred Shares, subordinate voting shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.
- On January 15, 2022, the Corporation redeemed all 86,100 of its outstanding Cumulative Redeemable First Preferred Shares, 1986 Series for \$50.00 per share.

Subsequent events

- The Corporation commenced a NCIB on March 1, 2023 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. Refer to the section "Participating Shareholders' Equity" for more information.

Power Financial

- Power Financial filed a short-form base shelf prospectus dated December 5, 2022, pursuant to which, for a period of 25 months thereafter, Power Financial may issue up to an aggregate of \$3 billion of First Preferred Shares and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis through Power Financial.

Lifeco

- On March 30, 2022, Great-West Lifeco U.S. LLC, a subsidiary of Lifeco, established a 2-year US\$500 million non-revolving credit facility with interest on the drawn balance equal to a float rate based on the Adjusted Term Secured Overnight Financing Rate (SOFR). The facility is fully and unconditionally guaranteed by Lifeco. The \$645 million (US\$500 million) facility was fully drawn, along with \$416 million (US\$323 million) from an existing revolving credit facility of Lifeco to finance a portion of the Prudential retirement services business acquisition, on the acquisition date. On July 1, 2022, Great-West Lifeco U.S. LLC made an initial payment of US\$150 million on its existing revolving credit facility, followed by a final payment of US\$173 million on December 30, 2022. As at December 31, 2022, Lifeco's \$675 million (US\$500 million) facility remained fully drawn, and its existing revolving credit facility balance was nil.
- On November 16, 2022, Lifeco issued €500 million senior 4.70% euro bonds maturing on November 16, 2029. The bonds are admitted to the Official List of Euronext Dublin and are listed for trading on the Global Exchange Market of Euronext Dublin. Net proceeds of the transaction will be used by Lifeco for general corporate purposes.

Lifeco currently expects to redeem the €500 million senior 2.50% euro bond at maturity on April 18, 2023.

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. See Note 21 to the Corporation's 2022 Consolidated Financial Statements for additional information.

Lifeco's and IGM's annual MD&As further describe their respective capital management activities.

RATINGS

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

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

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

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

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

For additional information on the credit ratings of Lifeco and IGM, refer to their respective annual MD&As.

Risk Management

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

RISK OVERSIGHT

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

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

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

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following risks and others discussed elsewhere in the review of financial performance, which investors should carefully consider before investing in securities of the Corporation. The following is a review of certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

The following section discusses the risks specific to the Corporation including the liquidity risk, credit risk and market risk of the Corporation including Power Financial and the alternative asset investment platforms. For additional information on risk management at Lifeco and IGM, refer to their respective annual MD&As.

STRATEGIC RISK

Strategic risk arises as a result of ineffective strategic decision making, inadequate strategies or a lack of responsiveness to important changes to the business environment, including macroeconomic or country risk events, or changes to the regulatory environment. In addition, strategic risk includes risks associated with the Corporation's holding company structure and potential future acquisitions.

The successful execution of the Corporation's investment strategy is uncertain as it requires suitable opportunities, careful timing and business judgment. The Corporation's approach consists in overseeing, through the Board of Directors, its operating businesses and investments with a view to generate long-term, sustainable growth in earnings and dividends. The Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

The Chief Executive Officer is responsible for developing the Corporation's proposed strategic plans, in light of emerging opportunities and risks and with a view to the Corporation's sustained profitable growth and long-term value creation, and for implementing the approved strategic plans. The Board of Directors is responsible for approving the long-term goals and objectives for the Corporation, and, after considering alternatives, approving the strategic plans developed by the Chief Executive Officer. The Board of Directors also monitors senior management's implementation of the approved plans; assesses the achievement of the Corporation's goals and objectives; reviews and approves on at least an annual basis management's financial plan; and reviews and approves any significant transactions and strategic capital management decisions regarding the Corporation.

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation would not be able to meet all cash outflow obligations as they come due or not be able to, in a timely manner, raise capital or monetize assets at normal market conditions.

As a holding company, Power Corporation's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal operating subsidiaries, investment platforms and other investments, and its ability to raise additional capital. Dividends to shareholders of Power Corporation is at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its subsidiaries, jointly controlled corporations and associates, as well as on their ability to pay dividends. The payment of interest and dividends by the Corporation's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends.

The Corporation makes certain investments through its investment platforms in the securities of private companies and illiquid securities. These investments may offer relatively high potential returns, but may also be subject to a relatively higher degree of risk. From time to time, it may be in the best interests of the Corporation to exit these investments. However, securities of private companies and illiquid securities may not have a ready market and the Corporation may be unable to sell such securities at acceptable prices on a timely basis or at all. Illiquidity may limit the Corporation's ability to realize a return or to vary components of its investment portfolio promptly in response to changing conditions. In some cases, the Corporation may also be restricted by contract or by applicable laws from selling such securities

for a period of time. The valuation of private companies is inherently difficult because there is a certain level of uncertainty in the assumptions used to determine the fair value of these investments.

The Corporation and Power Financial regularly review their liquidity requirements and seek to maintain a sufficient level of liquidity to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, including through Power Financial, to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of the Corporation and its subsidiaries. Although the Corporation has been able to access capital on financial markets in the past, there can be no assurance this will be possible in the future. The inability of Power Corporation to access sufficient capital on acceptable terms could have a material adverse effect on Power Corporation's business, prospects, dividend paying capability and financial condition, and further enhancement opportunities or acquisitions.

Contractual maturities of certain liabilities were as follows:

	Payments due by period			Total
	Less than 1 year	1-5 years	After 5 years	
December 31, 2022				
Deposits and certificates	1,644	–	–	1,644
Power Corporation's debentures and other debt instruments	–	–	650	650
Non-recourse debentures and other debt instruments	415	608	1,195	2,218
Future lease payments	30	115	272	417
Pension contributions	18	–	–	18
	2,107	723	2,117	4,947

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.

Power Corporation's management of liquidity risk has not changed materially since December 31, 2021.

CREDIT RISK AND MARKET RISK

In order to maintain an appropriate level of available liquidity, the Corporation maintains a portfolio of financial instruments which can be a combination of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, investment funds and hedge funds) and derivatives. The Corporation also holds, through Power Financial and its investment platforms, shares of private and publicly traded companies and other loans. Those investments bear credit and market risks as described in the following sections.

Credit risk

Credit risk is the potential for financial loss to the Corporation 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 derivatives products.

Power Corporation and Power Financial manage credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum ratings and concentration limits.

The Corporation held \$1.3 billion of cash and cash equivalents, including fixed income securities and amounts held by Power Financial, at December 31, 2022. Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of \$500 million. The Corporation also maintains an uncommitted line of credit of \$100 million, and any advances are at the bank's sole discretion. At December 31, 2022 and 2021, the Corporation was not utilizing its committed line of credit or uncommitted line of credit.

The investment platforms including the controlled and consolidated investments have committed lines of credit of \$506 million with Canadian and U.S. banks (\$421 million was undrawn at December 31, 2022).

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM) represent the only significant contractual liquidity requirements. The debt instruments of Power Financial as well as those held by the investment platforms, including the controlled and consolidated investments, are non-recourse to the Corporation.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Corporation, Power Financial and the investment platforms operate as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. The Corporation and Power Financial regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives can be also used mainly to mitigate exposure to foreign exchange and market risk related to certain stock-based compensation arrangements. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

The financial instruments held by the investment platforms include other loans and are subject to credit risk. The investment platforms regularly review the credit ratings of their counterparties and the maximum exposure to credit risk on these financial instruments is their carrying value.

The Corporation's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2021.

Market risk

Market risk is the risk that the market value or future cash flows of an investment will fluctuate as a result of changes in market factors. Market factors include foreign exchange risk, interest rate risk and equity risk.

Foreign Exchange Risk

Foreign exchange risk relates to the Corporation, Power Financial and the investment platforms 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.

In its ongoing operations, the Corporation may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. At December 31, 2022, approximately 17% of the \$1,277 million of Power Corporation and Power Financial's cash and cash equivalents and fixed income securities were denominated in foreign currencies, consisting of \$179 million in U.S. dollars, \$35 million in euros and \$3 million in Swiss francs. At December 31, 2022, approximately 75% (73% at December 31, 2021) of Power Corporation, Power Financial and investment platforms' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Investments held by Power Corporation, Power Financial and through its investment platforms are either classified as available for sale or at fair value through profit or loss. These investments are diversified among the U.S. dollar, the euro, the Chinese renminbi and the Hong Kong dollar which contributes to reducing the concentration of foreign exchange risk. Unrealized gains and losses on investments classified as AFS resulting from foreign exchange rate variations are recorded in other comprehensive income until realized. Unrealized gains and losses on investments classified as FVPL resulting from foreign exchange rate variations are recorded directly in net earnings. At December 31, 2022, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income or a loss recorded in net earnings of approximately \$77 million and \$34 million, respectively (\$55 million and \$35 million at December 31, 2021, respectively). Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

Power Corporation has net investments in foreign operations. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar and Chinese renminbi spot rates impacts the Corporation's total equity.

Power Financial is exposed to foreign exchange risk on its investment in GBL held through Parjointco as its functional currency is the euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. At December 31, 2022, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$163 million (\$214 million in 2021).

Power Corporation is also exposed to foreign exchange risk on its investment in ChinaAMC. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. At December 31, 2022, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$39 million (\$38 million in 2021).

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in interest rates.

Power Corporation, Power Financial and the investment platforms' financial instruments do not have significant exposure to interest rate risk.

Equity Risk

Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

Investments held by Power Corporation, Power Financial and through its investment platforms are either classified as AFS or FVPL. Unrealized gains and losses on investments classified as AFS are recorded in other comprehensive income until realized. Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. Investments classified as AFS are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the year, the Corporation recorded investment impairment charges on AFS investments of \$18 million (nil in 2021). At December 31, 2022, 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 approximately \$95 million (\$110 million at December 31, 2021) of unrealized loss recorded in other comprehensive income related to investments classified as AFS, and \$147 million (\$128 million at December 31, 2021) of loss recorded in net earnings related to investments classified as FVPL and investments in jointly controlled corporations and associates measured at FVPL.

The investments held by Power Corporation, Power Financial and through its investment platforms classified as AFS or at FVPL, including jointly controlled corporations and associates measured at FVPL, include shares of private and publicly traded companies. At December 31, 2022, investments held in shares of publicly traded companies and private companies represented 24% and 76%, respectively, excluding equity interests held in consolidated investments. The investment platforms are diversified, investing in three distinct economic regions: Europe, North America and China. This diversification avoids a concentration in any one single economy.

GBL holds a portfolio of investments which the Corporation has classified as AFS. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. At December 31, 2022, the impact of a 10% decline in equity markets would have resulted in approximately \$282 million (\$395 million in 2021) of unrealized loss to be recorded in other comprehensive income, representing the Corporation's share of Parjointco's unrealized losses.

The market price of the equity securities of Power Corporation's subsidiaries and investments may be volatile and subject to numerous factors beyond such subsidiaries' control. At times, financial markets have experienced significant price and volume fluctuations that have affected the market price of the equity securities of the subsidiaries and investments, and that are often unrelated to the operating performance, underlying asset values or prospects of such companies. Volatility in the market price of the equity securities of subsidiaries and investments may have an impact on the adjusted net asset value reported by the Corporation.

Power Corporation's management of financial instruments risk has not changed materially since December 31, 2021. For a further discussion of Power Corporation's risk management, please refer to Note 22 to the Corporation's 2022 Consolidated Financial Statements. Lifeco's and IGM's annual MD&As further describe their management of financial instruments risk.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and technologies, or external events, which include the risks of internal and external frauds, inadequate human resources practices, execution and processing errors, model risk, valuation risk, suppliers and third-party risk, business disruptions, cybersecurity, legal risk and regulatory compliance risk. Although operational risk cannot be eliminated entirely, the Corporation's risk management processes are designed to manage these risks in a thorough and diligent manner.

The Corporation manages operational risk by adopting and applying a series of corporate governance policies, procedures and practices such as human resource and compensation practice policies, a clawback policy for all officers, a Code of Business Conduct and Ethics for directors, officers and employees (the Code of Conduct), a Third Party Code of Conduct, business continuity procedures, related party transactions review and other corporate governance guidelines. The Corporation also has established a series of controls for financial reporting and disclosure purposes, and such controls, which are tested on a regular basis, can contribute to identifying and mitigating operational risks.

Cybersecurity risk

The Corporation is exposed to risks relating to cybersecurity, in particular cyber threats, which include cyber-attacks such as, but not limited to, hacking, computer viruses, unauthorized access to confidential, proprietary or sensitive information or other breaches of network or Information Technology (IT) security. The Corporation continues to monitor and enhance its defences and procedures to prevent, detect, respond to and manage cybersecurity threats, which are constantly evolving. Consequently, the Corporation's IT defences are continuously monitored and adapted to both prevent and detect cyber-attacks, and then recover and remediate. Disruption to information systems or breaches of security could result in a negative impact on the Corporation's financial results or result in reputational damage.

Model Risk

Model risk is the risk of adverse consequences arising from the inappropriate use or interpretation of models, or the use of deficient models, data or assumptions by the Corporation or by the investment platforms. Changes in the internal assumptions or other factors affecting the models could lead to a change in fair value. The Corporation and the investment platforms use a variety of models to assist in the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions or investment decisions.

Regulatory compliance risk

Regulatory compliance risk is the risk of the Corporation or its employees failing to comply with the regulatory requirements in effect where the Corporation does business, both in Canada and internationally. There are many laws, governmental rules and regulations, including financial reporting and disclosure rules, that apply to the Corporation. Interpretation of these laws, rules and regulations by the Corporation, governmental agencies, or the courts could result in situations of regulatory non-compliance and could adversely affect the Corporation's reputation and result in penalties, fines and sanctions or increased oversight by regulators. The Corporation, in addition to complying with these laws, rules and regulations, must also monitor them closely so that changes therein are taken into account in the management of its activities.

The Corporation ensures that the tax implications of all of its strategic decisions comply with its legal and tax reporting obligations as well as anticipate potential changes in the current legal framework to avoid any risk of non-compliance that could have adverse impacts.

REPUTATION RISK

Reputation risk is the risk that an activity undertaken by the Corporation would be judged negatively by its stakeholders or the public, whether that judgment is with or without basis, thereby impairing its image and resulting potentially in the loss of business, limited financing capacity, legal action or increased regulatory oversight. Reputation risk can arise from a number of events and is generally related to a deficiency in managing another risk. For example, non-compliance with laws and regulations as well as deficiencies in financial reporting and disclosures can have a significant reputational impact on the organization.

The Board of Directors has adopted the Code of Conduct, which includes the Corporation's guidelines on conflicts of interest, as well as a Third Party Code of Conduct, that govern the conduct of the Corporation's Directors, officers, employees, advisors, consultants and suppliers. The Board of Directors oversees compliance with the Code of Conduct through the Corporation's General Counsel and Secretary, who monitors compliance with the Code of Conduct. Directors and employees of the Corporation are required to confirm annually, and officers are required to confirm quarterly, their understanding of, and agreement to comply with, the Code of Conduct.

SUSTAINABILITY RISK

Sustainability risk is the potential loss associated with the inability of the Corporation and its employees to identify and manage environmental, social and governance risks, which could adversely impact the Corporation's financial position and reputation.

Environmental risks relate to the adverse impacts that could result from global warming and climate change, waste, and resource consumption. Social risks relate to the adverse impacts on people that could result from improper practices related to human rights, labour conditions, health and safety, harassment, diversity, wages and benefits, and supplier management. Governance risks relate to adverse impacts from unethical practices, including corruption and bribery, conflicts of interest, and data privacy.

Anchored by a strong responsible management culture, the Corporation adheres to the clear guidelines set out in its Code of Conduct, which applies to the Corporation's directors, officers and employees, as well as in its Third Party Code of Conduct, which applies to advisors, consultants and suppliers. The Corporation also maintains other supporting policies, procedures and controls, including a Corporate Social Responsibility Statement, an Environmental Policy, a Global Anti-Bribery Policy, a Global Sanctions Policy, a Privacy Policy, and a Respectful Workplace Policy.

The Corporation takes a balanced approach to conducting business, providing training and capacity building for its employees to ensure sustainability risks are identified and mitigated consistent with its policies and procedures. The Board of Directors' risk management oversight includes ensuring that material environmental, social and governance risks are appropriately identified, managed and monitored.

OTHER RISKS

Tax Risk

Jurisdictions in which the Corporation and its subsidiaries operate periodically review and amend their tax laws and policies. Changes to tax rates may increase the tax expense of the Corporation and its subsidiaries, adversely impacting earnings.

Management actively monitors changes and developments to domestic and international tax laws and policies and their potential impacts.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published model rules outlining a structure for a new 15% global minimum tax to be implemented by participating countries at a future date, currently expected to be 2024. In December 2022, the European Union adopted a directive that member countries must enact the 15% minimum tax into their domestic laws by the end of 2023, for expected implementation in 2024. The Canadian government confirmed its commitment to implement the global minimum tax, with implementation, including timing, to be coordinated with international partners, but no legislation has yet been proposed. The countries where the Corporation and its subsidiaries currently operate have indicated their participation; however, none have implemented legislation. A number of these countries currently operate at a lower tax rate than the proposed minimum, and when legislation is enacted an increase in the effective tax rate is expected. The Corporation and its subsidiaries are awaiting legislation and detailed guidance to assess the full implications in the jurisdictions in which the Corporation and its subsidiaries operate.

COVID-19

The Corporation is managing the risks associated with the COVID-19 pandemic utilizing its existing risk management framework. At Power Corporation and its group companies, the focus has continued to be on managing the safety and well-being of its people, maintaining operational effectiveness, ensuring that the group can serve its customers, assessing impacts on earnings, liquidity and capital, planning for different potential scenarios and engaging with stakeholders. The respective boards of directors of Lifeco, IGM, and GBL are responsible for the governance structures and processes to oversee the management of the risk and potential impacts presented by the current economic slowdown and other potential consequences due to COVID-19. For additional information on the risks and processes in place at Lifeco and IGM, refer to their annual MD&As.

The duration and full impacts of the COVID-19 pandemic are still unknown at this time. The distribution of vaccines has resulted in the easing of restrictions in many economies, although the COVID-19 pandemic continues to cause disruption to key supply chains globally, resulting in ongoing economic pressures. While the conditions have become more stable, many factors continue to extend economic uncertainty, including the rollout and efficacy of vaccines, emergence of new COVID-19 variants and the durability and effectiveness of government and central bank interventions.

Geopolitical Tensions

Continuing military hostilities in Ukraine and broader economic challenges, particularly those related to trade relations, inflation pressures and volatility in international capital flows among major economies, are contributing to a challenging economic environment. Economic growth has slowed across geographies over the course of the year, reflecting trade tensions, central bank efforts to combat inflation, and continued labour market and supply chain disruptions. The Corporation is closely monitoring the impacts and potential consequences on its financial position. The diversified nature of the Corporation's operating subsidiaries, their business models and the markets served, continue to mitigate risks presented by ongoing global uncertainty.

The duration and full impacts of the COVID-19 pandemic and the geopolitical tensions are still unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods. Refer to Note 2 of the 2022 Consolidated Financial Statements for additional disclosure of the impact on the Corporation's significant judgments, estimates and assumptions. For additional discussion on risk management, measurement uncertainty and the potential exposures at Lifeco and IGM, refer to their annual MD&As.

Emerging Risks

An emerging risk is a risk not well understood at the current time and for which the impacts on the Corporation, including on its strategy and financial results, are difficult to assess or are in the process of being assessed.

Monitoring emerging risks is an important component of risk management. Power Corporation is actively monitoring emerging risks through:

- Review and analysis at the boards and committees of its operating companies around the world where local executives describe the emerging risks in their respective environments.
- The Corporation's executive officers act as the Corporation's risk management committee. They meet regularly to identify, analyze and review the Corporation's risks and to implement strategies to mitigate these risks.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

Fair value represents the amount that would be exchanged in an arm's-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Fair values represent management's estimates and are generally calculated using market information and at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

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

- Level 1 inputs utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 inputs utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs 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 Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement. The Corporation and its subsidiaries' assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

The following table presents the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded or disclosed at fair value. The table distinguishes between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

At December 31	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Assets recorded at fair value				
Bonds				
Fair value through profit or loss	113,772	113,772	103,708	103,708
Available for sale	12,222	12,222	12,603	12,603
Mortgage and other loans				
Fair value through profit or loss	3,230	3,230	2,724	2,724
Available for sale	240	240	-	-
Shares				
Fair value through profit or loss	14,227	14,227	13,975	13,975
Available for sale ^[1]	1,038	1,038	1,343	1,343
Investment properties	8,344	8,344	7,763	7,763
Funds held by ceding insurers	11,851	11,851	14,999	14,999
Derivative instruments	2,480	2,480	1,049	1,049
Reinsurance assets	73	73	106	106
Other assets	3,163	3,163	1,890	1,890
	170,640	170,640	160,160	160,160
Assets disclosed at fair value				
Bonds				
Loans and receivables	33,962	30,464	24,676	26,717
Mortgage and other loans				
Loans and receivables	41,186	38,114	31,542	32,406
Shares				
Available for sale	119	119	-	-
Funds held by ceding insurers	129	129	126	126
	75,396	68,826	56,344	59,249
Total	246,036	239,466	216,504	219,409
Liabilities				
Liabilities recorded at fair value				
Investment contract liabilities	13,810	13,810	12,455	12,455
Derivative instruments	1,717	1,717	1,063	1,063
Limited-life and redeemable fund units ^[2]	1,697	1,697	1,160	1,160
Other liabilities	191	191	227	227
	17,415	17,415	14,905	14,905
Liabilities disclosed at fair value				
Obligations to securitization entities	4,610	4,544	5,058	5,146
Power Corporation's debentures and other debt instruments	647	650	647	869
Non-recourse debentures and other debt instruments	14,727	13,446	12,533	14,056
Deposits and certificates	5,978	5,978	3,968	3,968
Other liabilities	243	243	110	110
	26,205	24,861	22,316	24,149
Total	43,620	42,276	37,221	39,054

[1] Fair value of certain shares available for sale cannot be reliably measured, therefore these investments are recorded at cost.

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

See Note 27 to the Corporation's 2022 Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement at December 31, 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the twelve-month period ended December 31, 2022. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	2022			2021		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
December 31						
Power Corporation	301	3	(19)	121	12	12
Power Financial	14	5	5	20	13	13
Lifeco	46,639	2,314	675	36,570	967	(63)
IGM	1,751	64	12	1,840	41	23
Other subsidiaries	1,809	94	90	1,361	16	1
	50,213	2,477	782	39,791	1,037	(26)
	50,514	2,480	763	39,912	1,049	(14)

During the twelve-month period ended December 31, 2022, there was an increase of \$10.6 billion in the notional amount of derivatives outstanding, primarily due to increases to cross-currency swaps related to the Prudential acquisition and regular hedging activities by Lifeco. As well, the Corporation entered into a total return swap to hedge the volatility of a portion of its liability related to its cash-settled share-based payments. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to \$2,480 million

at December 31, 2022 from \$1,049 million at December 31, 2021. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars.

See Note 26 to the Corporation's 2022 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. See also Note 32 to the Corporation's 2022 Consolidated Financial Statements.

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity.

Potentia and PSEIP have issued letters of credit totalling \$326 million with one-year terms to support required lender reserves, performance guarantees for operating solar assets and awarded wind power purchase agreements, as well as commitments for projects under construction.

See also Note 32 to the Corporation's 2022 Consolidated Financial Statements.

Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. See also Note 31 to the Corporation's 2022 Consolidated Financial Statements.

Commitments and Contractual Obligations

	Payments due by period				
	Less than 1 year	1-5 years	More than 5 years	Undefined ^[1]	Total
At December 31, 2022					
Power Corporation ^[2]	8	1	653	154	816
Power Financial ^[2]	15	2	253	–	270
Lifeco	7,406	2,558	7,410	–	17,374
IGM	5,328	4,272	1,706	–	11,306
Alternative asset investment platforms and consolidation entries	2,642	673	1,086	258	4,659
Total	15,399	7,506	11,108	412	34,425
Debtentures and other debt instruments ^[3]	2,017	3,040	10,394	–	15,451
Obligations to securitization entities	948	3,651	11	–	4,610
Deposits and certificates	5,976	1	1	–	5,978
Lease obligations ^[4]	134	427	631	–	1,192
Purchase obligations ^[5]	749	303	64	–	1,116
Pension contributions ^[6]	330	–	–	–	330
Contractual commitments ^{[1][7]}	5,245	84	7	412	5,748
Total	15,399	7,506	11,108	412	34,425

[1] Includes \$154 million of outstanding commitments from the Corporation to make future capital contributions to investment funds; the exact amount and timing of each capital contribution cannot be determined. Excludes commitments to controlled and consolidated funds.

[2] Includes debtentures of the Corporation of \$650 million and Power Financial of \$250 million.

[3] Please refer to Note 14 and Note 15 to the Corporation's 2022 Consolidated Financial Statements for further information.

[4] Please refer to Note 16 to the Corporation's 2022 Consolidated Financial Statements for further information.

[5] Purchase obligations are commitments of Lifeco to acquire goods and services, primarily related to information services, as well as construction and turbine purchase contracts related to wind projects under construction at Potentia.

[6] Pension contributions include expected contributions to defined benefit and defined contribution pension plans as well as other post-employment benefit plans and are subject to change, as contribution decisions are affected by many factors including market performance, regulatory requirements and management's ability to change funding policy. Funding estimates beyond one year are excluded due to variability in the assumptions required to project the timing of future contributions.

[7] Includes \$5,336 million of commitments by Lifeco. These contractual commitments are essentially commitments of investment transactions made in the normal course of operations, in accordance with Lifeco's policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions.

Income Taxes

The non-capital losses of the holding company, at December 31, 2022, were \$1,205 million (\$1,165 million for which the benefits have not been recognized) and are available to reduce future taxable income (including capital gains). These losses expire from 2028 to 2042.

The capital losses of the holding company, at December 31, 2022, were \$144 million (\$50 million for which the benefits have not been recognized) and can be used indefinitely to offset capital gains.

In addition, at December 31, 2022, deductible temporary differences for which the benefits have not been recognized were \$466 million.

Transactions with Related Parties

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

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

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

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

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

In 2022, a wind project which had reached commercial operation was transferred to PSEIP from Potentia in exchange for consideration in cash and units in the fund. Refer to the section "Power Sustainable" in the section "Alternative Asset Investments Platforms".

On January 12, 2023, subsequent to year-end, the Corporation and IGM completed a previously announced agreement in which IGM acquired the Corporation's 13.9% interest held in ChinaAMC. In a separate transaction, IGM sold a 1.6% interest held in Lifeco to Power Financial. Refer to the section "ChinaAMC" in the section "2022 Highlights".

See Note 30 to the Corporation's 2022 Consolidated Financial Statements for additional information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated or accounted for using the equity method, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets, income taxes and employee future benefits. These are described in the notes to the Corporation's 2022 Consolidated Financial Statements.

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

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

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

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

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

The fair value of investments (Note 27 of the 2022 Consolidated Financial Statements), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and of its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of the Corporation's 2022 Consolidated Financial Statements.

CONSOLIDATION

Management of the Corporation consolidates all subsidiaries and entities in which it has determined that the Corporation has control. Control is evaluated according to the ability of the Corporation to direct the relevant activities of the subsidiaries or other structured entities in order to derive variable returns. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Corporation or its subsidiaries have the ability to exercise their power to affect variable returns.

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. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether joint control or significant influence exists.

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.

INSURANCE AND INVESTMENT CONTRACT LIABILITIES Measurement

Insurance contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with Lifeco. The Appointed Actuaries of Lifeco's subsidiaries are responsible for determining the amount of the liabilities in order to make appropriate provisions for Lifeco's obligations to policyholders. The Appointed Actuaries determine the liabilities for insurance and investment contracts using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method (CALM). This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

Additional details regarding these estimates can be found in Note 12 to the Corporation's 2022 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

The carrying values of financial assets reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods the Corporation and its subsidiaries rely upon.

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds and mortgage and other loans designated or classified as fair value through profit or loss that support insurance contract liabilities are largely offset by corresponding changes in the fair value of these liabilities, except when the bond has been deemed impaired.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following is a description of the methodologies used to determine fair value.

Bonds and mortgage and other loans at fair value through profit or loss and available for sale

Fair values of bonds and mortgage and other loans recorded at fair value through profit or loss or available for sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure bonds and mortgage and other loans at fair value. Where prices are not quoted in a normally active market, fair values are determined by valuation models.

The Corporation and its subsidiaries estimate the fair value of bonds and mortgage and other loans not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodologies, discounted cash flow analyses and/or internal valuation models. These methodologies consider 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 and mortgage and other loans that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Shares at fair value through profit or loss and available for sale

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 movements 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 dates to measure shares at fair value.

Equity-release mortgages at fair value through profit or loss and available for sale

There are no market-observable prices for equity-release mortgages; Lifeco uses an internal valuation model which is based on discounting expected future cash flows and considering 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.

Bonds and mortgage and other loans classified as loans and receivables

The fair values disclosed for bonds and mortgage and other loans, classified as loans and receivables, 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.

Investment properties

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

IMPAIRMENT OF INVESTMENTS

Investments 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.

Investments are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of an investment 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.

For impaired bonds and mortgage and other loans classified as loans and receivables, provisions are established or impairments recorded to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish the net realizable value. Where available-for-sale bonds are determined to be impaired, the accumulated loss recorded in other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. As well, interest is no longer accrued on impaired bonds and mortgage and other loans and previous interest accruals are reversed in net investment income.

Impairment losses on available-for-sale shares are recorded in net investment income if the loss is significant or prolonged. Subsequent losses are recorded directly in net investment income.

GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS IMPAIRMENT TESTING

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Indefinite life intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal.

Goodwill and indefinite life intangible assets have been allocated to cash generating units or to groups of cash generating units (CGUs), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of the CGUs to the recoverable amount of the CGUs to which the goodwill and indefinite life intangible assets have been allocated.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of estimated future cash flows expected to be generated.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors, unfunded supplementary employee retirement plans (SERP) for eligible employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. Expenses for defined benefit plans are actuarially determined using the projected unit credit method prorated on service, based upon management of the Corporation and of its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of the pension benefit asset or liability. The Corporation and its subsidiaries' accrued benefit asset or liability in respect to defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets.

- The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit asset or liability at the beginning of the annual period to the net accrued benefit asset or liability. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds.
- If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.
- Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are recognized in operating and administrative expenses in the statements of earnings.
- Remeasurements represent actuarial gains and losses, the actual return on plan assets greater (less) than interest income, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.
- The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).
- Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

Current income tax

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

Deferred income tax

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

Recognition of deferred tax assets is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability.

The uncertainty of the recoverability is taken into account in establishing the deferred tax assets. The Corporation and its subsidiaries' financial planning process provides a significant basis for the measurement of deferred tax assets.

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

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

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

Changes in Accounting Policies

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

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

Future Accounting Changes

The Corporation and its subsidiaries monitor changes in IFRS, both proposed and released, by the IASB and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. See Note 2 to the Corporation's 2022 Consolidated Financial Statements. The following sets out significant standards that will be adopted on January 1, 2023:

IFRS 17 – Insurance Contracts (IFRS 17), and IFRS 9 – Financial Instruments (IFRS 9)

Effective January 1, 2023, IFRS 17 will replace IFRS 4.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues, reinsurance contracts it holds, and investment contracts with discretionary participation features issued. Under IFRS 17, Lifeco will:

- Identify insurance contracts as arrangements where an entity 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 are unknown.
- Separately account for specified embedded derivatives, distinct investment components, and distinct non-insurance goods and services from insurance contracts.
- Identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Portfolios are further divided based on expected profitability at inception. At a minimum, each portfolio of insurance contracts issued shall be divided into the following groups:
 - Contracts that are onerous at initial recognition;
 - Contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
 - Any of the remaining contracts in the portfolio.
- Apply the three measurement models introduced by IFRS 17 as further described below:

General Measurement Model (GMM)

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

Under this model, insurance contract liabilities on the balance sheets are measured as the total of:

- [i] The fulfillment cash flows (FCF): the current estimates of amounts that a company expects to collect (e.g., premiums) and pay out (e.g., claims, benefits, expenses), including adjustments for the timing and the financial and non-financial risks of those amounts; and
- [ii] The contractual service margin (CSM): unearned profit for providing insurance coverage, which is subsequently recognized into profit or loss over time as the insurance services are provided.

At the end of each period, Lifeco will recalculate the FCF and CSM, with the CSM subject to adjustments for interest accretion and certain changes to FCF relating to future service.

Premium Allocation Approach (PAA)

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

This simplified model can be used when the contract boundary is less than one year or the approach is expected to produce a similar liability amount as under the GMM. Under the PAA, calculating and explicitly accounting for the CSM is exempted. Instead, the liability is set as the premiums received less acquisition expenses, premium revenue recognized, and amounts transferred to fund incurred claims.

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).

Similar to the GMM, the VFA initially measures the insurance contract liabilities as the FCF plus CSM. Subsequently, the FCF and CSM are recalculated, with the latter reflecting changes in Lifeco's share of the pool of items (e.g., future fees and guarantee costs) and certain changes to FCF relating to future service.

A group of insurance contracts issued is considered onerous when the measurement leads to a negative CSM either at issue or when subsequently measured. In this case, the CSM is not allowed to decrease below zero and a loss component is tracked.

The measurement of reinsurance contracts held is similar to insurance contracts issued with the following key differences: the CSM can be positive or negative, and the VFA measurement model cannot be used.

On transition to IFRS 17, Lifeco and the Corporation will apply the full retrospective approach to all identified insurance contracts unless it is impracticable to do so. When impracticable, the fair value approach will be applied.

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 FCF measured at that date.

In addition, IFRS 9 will replace IAS 39, effective January 1, 2023. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset. All financial assets are measured as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost;
- Allowances for credit losses (ACL) are based on an expected credit loss (ECL) model for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. Under the ECL model, a loss allowance is recognized and maintained equal to 12 months of expected credit losses upon initial recognition. If credit risk subsequently increases significantly, or an asset becomes credit-impaired, the loss allowance is increased to cover full lifetime expected credit losses. Changes in the required loss allowance will be recorded in net investment income in the statements of earnings; and
- Hedge accounting that incorporates the risk management practices of an entity, which will not have a material impact to the Corporation.

The current disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9.

The Corporation's date of initial application of IFRS 9 is January 1, 2023 and the Corporation anticipates electing the option of presenting comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period, on an instrument-by-instrument basis, as permitted by the amendment to IFRS 17 published by the IASB in December 2021. IFRS 9 includes an accounting policy choice to retain the IAS 39 requirements for hedge accounting, which the Corporation and its subsidiaries are currently evaluating.

The adoption of IFRS 17 and IFRS 9 is expected to result in an overall reduction of total assets of approximately \$16.4 billion, total liabilities of \$13.0 billion, and total equity of approximately \$3.4 billion to the transition balance sheet as at January 1, 2022.

Asset and liability reclassifications were primarily driven by changes to the groupings of certain assets and liabilities, reclassifications of certain insurance contract liabilities to investment contract liabilities, and presenting liabilities on account of segregated fund policyholders separately between insurance and investment contract liabilities. IFRS 9 adjustments primarily relate to a

change in designation of certain loans and receivables held at amortized cost under IAS 39 to FVTPL under IFRS 9. IFRS 17 adjustments relate to changes in insurance contract liabilities and reinsurance assets, which are primarily the result of the establishment of CSM for in-force contracts of \$4.4 billion associated with shareholders' equity and \$4.2 billion associated with non-controlling interests, partially offset by the removal of provisions no longer required under IFRS 17. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital or opening equity.

Total equity is expected to decrease by approximately \$3.4 billion, consisting of \$1.2 billion reduction to non-controlling interests and \$2.2 billion reduction to shareholders' equity.

These impacts are based on the assessments undertaken to date. The exact financial impacts of the accounting changes due to adopting IFRS 17 and IFRS 9 may be revised as further analysis is completed prior to presentation of financial information for periods including the date of initial application. The Corporation and Lifeco expect to be in a position to issue further guidance on the impact of adopting IFRS 17 and IFRS 9 in conjunction with their first quarterly report to shareholders for the financial year commencing January 1, 2023.

The following sets out other future accounting standards:

Standard	Summary of future changes
IAS 1 – <i>Presentation of Financial Statements</i>	In February 2021, the IASB published <i>Disclosure of Accounting Policies</i> , amendments to IAS 1, <i>Presentation of Financial Statements</i> . The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.
IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	In February 2021, the IASB published <i>Definition of Accounting Estimates</i> , amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.
IAS 12 – <i>Income Taxes</i>	In May 2021, the IASB published <i>Deferred Tax Related to Assets and Liabilities from a Single Transaction</i> , amendments to IAS 12, <i>Income Taxes</i> . The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.
IFRS 16 – <i>Leases</i>	In September 2022, the IASB published <i>Lease Liability in a Sale and Leaseback</i> , amendments to IFRS 16, <i>Leases</i> . The amendments clarify that in a sale and leaseback transaction, the seller-lessee subsequent measurement of the lease liability arising from a leaseback does not recognize any amount of gain or loss related to the right of use it retains. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.

Disclosure Controls and Procedures

Based on their evaluations at December 31, 2022, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective at December 31, 2022.

Internal Control over Financial Reporting

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

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

The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting at December 31, 2022, based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective at December 31, 2022.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended December 31, 2022 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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

As permitted by securities legislation, for the period ended December 31, 2022, Lifeco's management has limited the scope of its design of Lifeco's disclosure controls and procedures and Lifeco's internal control over financial reporting to exclude controls, policies and procedures of the Prudential full-service retirement services business, which Lifeco acquired on April 1, 2022.

For the twelve months ended December 31, 2022, the acquired Prudential retirement services business had revenue of \$609 million, net earnings of \$94 million post-tax including negative market-related impact on liabilities of \$9 million and integration costs of \$19 million post-tax, and other comprehensive loss of \$43 million. The initial amounts assigned to the assets acquired, goodwill and intangible assets on April 1, 2022 and reported as at December 31, 2022 were \$124,967 million. The initial amounts assigned to the liabilities assumed on April 1, 2022 and reported as at December 31, 2022 were \$122,339 million. During the fourth quarter of 2022, Lifeco completed its comprehensive evaluation of the fair value of net assets acquired from Prudential and the purchase price allocation.

Power Financial Corporation

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

At December 31, 2022	Lifeco	IGM	Corporate and other ⁽¹⁾	Effect of consolidation	Total Power Financial	Total Power Corporation
Total assets	701,455	18,873	28,031	(22,537)	725,822	733,650
Total liabilities	669,137	12,610	3,603	(371)	684,979	689,548

For the three-months ending December 31, 2022	Power Financial	Power Corporation
Cash flows from operations	1,668	1,624

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

OTHER SUPPLEMENTAL INFORMATION OF POWER FINANCIAL

First Preferred Shares Issued and Outstanding

December 31	2022		2021	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
First Preferred Shares (perpetual)				
Series A ⁽¹⁾	4,000,000	100	4,000,000	100
Series D ⁽¹⁾	6,000,000	150	6,000,000	150
Series E ⁽¹⁾	8,000,000	200	8,000,000	200
Series F ⁽¹⁾	6,000,000	150	6,000,000	150
Series H ⁽¹⁾	6,000,000	150	6,000,000	150
Series K ⁽¹⁾	10,000,000	250	10,000,000	250
Series L ⁽¹⁾	8,000,000	200	8,000,000	200
Series O ⁽¹⁾	6,000,000	150	6,000,000	150
Series P ⁽¹⁾	9,657,516	241	9,657,516	241
Series Q ⁽¹⁾	1,542,484	39	1,542,484	39
Series R ⁽¹⁾	10,000,000	250	10,000,000	250
Series S ⁽¹⁾	12,000,000	300	12,000,000	300
Series T ⁽¹⁾	8,000,000	200	8,000,000	200
Series V ⁽¹⁾	10,000,000	250	10,000,000	250
Series 23 ⁽¹⁾	8,000,000	200	8,000,000	200
		2,830		2,830

First Preferred Shares

[i] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend, at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks and are redeemable, at Power Financial's option, at \$25.00 per share, together with all declared and unpaid dividends to the date fixed for redemption.

[ii] The following First Preferred Shares series are entitled to non-cumulative preferential cash dividends payable quarterly. Power Financial may redeem for cash the First Preferred Shares in whole or in part, at Power Financial's option, with all declared and unpaid dividends to, but excluding, the date of redemption. The dividends and redemption terms are as follows:

First Preferred Shares		Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
		(\$/share)		(\$/share)
Non-cumulative, fixed rate				
Series D,	5.50%	0.343750	Currently redeemable	25.00
Series E,	5.25%	0.328125	Currently redeemable	25.00
Series F,	5.90%	0.368750	Currently redeemable	25.00
Series H,	5.75%	0.359375	Currently redeemable	25.00
Series K,	4.95%	0.309375	Currently redeemable	25.00
Series L,	5.10%	0.318750	Currently redeemable	25.00
Series O,	5.80%	0.362500	Currently redeemable	25.00
Series R,	5.50%	0.343750	Currently redeemable	25.00
Series S,	4.80%	0.300000	Currently redeemable	25.00
Series V,	5.15%	0.321875	Currently redeemable	26.00
Series 23,	4.50%	0.281250	January 31, 2027	26.00
Non-cumulative, 5-year rate reset ^[1]				
Series P,	1.998% ^[2]	0.124875	January 31, 2026	25.00
Series T,	4.215%	0.263438	January 31, 2024	25.00
Non-cumulative, variable rate				
Series Q,	3-month Government of Canada Treasury Bill + 1.60% ^{[2][3]}	Variable	Currently redeemable	25.50

[1] The dividend rate will reset on the earliest issuer redemption date and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus a reset spread (1.60% for Series P and 2.37% for Series T). The holders have the option to convert their shares into non-cumulative floating rate First Preferred Shares subject to certain conditions on the earliest redemption date and every fifth year thereafter at a rate equal to the 3-month Government of Canada Treasury Bill rate plus the reset spread indicated.

[2] Pursuant to the terms of the Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P (Series P shares) and the Non-Cumulative Floating Rate First Preferred Shares, Series Q (Series Q shares), on February 1, 2021, holders of 137,539 Series P shares elected to convert their shares into Series Q shares and holders of 829,570 Series Q shares elected to convert their shares into Series P shares on a one-for-one basis. The dividend rate for the Series P shares was reset to an annual fixed rate of 1.998% or \$0.124875 per share cash dividend payable quarterly.

[3] The holders have the option to convert their shares into Series P First Preferred Shares, subject to certain conditions, on the earliest redemption date and every fifth year thereafter. Power Financial may redeem for cash the Series Q shares, at Power Financial's option, at \$25.00 per share if redeemed on January 31, 2026 and on January 31 every five years thereafter, or \$25.50 per share if redeemed at any other date.

On October 15, 2021, Power Financial issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 for gross proceeds of \$200 million.

On November 22, 2021, Power Financial redeemed all 8,000,000 of its outstanding 6.00% Non-Cumulative First Preferred Shares, Series I for a total of \$200 million.

Non-IFRS Financial Measures

NON-IFRS FINANCIAL MEASURES

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

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

Non-IFRS financial measure	Definition	Purpose
Consolidated assets and assets under management, and Consolidated assets and assets under administration	<p>Consolidated assets and assets under management includes total assets per the financial statements as well as assets managed on behalf of clients which are beneficially owned by clients and are not recognized in the consolidated financial statements including:</p> <ul style="list-style-type: none"> Internally and externally managed funds, including proprietary mutual funds, exchange-traded funds and institutional assets, where the Corporation's publicly traded operating companies and alternative asset investment platforms have oversight of the investment policies; and The fair value of assets managed on behalf of the clients by asset managers controlled within the investment platforms, including assets managed through a separately managed account. <p>Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.</p> <p>Consolidated assets and assets under administration includes consolidated assets under management and other assets under administration. Other assets under administration includes assets where the Corporation's consolidated publicly traded operating companies and investment management services businesses only provide administration services for which they earn fees and other income. These assets are beneficially owned by the clients and the Corporation's operating subsidiaries do not direct the investing activities. Services provided relating to assets under administration include record keeping, safekeeping, collecting investment income, settling of transactions or other administrative services.</p>	<p>Consolidated assets and assets under management and Consolidated assets and assets under administration provide an indicator of the size and volume of the Corporation's consolidated businesses, including the publicly traded operating companies and alternative asset investment platforms.</p> <p>Consolidated assets and assets under administration includes assets in which the Corporation's consolidated publicly traded operating companies and investment management services businesses only provide administration services, which are an important aspect of the overall business and should be considered when comparing volumes, size and trends.</p>
Fee-related earnings (of alternative asset investment platforms)	<p>Fee-related earnings is presented for Sagard and Power Sustainable and includes revenues from management fees earned across all asset classes, less i) fee-related compensation including salary, bonus, and benefits, and ii) operating expenses. Fee-related earnings is presented on a gross pre-tax basis, including non-controlling interests.</p> <p>Fee-related earnings excludes i) share-based compensation expenses, ii) amortization of acquisition-related intangibles, iii) foreign exchange-related gains and losses, iv) net interest, and v) other items that in management's judgment are not indicative of underlying operating performance of the alternative asset investment platforms, which include restructuring costs, transaction and integration costs related to business acquisitions and certain non-recurring material items.</p>	<p>This measure is presented for the alternative asset investment platforms, Sagard and Power Sustainable, and is used to assess the profitability from their asset management activities. This financial measure provides insight as to whether recurring revenues from management fees, which are not based on future realization events, are sufficient to cover associated operating expenses.</p>

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

These non-IFRS financial measures do not have a standard meaning and may not be comparable to similar measures used by other entities.

RECONCILIATIONS OF IFRS AND NON-IFRS FINANCIAL MEASURES

Adjusted Net Earnings

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

Twelve months ended December 31	2022	2021
Adjusted net earnings – Non-IFRS financial measure ^[1]	1,915	3,230
Share of Adjustments ^[2] , net of tax		
Lifeco	–	(89)
IGM	8	(96)
Sagard and Power Sustainable	(10)	(115)
Corporate operations	–	(13)
	(2)	(313)
Net earnings – IFRS financial measure ^[1]	1,913	2,917

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM, Sagard and Power Sustainable, and corporate operations.

Adjustments (Excluded from Adjusted Net Earnings)

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

Twelve months ended December 31	2022	2021
Lifeco^[1]		
Actuarial assumption changes and other management actions (pre-tax)	59	99
Income tax (expense) benefit	27	(9)
Market-related impacts on liabilities (pre-tax)	(27)	23
Income tax (expense) benefit	5	(7)
Transaction costs related to acquisitions (pre-tax)	(46)	(139)
Income tax (expense) benefit	13	13
Restructuring and integration charges (pre-tax)	(118)	(60)
Income tax (expense) benefit	31	16
Tax legislative changes impact	37	-
Income tax (expense) benefit	19	(14)
Net gain (loss) on business dispositions (pre-tax)	-	(9)
Income tax (expense) benefit	-	-
	-	(87)
Effect of consolidation (pre-tax) ^[2]	-	(2)
Income tax (expense) benefit	-	-
	-	(89)
IGM^[1]		
Net gain on business dispositions (pre-tax)	-	7
Income tax (expense) benefit	-	(2)
	-	5
Effect of consolidation (pre-tax) ^[2]	7	(101)
Income tax (expense) benefit	1	-
	8	(96)
Sagard and Power Sustainable		
Remeasurements of Wealthsimple's put right liability	-	(100)
Impairment charges on direct investments in energy infrastructure (pre-tax)	(13)	(19)
Income tax (expense) benefit	3	4
	(10)	(115)
Corporate operations		
Reorganization charges	-	(13)
	(2)	(313)

[1] As reported by Lifeco and IGM.

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

Adjusted Net Asset Value

The following table presents a reconciliation of the participating shareholders' equity reported in accordance with IFRS to the adjusted net asset value, a non-IFRS financial measure. Adjusted net asset value is presented in the section "Adjusted Net Asset Value":

December 31	2022	2021
Participating shareholders' equity – IFRS financial measure		
Stated capital – participating shares	9,486	9,603
Retained earnings	11,103	10,807
Reserves	2,482	2,975
	23,071	23,385
Fair value adjustments ^[1]		
Lifeco	2,768	8,049
IGM	1,907	3,315
GBL	(926)	(1,121)
Alternative asset investment platforms	607	958
ChinaAMC	367	384
Other investments and standalone businesses	206	656
Adjustments to Other liabilities ^[1]	(37)	(39)
	4,892	12,202
Adjusted net asset value – Non-IFRS financial measure	27,963	35,587
Per share^[2]		
Participating shareholders' equity (book value)	34.58	34.56
Adjusted net asset value	41.91	52.60

[1] Refer to the section "Adjusted Net Asset Value" for more details on the fair value and other adjustments.

[2] Attributable to participating shareholders.

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

	2022				2021			
[in billions of dollars]	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total consolidated assets per financial statements	734	703	700	631	662	645	635	621
Other assets under management	509	490	492	545	575	553	540	523
Total consolidated assets and assets under management	1,243	1,193	1,192	1,176	1,237	1,198	1,175	1,144
Other assets under administration	1,505	1,430	1,390	1,274	1,312	1,249	1,229	1,166
Total consolidated assets and assets under administration	2,748	2,623	2,582	2,450	2,549	2,447	2,404	2,310

Fee-related earnings (of alternative asset investment platforms)

The following table presents the reconciliation of the net earnings attributable to participating shareholders of Power Corporation in accordance with IFRS to the fee-related earnings of the alternative asset investment platforms, a non-IFRS financial measure. Fee-related earnings is presented in the section "Asset Management Activities" of the section "Sagard and Power Sustainable".

Twelve months ended December 31	2022	2021
Net earnings attributable to participating shareholders of Power Corporation – IFRS financial measure	1,913	2,917
Excluding:		
Contribution to net earnings from Lifeco	(2,093)	(2,073)
Contribution to net earnings from IGM	(544)	(474)
Contribution to net earnings from GBL	15	(172)
Contribution to net earnings from Lifeco, IGM and GBL	(2,622)	(2,719)
Contribution to net earnings from the holding company ^[1]	266	338
Contribution to net earnings from Alternative Asset Investment Platforms and Other ^[1]	(443)	536
Excluding:		
Investing activities	292	(266)
Standalone businesses	68	(225)
Contribution to net earnings from Asset Management Activities	(83)	45
Adjustments:		
Sagard		
Non-controlling interests	(12)	4
Loss from private wealth platform and other asset management activities	9	5
Net carried interest	62	(96)
Share-based compensation	5	4
Depreciation and amortization on intangibles	2	–
Income taxes and other	(2)	5
Power Sustainable		
Loss from development and asset management activities provided by Potentia and Nautilus on behalf of PSEIP	5	(2)
Net performance fees and carried interest	(30)	(4)
Income taxes and other	(1)	(2)
	38	(86)
Fee-related earnings–Non-IFRS financial measure	(45)	(41)
<i>Sagard</i>	<i>(4)</i>	<i>(6)</i>
<i>Power Sustainable</i>	<i>(41)</i>	<i>(35)</i>

[1] In the second quarter of 2022, an allocation of certain expenses is included in the Corporation's other investing activities, which was previously presented in Power Sustainable. The comparative information has been restated to reflect these changes.

OTHER MEASURES

This review of financial performance also includes other measures, which include:

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

Selected Annual Information

For the years ended December 31	2022	2021	2020
Total revenues	48,695	69,561	64,616
Consolidated assets and assets under management [in billions] ^[1]	1,243	1,237	1,142
Consolidated assets and assets under administration [in billions] ^[1]	2,748	2,549	2,195
Net earnings (attributable to participating shareholders)	1,913	2,917	1,994
per share – basic	2.85	4.31	3.08
per share – diluted	2.80	4.27	3.08
Adjusted net earnings (attributable to participating shareholders) ^[1]	1,915	3,230	1,988
per share – basic ^[1]	2.85	4.77	3.07
Consolidated assets	733,650	661,633	629,104
Total financial liabilities	48,550	41,993	38,275
Power Corporation's debentures and other debt instruments	647	647	756
Non-recourse debentures and other debt instruments	14,727	12,533	13,299
Shareholders' equity	24,021	24,339	22,207
Book value per participating share	34.58	34.56	31.38
Number of participating shares outstanding [millions]			
Participating preferred shares	54.9	54.9	54.9
Subordinate voting shares	612.2	621.8	622.4
Dividends per share [declared]			
Participating shares	1.9800	1.8375	1.7900
First preferred shares of Power Corporation			
1986 Series ^[2]	–	0.8576	1.0124
Series A	1.4000	1.4000	1.4000
Series B	1.3375	1.3375	1.3375
Series C	1.4500	1.4500	1.4500
Series D	1.2500	1.2500	1.2500
Series G	1.4000	1.4000	1.4000
First preferred shares of Power Financial			
Series A ^[3]	0.7223	0.4288	0.4839
Series D	1.3750	1.3750	1.3750
Series E	1.3125	1.3125	1.3125
Series F	1.4750	1.4750	1.4750
Series H	1.4375	1.4375	1.4375
Series I ^[4]	–	1.2154	1.5000
Series K	1.2375	1.2375	1.2375
Series L	1.2750	1.2750	1.2750
Series O	1.4500	1.4500	1.4500
Series P ^[5]	0.4995	0.4995	0.5765
Series Q ^[6]	0.8221	0.4312	0.5403
Series R	1.3750	1.3750	1.3750
Series S	1.2000	1.2000	1.2000
Series T	1.0538	1.0538	1.0538
Series V	1.2875	1.2875	1.2875
Series 23 ^[7]	1.1250	0.3329	–

[1] Consolidated assets and assets under management, consolidated assets and assets under administration, adjusted net earnings and adjusted net earnings per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures" in this review of financial performance. In the first quarter of 2021, the charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value was presented as an Adjustment as these rights were extinguished at the close of the transaction and thereafter will not have future fair value changes. The related amounts in the comparative periods have been reclassified as an Adjustment to reflect this presentation.

[2] The 1986 Series First Preferred Shares were entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks. The 1986 Series First Preferred Shares were redeemed by the Corporation on January 15, 2022.

[3] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks.

[4] Power Financial redeemed the Series I First Preferred Shares on November 22, 2021; a final dividend of \$0.09041 was declared by Power Corporation for the period up to the date of redemption.

[5] On January 31, 2021, the Series P First Preferred Shares were subject to a dividend rate reset for the five-year period from and including January 31, 2021. The dividend rate was reset to 1.998% or \$0.124875 per share in cash dividends payable quarterly.

[6] The Series Q First Preferred Shares are entitled to an annual non-cumulative dividend, payable quarterly at a floating rate equal to the 3-month Government of Canada Treasury Bill rate plus 1.60%.

[7] The Series 23 First Preferred Shares were issued by Power Financial on October 15, 2021. An initial dividend of \$0.33288 was declared on November 10, 2021.

Consolidated Financial Statements

Consolidated Balance Sheets

December 31 [in millions of Canadian dollars]	2022	2021
Assets		
Cash and cash equivalents [Note 4]	9,848	9,509
Investments [Note 5]		
Bonds	159,956	140,987
Mortgage and other loans	44,656	34,266
Shares	15,384	15,318
Investment properties	8,344	7,763
Loans to policyholders	8,820	8,319
	237,160	206,653
Funds held by ceding insurers [Note 6]	15,186	17,194
Reinsurance assets [Note 12]	25,018	21,138
Derivative financial instruments [Note 26]	2,480	1,049
Investments in jointly controlled corporations and associates [Note 7]	6,516	7,424
Owner-occupied properties and capital assets [Note 8]	4,409	3,686
Other assets [Note 9]	21,044	15,855
Deferred tax assets [Note 17]	1,187	1,131
Intangible assets [Note 10]	8,295	7,607
Goodwill [Note 10]	14,610	12,968
Investments on account of segregated fund policyholders [Note 11]	387,897	357,419
Total assets	733,650	661,633
Liabilities		
Insurance contract liabilities [Note 12]	233,888	208,378
Investment contract liabilities [Note 12]	13,810	12,455
Obligations to securitization entities [Note 13]	4,610	5,058
Power Corporation's debentures and other debt instruments [Note 14]	647	647
Non-recourse debentures and other debt instruments [Note 15]	14,727	12,533
Funds held under reinsurance contracts	8,247	1,542
Derivative financial instruments [Note 26]	1,717	1,063
Other liabilities [Note 16]	22,483	17,217
Deferred tax liabilities [Note 17]	1,522	1,593
Insurance and investment contracts on account of segregated fund policyholders [Note 11]	387,897	357,419
Total liabilities	689,548	617,905
Equity		
Stated capital [Note 18]		
Non-participating shares	950	954
Participating shares	9,486	9,603
Retained earnings	11,103	10,807
Reserves	2,482	2,975
Total shareholders' equity	24,021	24,339
Non-controlling interests [Note 20]	20,081	19,389
Total equity	44,102	43,728
Total liabilities and equity	733,650	661,633

Approved by the Board of Directors

Signed,

Siim A. Vanaselja
Director

Signed,

R. Jeffrey Orr
Director

Consolidated Statements of Earnings

For the years ended December 31 [in millions of Canadian dollars, except per share amounts]	2022	2021
Revenues		
Premium income		
Gross premiums written [Note 12]	64,692	57,375
Ceded premiums	(11,897)	(4,584)
Total net premiums	52,795	52,791
Net investment income [Note 5]		
Regular net investment income	8,165	7,101
Change in fair value through profit or loss	(23,916)	(1,855)
Net investment income (loss)	(15,751)	5,246
Fee income	11,114	10,955
Other revenues	537	569
Total revenues	48,695	69,561
Expenses		
Policyholder benefits		
Gross [Note 12]	58,836	49,355
Ceded	(2,888)	(3,544)
Total net policyholder benefits	55,948	45,811
Changes in insurance and investment contract liabilities		
Gross	(24,006)	1,152
Ceded	(4,462)	1,891
Total net changes in insurance and investment contract liabilities	(28,468)	3,043
Policyholder dividends and experience refunds	2,184	1,441
Total paid or credited to policyholders	29,664	50,295
Commissions	3,922	3,910
Operating and administrative expenses [Note 23]	10,375	10,170
Financing charges [Note 24]	676	599
Total expenses	44,637	64,974
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,058	4,587
Share of earnings (losses) of investments in jointly controlled corporations and associates [Note 7]	(34)	729
Earnings before income taxes	4,024	5,316
Income taxes [Note 17]	481	643
Net earnings	3,543	4,673
Attributable to		
Non-controlling interests [Note 20]	1,578	1,704
Non-participating shareholders	52	52
Participating shareholders	1,913	2,917
	3,543	4,673
Earnings per participating share [Note 29]		
Net earnings attributable to participating shareholders		
– Basic	2.85	4.31
– Diluted	2.80	4.27

Consolidated Statements of Comprehensive Income

For the years ended December 31 [in millions of Canadian dollars]	2022	2021
Net earnings	3,543	4,673
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	(1,229)	(207)
Income tax (expense) benefit	210	40
Realized (gains) losses transferred to net earnings	226	(519)
Income tax expense (benefit)	(27)	62
	(820)	(624)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	11	74
Income tax (expense) benefit	-	(20)
Realized (gains) losses transferred to net earnings	1	(47)
Income tax expense (benefit)	-	13
	12	20
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	499	(364)
Income tax (expense) benefit	2	(5)
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	88	117
Income tax (expense) benefit	28	(12)
	617	(264)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(929)	(57)
Income tax (expense) benefit	3	(3)
	(926)	(60)
Total – items that may be reclassified	(1,117)	(928)
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on defined benefit plans [Note 25]	773	955
Income tax (expense) benefit	(177)	(233)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	5	11
Total – items that will not be reclassified	601	733
Other comprehensive loss	(516)	(195)
Comprehensive income	3,027	4,478
Attributable to		
Non-controlling interests	1,573	1,735
Non-participating shareholders	52	52
Participating shareholders	1,402	2,691
	3,027	4,478

Consolidated Statements of Changes in Equity

For the year ended December 31, 2022 [in millions of Canadian dollars]	Stated capital		Retained earnings	Share-based compensation	Other comprehensive income [Note 28]	Reserves		Total equity
	Non-participating shares	Participating shares				Total	Non-controlling interests	
Balance, beginning of year	954	9,603	10,807	396	2,579	2,975	19,389	43,728
Net earnings	-	-	1,965	-	-	-	1,578	3,543
Other comprehensive loss	-	-	-	-	(511)	(511)	(5)	(516)
Comprehensive income	-	-	1,965	-	(511)	(511)	1,573	3,027
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 18]	-	(169)	(246)	-	-	-	-	(415)
Repurchase of shares of the Corporation for cancellation	(4)	-	-	-	-	-	-	(4)
Dividends to shareholders								
Non-participating shares	-	-	(52)	-	-	-	-	(52)
Participating shares	-	-	(1,326)	-	-	-	-	(1,326)
Dividends to non-controlling interests	-	-	-	-	-	-	(984)	(984)
Expense for share-based compensation [Note 19]	-	-	-	68	-	68	39	107
Stock options exercised	-	52	-	(49)	-	(49)	44	47
Reclassification of options as cash-settled share-based payments [Note 19]	-	-	(54)	(39)	-	(39)	-	(93)
Effects of changes in capital and ownership of subsidiaries, and other	-	-	9	2	36	38	20	67
Balance, end of year	950	9,486	11,103	378	2,104	2,482	20,081	44,102

For the year ended December 31, 2021 [in millions of Canadian dollars]	Stated capital		Retained earnings	Share-based compensation	Other comprehensive income [Note 28]	Reserves		Total equity
	Non-participating shares	Participating shares				Total	Non-controlling interests	
Balance, beginning of year	956	9,557	8,651	293	2,750	3,043	16,526	38,733
Net earnings	-	-	2,969	-	-	-	1,704	4,673
Other comprehensive income (loss)	-	-	-	-	(226)	(226)	31	(195)
Comprehensive income	-	-	2,969	-	(226)	(226)	1,735	4,478
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 18]	-	(61)	(92)	-	-	-	-	(153)
Repurchase of shares of the Corporation for cancellation	(2)	-	-	-	-	-	-	(2)
Dividends to shareholders								
Non-participating shares	-	-	(52)	-	-	-	-	(52)
Participating shares	-	-	(1,243)	-	-	-	-	(1,243)
Dividends to non-controlling interests	-	-	-	-	-	-	(945)	(945)
Expense for share-based compensation [Note 19]	-	-	-	65	-	65	34	99
Stock options exercised	-	107	-	(82)	-	(82)	71	96
Issue of Limited Recourse Capital Notes by Lifeco [Note 20]	-	-	-	-	-	-	1,500	1,500
Effects of changes in capital and ownership on interest in Wealthsimple [Note 20]	-	-	593	119	-	119	368	1,080
Other effects of changes in capital and ownership of subsidiaries, and other	-	-	(19)	1	55	56	100	137
Balance, end of year	954	9,603	10,807	396	2,579	2,975	19,389	43,728

Consolidated Statements of Cash Flows

For the years ended December 31 [in millions of Canadian dollars]	2022	2021
Operating activities		
Earnings before income taxes	4,024	5,316
Income tax paid, net of refunds	(711)	(519)
Adjusting items		
Change in insurance and investment contract liabilities	(23,273)	1,819
Change in funds held by ceding insurers	(294)	845
Change in reinsurance assets	3,830	1,915
Change in fair value through profit or loss	23,916	1,855
Other	10	(178)
	7,502	11,053
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(983)	(945)
Non-participating shares	(52)	(52)
Participating shares	(1,331)	(1,211)
	(2,366)	(2,208)
Issue of equity		
Corporation's subordinate voting shares [Note 18]	47	96
Subsidiaries' common and preferred shares	161	993
Subsidiary's limited recourse capital notes [Note 20]	-	1,500
Issuance of investment funds' limited-life and redeemable units	534	727
Repurchase or redemption of equity		
Corporation's subordinate voting shares for cancellation under normal course issuer bid [Note 18]	(415)	(153)
Corporation's non-participating shares	(4)	(2)
Subsidiaries' common and preferred shares	(116)	(394)
Redemption of investment funds' limited-life and redeemable units	(18)	(164)
Disposition of equity interests in a subsidiary [Note 20]	-	500
Corporation's decrease in other debt instruments [Note 14]	-	(106)
Non-recourse debentures and other debt instruments [Note 15]		
Issuance of senior bonds	691	-
Increase in other debt instruments ^[1]	1,722	698
Decrease in other debt instruments ^[1]	(630)	(1,254)
Repayment of lease liabilities [Note 16]	(109)	(110)
Increase in obligations to securitization entities	1,171	1,429
Repayments of obligations to securitization entities and other	(1,616)	(2,514)
	(948)	(962)
Investment activities		
Dispositions, repayments or maturities		
Bonds	27,774	28,128
Mortgage and other loans	4,687	6,133
Shares	6,067	9,008
Investment properties	55	40
Change in loans to policyholders	(171)	64
Acquisitions or investments		
Bonds	(27,528)	(35,944)
Mortgage and other loans	(6,971)	(6,523)
Shares	(6,390)	(9,112)
Jointly controlled corporations and associates	(265)	(317)
Investment properties	(710)	(970)
Business acquisitions, net of cash and cash equivalents acquired [Note 3]	(2,242)	(520)
Acquisition of capital assets, properties and other	(804)	(566)
	(6,498)	(10,579)
Effect of changes in exchange rates on cash and cash equivalents	283	(43)
Increase (decrease) in cash and cash equivalents	339	(531)
Cash and cash equivalents, beginning of year	9,509	10,040
Cash and cash equivalents, end of year	9,848	9,509
Net cash from operating activities includes		
Interest and dividends received	6,511	5,617
Interest paid	734	702

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

Notes to the Consolidated Financial Statements

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

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, Québec, 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 Consolidated Financial Statements (financial statements) of Power Corporation as at and for the year ended December 31, 2022 were approved by its Board of Directors on March 16, 2023.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The financial statements of Power Corporation as at December 31, 2022 have been prepared in accordance with International Financial Reporting Standards.

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 year ended December 31, 2022. 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 listed above.

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 Significant 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:

Corporation	Classification	Incorporated in	Primary business operation	% equity interest	
				December 31, 2022	December 31, 2021
Holding company					
Power Corporation of Canada	Parent	Canada	Holding company		
China Asset Management Co., Ltd. ⁽¹³⁾⁽²⁾	Associate	China	Asset management company	27.8	27.8
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
Publicly traded companies					
Great-West Lifeco Inc. ⁽²⁾⁽³⁾	Subsidiary	Canada	Financial services holding company	70.6	70.7
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 ⁽⁴⁾	Subsidiary	United States	Financial services	100.0	100.0
Putnam Investments, LLC ⁽⁵⁾	Subsidiary	United States	Asset management company	96.4	96.2
IGM Financial Inc. ⁽⁶⁾	Subsidiary	Canada	Wealth and asset management	66.1	65.6
IG Wealth Management	Subsidiary	Canada	Financial services	100.0	100.0
Mackenzie Financial Corporation	Subsidiary	Canada	Asset management company	100.0	100.0
Northleaf Capital Group Ltd. ⁽⁷⁾	Associate	Canada	Alternative asset manager	70.0	70.0
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert ⁽⁸⁾	Subsidiary	Belgium	Holding company	29.8	29.1
Alternative asset investment platforms and other					
Power Sustainable Capital Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
Power Sustainable Energy Infrastructure Partnership ⁽⁹⁾	Subsidiary	Canada	Renewable energy fund	54.3	55.0
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. ⁽¹⁰⁾	Subsidiary	Canada	Alternative asset manager	87.8	92.9
Wealthsimple Financial Corp. ⁽¹¹⁾	Subsidiary	Canada	Financial services	54.3	54.8
Portag3 Ventures LP ⁽¹²⁾	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP ⁽¹³⁾	Subsidiary	Canada	Venture capital fund	27.9	27.9
Portage Ventures III LP ⁽¹⁴⁾	Subsidiary	Canada	Venture capital fund	15.4	17.6
Sagard NewGen	Subsidiary	France	Private equity fund	26.3	51.6
Standalone Businesses					
LMPG Inc.	Subsidiary	Canada	Sustainable energy	49.6	54.4
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	35.4	35.4

[1] Power Corporation and Mackenzie Investments each hold an equity interest of 13.9% in ChinaAMC.

[2] On January 12, 2023, subsequent to year-end, the Corporation and IGM completed a transaction under which the interest in ChinaAMC was combined at IGM Financial. 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 (Note 7).

[3] Power Financial holds a 66.6% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco (66.7% and 4.0%, respectively, at December 31, 2021).

[4] On August 1, 2022, Great-West Life & Annuity Insurance Company changed its legal name to Empower Annuity Insurance Company of America.

[5] Lifeco holds 100% of the voting shares and 96.4% of the total outstanding shares (96.2% at December 31, 2021).

[6] Power Financial holds a 62.2% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (61.7% and 3.9%, respectively, at December 31, 2021).

[7] Represents a 49.9% non-controlling voting interest. Held through an acquisition vehicle 80% owned by Mackenzie Investments and 20% by Lifeco.

[8] Parjointco has a controlling interest in GBL and holds a 44.0% voting interest (44.2% at December 31, 2021).

[9] Power Corporation holds a 39.4% equity interest and Lifeco holds a 14.9% equity interest in Power Sustainable Energy Infrastructure Partnership (40% and 15%, respectively, at December 31, 2021).

[10] Power Corporation and Lifeco hold an equity interest of 80.9% and 6.9%, respectively, in Sagard Holdings Management Inc. (86.3% and 6.6%, respectively, at December 31, 2021).

[11] Power Financial, Portage Ventures I and IGM Financial hold an equity interest of 13.5%, 10.8% and 30.0%, respectively, in Wealthsimple (13.7%, 10.9% and 30.2%, respectively, at December 31, 2021).

[12] 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.

[13] 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.

[14] Sagard, Lifeco and IGM Financial hold an equity interest of 2.4%, 9.0% and 4.0%, respectively, in Portage Ventures III (2.8%, 10.2% and 4.6%, respectively, at December 31, 2021).

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**CHANGE IN ACCOUNTING POLICIES**

The Corporation adopted the amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, effective January 1, 2022, which specifies which costs should be included when assessing whether a contract will be loss-making. The adoption of this amendment did not have a significant impact on the Corporation's financial statements.

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

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

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

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

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

The fair value of investments, the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and of its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of these financial statements.

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 the management of its subsidiaries are listed below and are discussed throughout the notes in these financial statements, including:

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Evaluation of control	Management of the Corporation and of its subsidiaries	<p>Determining if the Corporation has the ability to direct the relevant activities of the subsidiaries, including investment funds or other structured entities, in order to derive variable returns. Judgment is exercised in evaluating the variable returns and in determining the extent to which the Corporation has the ability to exercise power to affect variable returns.</p> <p>Determining whether the Corporation is a principal or an agent when the Corporation or its subsidiaries act as a fund manager and also invest in the fund. The Corporation determines that it is a principal when it has sufficient capital invested and exposure to variability of returns generated as a result of the decisions of the Corporation or its subsidiaries as a fund manager. Judgment is used in determining the sufficiency of the variability of returns and overall aggregate economic interest. In making these judgments, the Corporation considers the rights held by other investors, including their ability to remove the fund manager.</p>	2
Fair value of assets acquired and liabilities assumed	Management of the Corporation and of its subsidiaries	Determining the fair value of assets acquired and liabilities assumed in a business combination requires judgment.	3
Evaluation of significant influence and joint control	Management of the Corporation and of its subsidiaries	Determining if the Corporation exercises significant influence over the entity's operating and financing policies, or if unanimous consent is required for decisions relating to relevant activities.	2
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.	12

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Valuation of insurance and certain investment contract liabilities in accordance with CALM	Management of Lifeco	Determining the actuarial assumptions, including interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders.	12
Provision for future credit losses within certain insurance contract liabilities	Management of Lifeco	The provision for future credit losses within insurance contract liabilities is based on investment credit ratings. Lifeco's practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.	12
Fair value of financial instruments	Management of the Corporation and of its subsidiaries	Determining fair value inputs to establish the fair value of financial instruments, particularly those items categorized within Level 3 of the fair value hierarchy.	27
Fair value of equity-release mortgages	Management of Lifeco	Internal valuation models are used to determine the fair value of equity-release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows and discount rates.	5
Fair value of investment properties	Management of Lifeco	Independent qualified appraisal services are used to determine the fair value of investment properties, which use assumptions that include judgments and estimates. These appraisals are adjusted by applying management's judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions.	5
Initial recognition and measurement of goodwill and intangible assets, as well as subsequent measurement	Management of the Corporation and of its subsidiaries	Evaluating the synergies and future benefits in business combinations for initial recognition and measurement of goodwill and intangible assets as well as determining the recoverable amount. The determination of the recoverable amount of the cash generating units (to which goodwill and intangible assets are assigned) relies upon valuation methodologies that require the use of estimates.	3, 10
Determination of cash generating unit groupings	Management of the Corporation and of its subsidiaries	Determining the cash generating unit groupings as the lowest level at which the assets are monitored for internal reporting purposes.	10
Measurement of the pension plans and other post-employment benefit obligations	Management of the Corporation and of its subsidiaries	Determining the actuarial assumptions used to determine the expense for the current year and defined benefit obligations for pension plans and other post-employment benefits. In evaluating the assumptions to be used, management reviews the previous experience of related plan members and market conditions, including interest rates and inflation rates.	25
Recognition and measurement of tax provisions and tax assets and liabilities	Management of the Corporation and of its subsidiaries	Interpreting the relevant tax laws, regulations and legislation where the Corporation and its subsidiaries operate to determine the tax provisions and the carrying amounts of the tax assets and liabilities.	17
Recoverability of deferred tax asset carrying values	Management of the Corporation and of its subsidiaries	Assessing the recoverability of the deferred tax asset carrying values based on future years' taxable income projections.	17
Recognition and measurement of legal and other provisions	Management of the Corporation and of its subsidiaries	Assessing whether a past event will result in a probable outflow of economic resources to settle the obligation. Judgment is used in evaluating the possible outcomes and risks to determine the best estimate of the provision at the balance sheet date.	31
Derecognition of securitization mortgages	Management of IGM	Determining whether securitized mortgages are derecognized requires judgment with respect to the extent to which the risks and rewards of ownership are transferred.	13

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Classification of purchases and sales of portfolio investments in the statements of cash flows	Management of the Corporation and of its subsidiaries	Determining if purchases and sales of portfolio investments are long term in nature, which would result in recording them within investment activities in the consolidated statements of cash flows.	n/a
Classification of revenues and expenses in sub-advisor arrangements	Management of Lifeco	Determining whether Lifeco retains the primary obligation with a client in sub-advisor arrangements. Where Lifeco retains the primary obligation to the client, revenues and expenses are recorded on a gross basis.	n/a
Deferred selling commissions	Management of IGM	Determining whether the client or the fund is the customer, as well as the assessment of the recoverability of the deferred selling commissions.	9
Deferred acquisition costs	Management of Lifeco	Determining whether deferred acquisition costs can be recognized on the consolidated balance sheets. Deferred acquisition costs are recognized if Lifeco's management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract.	9
Classification of non-controlling interests in limited-life fund units and redeemable fund units	Management of the Corporation and of its subsidiaries	Determining if non-controlling interests in funds are classified as liabilities or equity depends on whether an obligation exists to distribute residual net assets to non-controlling interests in the form of cash or another financial asset or assets delivered in kind. Judgment is used to determine what the governing documents of each entity require or permit in this regard.	16

SIGNIFICANT ACCOUNTING POLICIES**REVENUE RECOGNITION**

Interest income is accounted for on an accrual basis using the effective interest method for bonds and mortgage and other loans measured at amortized cost. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed shares and usually the notification date or date when the shareholders have approved the dividend for private equity instruments. Interest income and dividend income are recorded in net investment income in the statements of earnings.

Lifeco

Premiums for all types of insurance contracts and contracts with limited mortality or morbidity risk are generally recognized as revenue when due and collection is reasonably assured.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease. Investment property income is included in net investment income in the statements of earnings.

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

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

IGM Financial

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Revenues from financial advisory fees and investment management and related administration fees are based on the net asset value of investment funds or other assets under advisement and are accrued as services are performed. Distribution revenue associated with insurance and banking products and services is also recognized on an accrual basis while distribution fees derived from investment fund and securities transactions are recognized on a trade-date basis.

Asset management revenue related to investment management advisory and administrative services is based on the net asset value of investment funds and other assets under management and is accrued as services are performed.

Wealth and asset management revenue is included in fee income in the statements of earnings.

Other subsidiaries

Revenues from contracts with customers are recognized by other subsidiaries when control of the goods or services is transferred to the customer for the amount that reflects the consideration which the subsidiary expects to receive in exchange for the goods or services.

Revenues from electricity sales are recognized when the electricity is delivered at the customer's connection point and there is no unfulfilled obligation that could affect the customer's acceptance of the electricity. Revenues from electricity sales are included in other revenues in the statements of earnings.

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

Management fee revenues earned by the asset management subsidiaries, which manage assets on behalf of investors, include:

- Revenues from asset managers: Management fees are earned in accordance with contractual arrangements with investment funds based on the committed or invested capital and are accrued as services are performed.
- Revenues from investment management businesses: Management fee revenues are recognized based on daily management services provided to investors as the performance obligation is satisfied.

Carried interest is a performance fee arrangement in which the alternative asset manager receives a percentage of investment returns, generated within an investment fund on carry-eligible capital, based on a contractual formula. Carried interest revenue is recognized when an investment fund's cumulative returns are in excess of preferred returns and when it is highly probable that a significant reversal will not occur.

Management fees and carried interest revenue are included in fee income in the statements of earnings.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, current operating accounts, overnight bank and term deposits and fixed income securities with an original term to maturity of three months or less. Overdraft bank balances are included in other liabilities.

INVESTMENTS

Investments include bonds, mortgage and other loans, shares, investment properties, and loans to policyholders of Lifeco. Investments are classified as either fair value through profit or loss, available for sale, held to maturity, loans and receivables, or as non-financial instruments based on management's intention relating to the purpose and nature of the instruments or the characteristics of the investments. The Corporation and its subsidiaries currently have not classified any investments as held to maturity.

A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch or if a financial asset is managed and its performance is evaluated on a fair value basis. For Lifeco, changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

Investments in mortgage and other loans are initially classified with respect to the intent of the loan on origination.

Investments in bonds (including fixed income securities), mortgage and other loans and shares actively traded on a public market or where fair value can be reliably measured are either designated or classified as fair value through profit or loss or classified as available for sale and are recorded on a trade-date basis. Equity-release mortgages are designated as fair value through profit or loss or classified as available for sale.

Fair value through profit or loss investments are recorded at fair value on the balance sheets with realized and unrealized gains and losses reported in the statements of earnings. Available-for-sale investments are recorded at fair value on the balance sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses are reclassified from other comprehensive income and recorded in net investment income in the statements of earnings when the available-for-sale investment is sold or impaired.

Investments in mortgage and other loans and bonds not actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned, impairments and realized gains and losses on the sale of investments classified as loans and receivables are recorded in net investment income in the statements of earnings.

Investment properties consist of real estate held to earn rental income or for capital appreciation that have an insignificant portion that is owner-occupied or where there is no intent to occupy on a long-term basis. Properties that do not meet these criteria are classified as owner-occupied properties. Investment properties are initially measured at cost and subsequently carried at fair value on the balance sheets. Changes in fair value are recorded as net investment income in the statements of earnings.

Loans to policyholders of Lifeco are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. The carrying value of loans to policyholders approximates fair value.

Fair value measurement

The carrying values of financial assets reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods the Corporation and its subsidiaries rely upon.

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds and mortgage and other loans designated or classified as fair value through profit or loss that support insurance contract liabilities are largely offset by corresponding changes in the fair value of these liabilities, except when the bond has been deemed impaired.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following is a description of the methodologies used to determine fair value.

Bonds and mortgage and other loans at fair value through profit or loss and available for sale

Fair values of bonds and mortgage and other loans recorded at fair value through profit or loss or available for sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure bonds and mortgage and other loans at fair value. Where prices are not quoted in a normally active market, fair values are determined by valuation models.

The Corporation and its subsidiaries estimate the fair value of bonds and mortgage and other loans not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodologies, discounted cash flow analyses and/or internal valuation models. These methodologies consider 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 and mortgage and other loans that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**Shares at fair value through profit or loss and available for sale**

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 movements 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 dates to measure shares at fair value.

Equity-release mortgages at fair value through profit or loss and available for sale

There are no market-observable prices for equity-release mortgages; Lifeco uses an internal valuation model which is based on discounting expected future cash flows and considering 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.

Bonds and mortgage and other loans classified as loans and receivables

The fair values disclosed for bonds and mortgage and other loans, classified as loans and receivables, 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.

Investment properties

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

Impairment

Investments 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.

Investments are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of an investment 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.

For impaired bonds and mortgage and other loans classified as loans and receivables, provisions are established or impairments recorded to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is

used to establish the net realizable value. Where available-for-sale bonds are determined to be impaired, the accumulated loss recorded in other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. As well, interest is no longer accrued on impaired bonds and mortgage and other loans and previous interest accruals are reversed in net investment income.

Impairment losses on available-for-sale shares are recorded in net investment income if the unrealized loss is significant or prolonged. Subsequent losses are recorded directly in net investment income.

Securities lending

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

TRANSACTION COSTS

Transaction costs related to financial instruments classified or designated as fair value through profit or loss are expensed as incurred. Transaction costs related to financial assets classified as available for sale or loans and receivables are included in the value of the instrument at acquisition, and recorded in net earnings using the effective interest method. Transaction costs related to financial liabilities classified as other than fair value through profit or loss are deducted from the value of the instrument issued and recorded in net earnings using the effective interest method.

OWNER-OCCUPIED PROPERTIES AND CAPITAL ASSETS

Owner-occupied properties and capital assets include right-of-use assets.

Owner-occupied properties and capital assets are carried at cost less accumulated depreciation, disposals and impairments. Capital assets include equipment, renewable power generating assets, furniture and fixtures. Owner-occupied properties and capital assets are depreciated using the straight-line method, over their estimated useful lives, as follows: i) owner-occupied properties (10 to 50 years); and ii) capital assets (3 to 25 years).

Right-of-use assets are depreciated to the earlier of the end of the estimated useful life of the right-of-use asset or the end of the lease term using the straight-line method. Depreciation expense is included within operating and administration expenses.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary. Owner-occupied properties and capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

LEASES

At inception of a contract, the Corporation and its subsidiaries assess whether a contract is or contains a lease. The Corporation and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within owner-occupied properties and capital assets, with the exception of right-of-use assets that meet the definition of investment property, which are presented within investment properties and subject to the Corporation's associated accounting policy.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's or its subsidiaries' incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within financing charges.

The Corporation and its subsidiaries do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within operating and administrative expenses.

Where the Corporation and its subsidiaries are the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the balance sheets. Income from these leases is recognized in the statements of earnings on a straight-line basis over the lease term.

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Where the Corporation and its subsidiaries are the lessor under a finance lease, the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is the present value of the minimum lease payments due from the lessee presented within the balance sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the statements of earnings at a constant periodic rate of return on net investment in the finance lease.

OTHER ASSETS

Other assets include premiums in course of collection, accounts receivable and interest receivable, client funds on deposit, trading account assets, deferred acquisition costs, deferred selling commissions, prepaid expenses, and other miscellaneous assets which are measured at amortized cost.

Trading account assets consist of investments in sponsored funds, open-ended investment companies and sponsored unit trusts, which are carried at fair value based on the net asset value of these funds.

Client funds on deposit represent cash balances held in client accounts deposited primarily at Canadian financial institutions.

Deferred acquisition costs

Deferred acquisition costs related to investment contracts and service contracts are recognized as assets if the costs are incremental and incurred due to the contract being issued. Deferred acquisition costs are amortized on a straight-line basis over the term of the contract, not exceeding 20 years.

Deferred selling commissions

Commissions are paid on investment product sales where a fee is either received directly from the client or is received directly from the investment fund.

Commissions paid on investment product sales where fees are earned from a client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. The Corporation regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of purchase consideration over the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets comprise finite life and indefinite life intangible assets. Finite life intangible assets include the value of technology and software, certain customer contracts and power purchase agreements. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives as follows: i) technology and software (3 to 10 years); ii) customer contract-related (7 to 30 years); and iii) power purchase agreements (20 years).

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

Impairment testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Indefinite life intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal.

Goodwill and indefinite life intangible assets have been allocated to cash generating units or to groups of cash generating units (CGUs), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of the CGUs to the recoverable amount of the CGUs to which the goodwill and indefinite life intangible assets have been allocated.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of the estimated future cash flows expected to be generated.

Finite life intangible assets are reviewed at least annually to determine if there are indicators of impairment and the amortization period and method are reviewed and adjusted if necessary. If indicators of impairment have been identified, a test for impairment is performed and impairment is recognized as necessary.

SEGREGATED FUNDS

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the balance sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and change in fair value of the segregated fund assets are offset by corresponding changes in the segregated fund liabilities.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**INSURANCE AND INVESTMENT CONTRACT LIABILITIES****Contract classification**

When significant insurance risk exists, Lifeco's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Significant insurance risk exists when Lifeco agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing are unknown. Refer to Note 12 for a discussion on Lifeco's insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). Lifeco has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to Note 22 for a discussion on Lifeco's risk management.

Measurement

Insurance contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with Lifeco. The Appointed Actuaries of Lifeco's subsidiaries are responsible for determining the amount of the liabilities in order to make appropriate provisions for Lifeco's obligations to policyholders. The Appointed Actuaries determine the liabilities for insurance and investment contracts using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the CALM. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

REINSURANCE CONTRACTS

Lifeco, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by Lifeco underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, Lifeco remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. Lifeco considers various factors in the impairment evaluation process, including, but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account, with any impairment loss being recorded in the statements of earnings.

Any gains or losses on buying reinsurance are recognized in the statement of earnings immediately at the date of purchase in accordance with the CALM.

Assets and liabilities related to reinsurance are reported on a gross basis in the balance sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

FUNDS HELD BY CEDING INSURERS / FUNDS HELD UNDER REINSURANCE CONTRACTS

On the asset side, funds held by ceding insurers are assets that would normally be paid to Lifeco but are retained by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds-withheld basis supporting the insurance or investment contract liabilities ceded. For the funds-withheld assets where the underlying asset portfolio is managed by Lifeco, the credit risk is retained by Lifeco. The funds-withheld balance where Lifeco assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See Note 6 for funds held by ceding insurers that are managed by Lifeco. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds-withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by Lifeco from ceded business written on a funds-withheld basis. Lifeco withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**POLICYHOLDER BENEFITS**

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

DERECOGNITION OF SECURITIZED MORTGAGES

IGM enters into transactions where it transfers financial assets recognized on its balance sheets. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred.

If substantially all of the risks and rewards of a financial asset are not retained, IGM derecognizes the financial asset. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in net investment income in the statements of earnings.

If all or substantially all risks and rewards are retained, the financial assets are not derecognized and the transactions are accounted for as secured financing transactions.

DEBENTURES AND OTHER DEBT INSTRUMENTS

Debentures and other debt instruments, including capital trust debentures, are initially recorded on the balance sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing charges in the statements of earnings. These liabilities are derecognized when the obligation is expired, cancelled or redeemed.

OTHER LIABILITIES

Other liabilities include accounts payable, bank overdraft, dividends and interest payable, lease liabilities, deferred income reserves, deposits and certificates and other miscellaneous liabilities which are measured at amortized cost. Deferred income reserves related to investment contracts are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not exceeding 20 years.

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

Limited-life fund units represent the interest held by third parties in funds consolidated by the Corporation. These fund units have a defined maximum fixed life where the Corporation has an obligation to distribute the residual interests of the fund to fund partners based on their proportionate share of the fund's equity in the form of cash or other financial assets at the end of the fund's life. Redeemable fund units represent interests held by third parties in funds consolidated by the Corporation that have a redemption feature that requires the fund to deliver cash or other financial assets to the holders of the units upon receiving a redemption notice. Limited-life funds and redeemable fund units are classified as financial liabilities and recorded at fair value. Changes in the value are recorded in operating and administrative expenses in the statements of earnings in the period of the change.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors, unfunded supplementary employee retirement plans (SERP) for eligible employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. Expenses for defined benefit plans are actuarially determined using the projected unit credit method prorated on service, based upon management of the Corporation and of its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of the pension benefit asset or liability. The Corporation and its subsidiaries' accrued benefit asset or liability in respect to defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets.

The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit asset or liability at the beginning of the annual period to the net accrued benefit asset or liability. The discount rate used to value assets or liabilities is determined by reference to market yields on high-quality corporate bonds.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are recognized in operating and administrative expenses in the statements of earnings.

Remeasurements represent actuarial gains and losses, the actual return on plan assets greater (less) than interest income, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.

The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).

Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or recovery in the statements of earnings, except to the extent that it relates to items that are not recognized in the statements of earnings (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income tax

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

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**Deferred income tax**

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage revenues and asset, liability and capital positions. The Corporation and its subsidiaries' policies prohibit the use of derivative instruments for speculative trading purposes.

Derivatives are measured at fair value and recorded on the balance sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income in the statements of earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information

in the market. The Corporation and its subsidiaries generally use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently, as if there was no hedging relationship.

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

Fair value hedges

Fair value hedges are used to manage the exposure to change in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, change in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

Cash flow hedges

Cash flow hedges are used to manage the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. For cash flow hedges, the effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income, while the ineffective portion is recognized immediately in net investment income. Gains and losses on cash flow hedges that accumulate in other comprehensive income are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when a forecasted transaction is no longer expected to occur.

Net investment hedges

Net investment hedges are used to manage the exposure to changes in the reporting entity's share in the net share of a foreign operation. For net investment hedges, the effective portion of changes in the fair value of the hedging instrument is recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within other comprehensive income and will be reclassified into net earnings when the investments are derecognized.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**EMBEDDED DERIVATIVES**

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the statement of earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

EQUITY

Preferred shares are classified as equity if they are non-redeemable or if they are retractable only at the Corporation's option and if any dividends are discretionary. Costs that are directly attributable to the issue of share capital are recognized as a reduction from retained earnings, net of income tax.

Reserves are composed of share-based compensation and other comprehensive income. Share-based compensation reserve represents the vesting of options less options exercised. Other comprehensive income represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the actuarial gains (losses) on defined benefit pension plans, the unrealized gains (losses) on available-for-sale investments, the unrealized gains (losses) on cash flow hedges, the re-evaluation surplus on transfer to investment properties and the share of other comprehensive income of jointly controlled corporations and associates.

Non-controlling interests represent the proportion of equity that is attributable to minority shareholders of subsidiaries.

Limited recourse capital notes

Limited recourse capital notes issued by Lifeco are classified as non-controlling interests in the financial statements. Lifeco has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of Lifeco's equity instruments. Transaction costs incurred in connection with the issuance are charged to equity.

SHARE-BASED PAYMENTS

Options granted to employees of the Corporation and its subsidiaries are measured at fair value on the date of the grant. Compensation expense for equity-settled options is recognized in operating and administrative expenses in the statements of earnings over the vesting period of the granted options, with a corresponding increase in share-based compensation reserve. When the stock options are exercised, the proceeds received, together with the amount recorded in share-based compensation reserve, are included in the stated capital of the entity issuing the corresponding shares.

The Corporation and its subsidiaries recognize a liability for cash-settled awards, including tandem share appreciation rights and those granted under Performance Share Unit plans and Deferred Share Unit plans. Compensation expense is recognized in operating and administrative expenses in the statements of earnings over the vesting period, net of related hedges, and a liability is recognized on the balance sheets. The liability is remeasured at fair value at each reporting period with the change in the liability recorded in operating and administrative expenses.

FOREIGN CURRENCY TRANSLATION

The Corporation and its subsidiaries operate with multiple functional currencies. The Corporation's financial statements are prepared in Canadian dollars, which is the functional and presentation currency of the Corporation.

Assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at exchange rates prevailing at the balance sheet dates for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses denominated in foreign currencies are translated into each entity's functional currency at an average of daily rates. Realized and unrealized exchange gains and losses are included in net investment income.

Translation of net investment in foreign operations

Foreign operations are subsidiaries, jointly controlled corporations, associates and/or business units with functional currencies other than the Canadian dollar. Assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all revenues and expenses are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Corporation's net investment in its foreign operations are presented as a component of other comprehensive income. Unrealized foreign currency translation gains and losses are recognized proportionately in net earnings when there has been a disposal of a foreign operation.

EARNINGS PER PARTICIPATING SHARE

Basic earnings per participating share is determined by dividing net earnings available to participating shareholders by the weighted average number of participating shares outstanding for the year. Diluted earnings per participating share is determined using the same method as basic earnings per participating share, except that net earnings available to participating shareholders and the weighted average number of participating shares outstanding are adjusted to include the potential dilutive effect of outstanding stock options granted by the Corporation and its subsidiaries, as determined by the treasury stock method.

Options with tandem share appreciation rights are accounted for as cash-settled share-based payments. As these options can be exercised in exchange for subordinate voting shares or for cash, they are considered potentially dilutive and are included in the calculation of the diluted net earnings per share if they have a dilutive impact during the year. The net earnings used in the diluted calculation is adjusted to reflect the expense had these options been classified as equity-settled.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**FUTURE ACCOUNTING CHANGES**

The Corporation and its subsidiaries continuously monitor the 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 significant standards that will be adopted on January 1, 2023:

IFRS 17 – Insurance Contracts (IFRS 17), and IFRS 9 – Financial Instruments (IFRS 9)

Effective January 1, 2023, IFRS 17 will replace IFRS 4.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues, reinsurance contracts it holds, and investment contracts with discretionary participation features issued. Under IFRS 17, Lifeco will:

- Identify insurance contracts as arrangements where an entity 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 are unknown.
- Separately account for specified embedded derivatives, distinct investment components, and distinct non-insurance goods and services from insurance contracts.
- Identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Portfolios are further divided based on expected profitability at inception. At a minimum, each portfolio of insurance contracts issued shall be divided into the following groups:
 - Contracts that are onerous at initial recognition;
 - Contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
 - Any of the remaining contracts in the portfolio.
- Apply the three measurement models introduced by IFRS 17 as further described below:

General Measurement Model (GMM)

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

Under this model, insurance contract liabilities on the balance sheets are measured as the total of:

- [i] The fulfillment cash flows (FCF): the current estimates of amounts that a company expects to collect (e.g., premiums) and pay out (e.g., claims, benefits, expenses), including adjustments for the timing and the financial and non-financial risks of those amounts; and
- [ii] The contractual service margin (CSM): unearned profit for providing insurance coverage, which is subsequently recognized into profit or loss over time as the insurance services are provided.

At the end of each period, Lifeco will recalculate the FCF and CSM, with the CSM subject to adjustments for interest accretion and certain changes to FCF relating to future service.

Premium Allocation Approach (PAA)

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

This simplified model can be used when the contract boundary is less than one year or the approach is expected to produce a similar liability amount as under the GMM. Under the PAA, calculating and explicitly accounting for the CSM is exempted. Instead, the liability is set as the premiums received less acquisition expenses, premium revenue recognized, and amounts transferred to fund incurred claims.

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).

Similar to the GMM, the VFA initially measures the insurance contract liabilities as the FCF plus CSM. Subsequently, the FCF and CSM are recalculated, with the latter reflecting changes in Lifeco's share of the pool of items (e.g., future fees and guarantee costs) and certain changes to FCF relating to future service.

A group of insurance contracts issued is considered onerous when the measurement leads to a negative CSM either at issue or when subsequently measured. In this case, the CSM is not allowed to decrease below zero and a loss component is tracked.

The measurement of reinsurance contracts held is similar to insurance contracts issued with the following key differences: the CSM can be positive or negative, and the VFA measurement model cannot be used.

On transition to IFRS 17, Lifeco and the Corporation will apply the full retrospective approach to all identified insurance contracts unless it is impracticable to do so. When impracticable, the fair value approach will be applied.

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 FCF measured at that date.

In addition, IFRS 9 will replace IAS 39, effective January 1, 2023. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset. All financial assets are measured as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost;
- Allowances for credit losses (ACL) are based on an expected credit loss (ECL) model for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. Under the ECL model, a loss allowance is recognized and maintained equal to 12 months of expected credit losses upon initial recognition. If credit risk subsequently increases significantly, or an asset becomes credit-impaired, the loss allowance is increased to cover full lifetime expected credit losses. Changes in the required loss allowance will be recorded in net investment income in the statements of earnings; and
- Hedge accounting that incorporates the risk management practices of an entity, which will not have a material impact to the Corporation.

The current disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9.

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

The Corporation's date of initial application of IFRS 9 is January 1, 2023 and the Corporation anticipates electing the option of presenting comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period, on an instrument-by-instrument basis, as permitted by the amendment to IFRS 17 published by the IASB in December 2021. IFRS 9 includes an accounting policy choice to retain the IAS 39 requirements for hedge accounting, which the Corporation and its subsidiaries are currently evaluating.

The expected 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	IFRS 17	Income tax	January 1, 2022 (restated for IFRS 17 and IFRS 9)
Assets						
Bonds	140,987	-	2,041	-	-	143,028
Mortgage and other loans	34,266	-	505	-	-	34,771
Shares	15,318	16	26	-	-	15,360
Other assets						
Impacted by IFRS 17 and IFRS 9	67,677	(20,040)	-	697	350	48,684
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	(20,024)	2,572	697	350	645,228
Liabilities						
Insurance contract liabilities	208,378	(58,904)	-	6,812	-	156,286
Investment contract liabilities	12,455	41,210	-	-	-	53,665
Other liabilities						
Impacted by IFRS 17 and IFRS 9	11,726	(1,815)	-	-	(325)	9,586
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	(19,509)	-	6,812	(325)	604,883
Total equity	43,728	(515)	2,572	(6,115)	675	40,345
Total liabilities and equity	661,633	(20,024)	2,572	697	350	645,228

The adoption of IFRS 17 and IFRS 9 is expected to result in an overall reduction of total assets of approximately \$16.4 billion, total liabilities of \$13.0 billion, and total equity of approximately \$3.4 billion to the transition balance sheet as at January 1, 2022.

Asset and liability reclassifications were primarily driven by changes to the groupings of certain assets and liabilities, reclassifications of certain insurance contract liabilities to investment contract liabilities, and presenting liabilities on account of segregated fund policyholders separately between insurance and investment contract liabilities. IFRS 9 adjustments primarily relate to a change in designation of certain loans and receivables held at amortized cost under IAS 39 to FVTPL under IFRS 9. IFRS 17 adjustments relate to changes in insurance contract liabilities and reinsurance assets, which are primarily the result of the establishment of CSM for in-force contracts of \$4.4 billion associated with shareholders' equity and \$4.2 billion associated with non-controlling interests, partially offset by the removal of provisions no longer required under IFRS 17. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital or opening equity.

Total equity is expected to decrease by approximately \$3.4 billion, consisting of \$1.2 billion reduction to non-controlling interests and \$2.2 billion reduction to shareholders' equity.

These impacts are based on the assessments undertaken to date. The exact financial impacts of the accounting changes due to adopting IFRS 17 and IFRS 9 may be revised as further analysis is completed prior to presentation of financial information for periods including the date of initial application. The Corporation and Lifeco expect to be in a position to issue further guidance on the impact of adopting IFRS 17 and IFRS 9 in conjunction with their first quarterly report to shareholders for the financial year commencing January 1, 2023.

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

The following sets out other future accounting standards:

Standard	Summary of future changes
IAS 1 – <i>Presentation of Financial Statements</i>	<p>In February 2021, the IASB published <i>Disclosure of Accounting Policies</i>, amendments to IAS 1, <i>Presentation of Financial Statements</i>. The amendments clarify how an entity determines whether accounting policy information is material.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.</p>
IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p>In February 2021, the IASB published <i>Definition of Accounting Estimates</i>, amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments clarify the difference between an accounting policy and an accounting estimate.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.</p>
IAS 12 – <i>Income Taxes</i>	<p>In May 2021, the IASB published <i>Deferred Tax Related to Assets and Liabilities from a Single Transaction</i>, amendments to IAS 12, <i>Income Taxes</i>. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.</p>
IFRS 16 – <i>Leases</i>	<p>In September 2022, the IASB published <i>Lease Liability in a Sale and Leaseback</i>, amendments to IFRS 16, <i>Leases</i>. The amendments clarify that in a sale and leaseback transaction, the seller-lessee subsequent measurement of the lease liability arising from a leaseback does not recognize any amount of gain or loss related to the right of use it retains.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.</p>

NOTE 3 Business Acquisitions and Other Transactions

LIFECO

Acquisition of Prudential retirement services business

On April 1, 2022, Empower completed the purchase, through a share purchase and a reinsurance transaction, of the full-service retirement business of Prudential Financial, Inc. Lifeco assumed the economics and risks associated with the business, while Prudential continues to retain the obligation to the contract holders of the reinsured portion. Lifeco acquired the business for \$4,350 million (US\$3,480 million) of total value which includes purchase consideration of \$2,628 million (US\$2,102 million) including the base purchase price, ceding commission and working capital adjustments, and \$1,722 million (US\$1,378 million) of required capital to support the business. The transaction was funded with \$1,500 million (US\$1,193 million) of limited recourse capital notes and US\$823 million of short-term debt, in addition to Lifeco's existing resources (Note 15).

During the fourth quarter of 2022, Lifeco completed its comprehensive evaluation of the fair value of net assets acquired from Prudential and the purchase price allocation. The initial purchase consideration was adjusted from \$2,744 million to \$2,628 million (US\$2,195 million to US\$2,102 million).

Initial goodwill presented in the Corporation's June 30, 2022 financial statements of \$1,109 million (US\$887 million) was adjusted to \$1,264 million (US\$1,011 million). Adjustments were made to the provisional amounts disclosed in the Corporation's June 30, 2022 financial statements for the recognition and measurement of intangible assets, assets acquired and

liabilities assumed. Intangible assets recognized include customer contracts of \$450 million (US\$360 million), which have accumulated amortization of \$22 million (US\$16 million) as at December 31, 2022. Included in other liabilities, Lifeco also assumed an investment advisory contract with unfavourable out-of-market terms, initially recognized at \$38 million (US\$30 million), of which \$5 million (US\$4 million) has been amortized through the year ended December 31, 2022.

Lifeco determined the fair value of the intangible assets and insurance contract liabilities acquired using valuation techniques that incorporate projections of cash flows and discount rates. The valuation of intangible assets acquired is determined by applying judgments and estimates for forecasted revenues and earnings, and discount rates. Further, the valuation of the actuarial liabilities assumed are determined by applying judgments and assumptions to determine appropriate valuation models and projections of cash inflows and outflows using the best estimate of future experience, specifically policyholder behaviour, together with the discount rates. Lifeco also made adjustments to the provisional amounts reported for investments on account of segregated fund policyholders acquired and insurance and investment contracts on account of segregated fund policyholders assumed, which had no impact on the fair value of net assets acquired.

The initial amounts assigned to the assets acquired, goodwill, intangible assets and liabilities assumed on April 1, 2022 and reported as at December 31, 2022 are as follows:

Assets acquired and goodwill

Cash and cash equivalents	487
Bonds	36,292
Mortgage loans	8,017
Shares	381
Other assets	376
Intangible assets	450
Goodwill	1,264
Investments on account of segregated fund policyholders	77,700
	124,967

Liabilities assumed

Insurance contract liabilities	43,550
Investment contract liabilities	690
Other liabilities	399
Insurance and investment contracts on account of segregated fund policyholders	77,700
	122,339

Net assets acquired	2,628
----------------------------	--------------

The following provides the change in the carrying value from April 1, 2022 to December 31, 2022 of the goodwill on acquisition:

Goodwill previously reported at June 30, 2022	1,109
Final measurement of intangible assets	285
Purchase consideration adjustments	(116)
Other measurement period adjustments	(14)
Goodwill reported at December 31, 2022	1,264

NOTE 3 Business Acquisitions and Other Transactions (continued)

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identifiable and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings. The goodwill is deductible for tax purposes.

During the year ended December 31, 2022, Lifeco incurred acquisition expenses of \$102 million (US\$79 million) which are recorded in the statements of earnings.

During the year ended December 31, 2022, Prudential contributed revenue of \$609 million (US\$525 million), net earnings of \$94 million (US\$70 million) and other comprehensive loss of \$43 million (US\$34 million). These amounts are included in the statements of earnings and the statements of comprehensive income.

Supplemental pro forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as of the beginning of the annual reporting period, has not been included as it is impracticable as Prudential had a different financial reporting basis than Lifeco.

Acquisition of Personal Capital Corporation

On August 17, 2020, Empower completed the acquisition of 100% of the equity of Personal Capital, including the 24.8% interest held by IGM prior to the completion of the transaction (approximately 21.7% after giving effect to the dilution). Upon completion of the purchase price allocation in the fourth quarter of 2020, a contingent consideration earn-out provision of \$22 million was recognized, representing Lifeco's best estimate of growth in assets under management metrics defined in the Merger Agreement. The contingent consideration provision was increased by \$87 million in 2021 for a total contingent consideration provision of \$109 million at December 31, 2021. The increase in 2021 was due to growth in net new assets above the amount assumed at the date of acquisition.

The Merger Agreement allowed for contingent consideration of up to \$236 million (US\$175 million) based on the achievement of growth in assets under management metrics, payable following measurements through December 31, 2021 and December 31, 2022. Changes in the fair value of the contingent consideration measured in accordance with the Merger Agreement subsequent to the completion of the purchase price allocation were recognized in operating and administrative expenses in the statements of earnings. During the first quarter of 2022, Lifeco made its first payment of US\$59 million based on assets under management metrics achieved through December 31, 2021.

During the third quarter of 2022, the remaining contingent consideration provision of \$45 million was released, resulting in a recovery of \$45 million included in operating and administrative expenses in the statements of earnings, as the current growth in net new assets was below the level where further contingent consideration would be payable. The fair value of contingent consideration was nil at December 31, 2022.

Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life completed the acquisition of Ark Life Assurance Company dac from Phoenix Group Holdings plc for total cash consideration of \$332 million (€230 million). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

During the fourth quarter of 2022, Lifeco completed its comprehensive evaluation of the fair value of the net assets acquired from Ark Life and the purchase price allocation.

Initial goodwill presented in the Corporation's December 31, 2021 financial statements of \$21 million (€15 million) was adjusted upon the completion of the purchase price allocation. An excess of the fair value of the net assets acquired over the purchase price of \$20 million (€14 million) was recognized in the statements of earnings as regular net investment income and is non-taxable. Adjustments were made to the provisional amounts disclosed in the Corporation's December 31, 2021 financial statements for the recognition and measurement of intangible assets and liabilities assumed. Intangible assets recognized include customer contracts of \$48 million (€34 million), which have accumulated amortization of \$4 million (€3 million) as at December 31, 2022.

Comparative information in the Corporation's financial statements has not been restated.

Lifeco determined the fair value of the intangible assets using valuation techniques that incorporate projections of discounted cash flows by applying judgments and estimates for forecasted revenues, renewal expenses, and discount rates.

NOTE 3 Business Acquisitions and Other Transactions (continued)

The amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021 and reported as at December 31, 2022 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	17
Bonds	333
Reinsurance assets	1,238
Other assets	89
Intangible assets	48
Investments on account of segregated fund policyholders	2,844
	4,569
Liabilities assumed	
Insurance contract liabilities	1,257
Investment contract liabilities	43
Other liabilities	73
Insurance and investment contracts on account of segregated fund policyholders	2,844
	4,217
Net assets acquired	352

The following provides the change in the carrying value of goodwill from December 31, 2021 to December 31, 2022:

Goodwill previously reported at December 31, 2021	21
Recognition and measurement of intangible assets	(48)
Recognition of deferred tax liabilities on intangible assets and other measurement period adjustments	7
Excess of the fair value of the net assets acquired over the purchase price at December 31, 2022	(20)

During the fourth quarter of 2022, Ark Life Assurance Company dac changed its legal name to Irish Life Ark Dublin dac.

U.S. Reinsurance Agreement

On December 31, 2022, Empower completed two separate agreements to cede, via indemnity reinsurance, \$7,946 million of insurance contract liabilities to a non-related party. As a result of the transaction, \$7,946 million of reinsurance assets (Note 12), \$7,031 million of funds held under reinsurance contracts and \$918 million of other liabilities were recognized on the balance sheets at December 31, 2022. Within the statements of earnings, the Corporation, through Lifeco, recognized an increase of \$8,005 million to ceded premiums, as well as a decrease of \$8,005 million to total paid or credited to policyholders and an increase of \$3 million to operating and administrative expenses as a result of the transaction.

INVESTMENT FUNDS

The Corporation continuously reassesses control over its internally managed investment funds. During 2022 and 2021, some investment funds managed by Sagard that were previously considered to be controlled have been reassessed and are no longer controlled due to certain circumstances, including increases in new capital from third parties resulting in reductions in economic interests and exposure to variable returns, amendments to limited partner agreements, and other factors that support that Sagard is acting as an agent. The Corporation now accounts for its interests in these funds as investments designated at fair value through profit or loss or as available for sale and has derecognized the assets and liabilities of these funds and their subsidiaries, with no significant impact to the Corporation's balance sheets.

NOTE 4 Cash and Cash Equivalents

December 31	2022	2021
Cash	5,248	4,891
Cash equivalents	4,600	4,618
Cash and cash equivalents	9,848	9,509

At December 31, 2022, cash and cash equivalents amounting to \$981 million were restricted for use by subsidiaries (\$1,344 million at December 31, 2021), primarily in respect of cash held in trust for reinsurance agreements or with regulatory authorities, under certain indemnity arrangements and in escrow.

NOTE 5 Investments**CARRYING VALUES AND FAIR VALUES**

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

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
December 31				
Bonds				
Designated as fair value through profit or loss ^[1]	113,511	113,511	103,540	103,540
Classified as fair value through profit or loss ^[1]	261	261	168	168
Available for sale	12,222	12,222	12,603	12,603
Loans and receivables	33,962	30,464	24,676	26,717
	159,956	156,458	140,987	143,028
Mortgage and other loans				
Loans and receivables	41,186	38,114	31,542	32,406
Designated as fair value through profit or loss ^[1]	3,230	3,230	2,667	2,667
Classified as fair value through profit or loss ^[1]	-	-	57	57
Available for sale	240	240	-	-
	44,656	41,584	34,266	35,130
Shares				
Designated as fair value through profit or loss ^[1]	13,564	13,564	13,339	13,339
Classified as fair value through profit or loss ^[1]	663	663	636	636
Available for sale ^[2]	1,157	1,157	1,343	1,343
	15,384	15,384	15,318	15,318
Investment properties	8,344	8,344	7,763	7,763
Loans to policyholders	8,820	8,820	8,319	8,319
	237,160	230,590	206,653	209,558

[1] Under IAS 39, a financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch or if a financial asset is managed and its performance is evaluated on a fair value basis. For Lifeco, changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

[2] Fair value of certain shares available for sale cannot be reliably measured, therefore these investments are held at cost.

BONDS AND MORTGAGE AND OTHER LOANS

Carrying value of bonds and mortgage and other loans due over the current and non-current term is as follows:

December 31, 2022	Carrying value		
	Term to maturity		
	1 year or less	1-5 years	Over 5 years
Bonds	13,897	42,976	103,043
Mortgage and other loans	3,737	23,181	17,725
	17,634	66,157	120,768
December 31, 2021	Carrying value		
	Term to maturity		
	1 year or less	1-5 years	Over 5 years
Bonds	11,409	28,396	101,164
Mortgage and other loans	2,971	15,417	15,805
	14,380	43,813	116,969
December 31, 2021	Carrying value		
	Term to maturity		
	1 year or less	1-5 years	Over 5 years
Bonds	11,409	28,396	101,164
Mortgage and other loans	2,971	15,417	15,805
	14,380	43,813	116,969

The tables shown above exclude the carrying value of impaired bonds and mortgage and other loans, as the ultimate timing of collectability is uncertain. Mortgage and other loans include equity-release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on redemption experience.

NOTE 5 Investments (continued)**IMPAIRED INVESTMENTS AND ALLOWANCE FOR CREDIT LOSSES**

Carrying amount of impaired investments is as follows:

December 31	2022	2021
Impaired amounts by classification		
Fair value through profit or loss	11	14
Available for sale	12	10
Loans and receivables	42	73
Total	65	97

The carrying amount of impaired investments includes bonds, mortgage and other loans and shares. The carrying values for loans and receivables are net of allowances for credit losses of \$18 million as at December 31, 2022 (\$29 million as at December 31, 2021). The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

NET INVESTMENT INCOME

Year ended December 31, 2022	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	5,878	1,247	434	459	746	8,764
Net realized gains (losses)						
Available-for-sale	(71)	-	(187)	-	-	(258)
Other classifications	-	14	-	-	(24)	(10)
Net allowances for credit losses on loans and receivables	-	(42)	-	-	-	(42)
Other income (expenses)	-	3	4	(144)	(152)	(289)
	5,807	1,222	251	315	570	8,165
Change in fair value through profit or loss	(22,554)	(638)	(650)	(41)	(33)	(23,916)
Net investment income (loss)	(16,747)	584	(399)	274	537	(15,751)
Year ended December 31, 2021	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	4,265	1,004	386	422	617	6,694
Net realized gains						
Available-for-sale	13	-	497	-	-	510
Other classifications	12	63	7	-	54	136
Net allowances for credit losses on loans and receivables	-	(30)	-	-	-	(30)
Other income (expenses)	-	12	14	(146)	(89)	(209)
	4,290	1,049	904	276	582	7,101
Change in fair value through profit or loss	(4,797)	(130)	2,387	615	70	(1,855)
Net investment income	(507)	919	3,291	891	652	5,246

Net investment income comprises income from investments that are classified as available for sale, loans and receivables, both net of impairment charges, investments classified or designated as fair value through profit or loss and gains realized on deconsolidation of subsidiaries and investment funds. 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. 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 policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

NOTE 5 Investments (continued)**TRANSFERRED FINANCIAL ASSETS**

Lifeco engages in securities lending to generate additional income. Lifeco's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with Lifeco's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent, which obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Included in

the collateral deposited with Lifeco's lending agent is cash collateral of \$191 million at December 31, 2022 (\$169 million at December 31, 2021). In addition, the securities lending agent indemnifies Lifeco against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2022, Lifeco had loaned securities (which are included in investments) with a fair value of \$9,550 million (\$10,525 million at December 31, 2021).

NOTE 6 Funds Held by Ceding Insurers

At December 31, 2022, Lifeco had amounts on deposit of \$15,186 million (\$17,194 million at December 31, 2021) for funds held by ceding insurers on the balance sheets. Income and expenses arising from the agreements are included in net investment income on the statements of earnings.

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

CARRYING VALUES AND ESTIMATED FAIR VALUES

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
December 31				
Cash and cash equivalents	222	222	336	336
Bonds	11,172	11,172	14,105	14,105
Mortgages	457	457	558	558
Other assets	129	129	126	126
	11,980	11,980	15,125	15,125
Supporting:				
Reinsurance liabilities	11,825	11,825	14,907	14,907
Surplus	155	155	218	218
	11,980	11,980	15,125	15,125

ASSET QUALITY

The following table provides details of the carrying value of the bond portfolio by credit rating:

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
December 31				
AAA		1,037		1,251
AA		2,607		3,721
A		4,289		5,222
BBB		3,124		3,749
BB and lower		115		162
Total bonds		11,172		14,105

NOTE 7 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		Total
	Parjointco ^[1]	Other ^[2]	ChinaAMC	Lion	Northleaf	Other ^[2]	
December 31, 2022							
Carrying value, beginning of year	4,278	428	1,535	334	259	590	7,424
Acquisition and investments	-	104	-	28	-	133	265
Disposal	-	-	-	-	-	(32)	(32)
Share of earnings (losses)	(15)	17	114	7	26	(57)	92
Impairment	-	-	-	(126)	-	-	(126)
Share of other comprehensive income (loss)	(929)	18	(17)	(9)	-	13	(924)
Dividends and distributions	(84)	(79)	(62)	-	-	(15)	(240)
Effects of changes in ownership and other	64	(45)	-	-	-	38	57
Carrying value, end of year	3,314	443	1,570	234	285	670	6,516

	Jointly controlled corporations				Associates		Total
	Parjointco	Other ^[2]	ChinaAMC	Lion	Northleaf	Other ^[2]	
December 31, 2021							
Carrying value, beginning of year	4,216	272	1,436	-	248	357	6,529
Acquisition and investments	-	98	-	242	1	180	521
Disposal	-	-	-	-	-	(96)	(96)
Share of earnings	172	92	123	95	10	237	729
Share of other comprehensive income (loss)	(69)	(2)	30	(3)	-	(2)	(46)
Dividends and distributions	(81)	(32)	(54)	-	-	-	(167)
Effects of changes in ownership and other	40	-	-	-	-	(86)	(46)
Carrying value, end of year	4,278	428	1,535	334	259	590	7,424

[1] Parjointco's share of other comprehensive income (loss) includes \$919 million of unrealized losses on available-for-sale investments and \$16 million of unrealized losses on foreign currency translation.

[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.

LION ELECTRIC CO.

The Corporation held a 35.4% equity interest in Lion at December 31, 2022 (same at December 31, 2021).

On May 6, 2021, Lion became publicly listed on the TSX and the New York Stock Exchange and completed a US\$200 million committed private placement of common shares of Lion, in which Power Sustainable invested US\$17 million (\$20 million). The effect of the change in ownership resulted in a net gain of \$62 million, recorded in share of earnings of investments in jointly controlled corporations and associates on the statement of earnings of 2021.

At December 31, 2022, Power Sustainable also held call rights to acquire up to 2,270,895 additional shares from certain existing shareholders of Lion, which expire on October 31, 2023. In 2021, Power Sustainable exercised a portion of its outstanding call rights and acquired 8,891,812 shares, on a cashless net settlement basis, resulting in an increase in the carrying value of the investment in Lion of \$222 million. The fair value of the remaining call rights

was estimated to be nil at December 31, 2022 (\$8 million at December 31, 2021, which was included in derivative financial assets on the balance sheets). During the year ended December 31, 2022, a loss on the revaluation of the call rights of \$8 million (a net gain of \$128 million for the year ended December 31, 2021) was recorded in net investment income in the statement of earnings.

On December 16, 2022, Power Sustainable invested US\$25 million (\$34 million) in Lion in consideration of 9,842,519 common shares and 9,842,519 warrants. The fair value of the warrants was estimated to be \$9 million at December 31, 2022 and is included in derivative financial assets on the balance sheets.

In the fourth quarter of 2022, the Corporation recorded a non-cash impairment charge of \$126 million (\$109 million after tax) on its investment in Lion reflecting a decline in the market value at December 31, 2022. At December 31, 2022, the fair value of the Corporation's interest in Lion was \$234 million, based on the quoted market price.

NOTE 7 Investments in Jointly Controlled Corporations and Associates (continued)**PARJOINTCO**

At December 31, 2022, Parjointco held a 100% equity interest (100% of the voting rights) in Pargesa (unchanged from December 31, 2021). Pargesa held a 29.8% equity interest (44.0% of the voting rights) in GBL at December 31, 2022 (29.1% equity interest and 44.2% of the voting rights at December 31, 2021).

At December 31, 2022, the net asset value of the Corporation's indirect interest in GBL is approximately \$3,756 million. The carrying value of the indirect investment in GBL is \$3,314 million. For the year ended December 31, 2022, revenue of GBL was €7,952 million (C\$10,891 million) (€7,574 million or C\$11,230 million for the year ended December 31, 2021) and net loss attributable to GBL's common shareholders was €585 million (C\$801 million) (net earnings of €279 million or C\$413 million for the year ended December 31, 2021). Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings in Parjointco includes an adjustment to account for GBL's earnings under IAS 39. Other financial information for GBL can be obtained from its publicly available information.

ChinaAMC

At December 31, 2022, Power Corporation and IGM Financial each held an equity interest of 13.9% in ChinaAMC (same at December 31, 2021). ChinaAMC is an asset management company established in Beijing, China. The Corporation and IGM account for their interests in ChinaAMC as an associate using the equity method.

Subsequent event

On January 12, 2023, IGM acquired a 13.9% equity interest in ChinaAMC from the 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 Corporation will continue to hold a 27.8% equity interest in ChinaAMC through the Corporation's interest in IGM.

In a separate transaction, on January 12, 2023, IGM sold 15,200,662 common shares of Lifeco to Power Financial, for cash consideration of \$553 million (Lifeco Share Transfer). Power Financial acquired an equity interest of approximately 1.6% from IGM, increasing its equity interest in Lifeco to approximately 68.2%. The Lifeco Share Transfer did not impact Power Financial's aggregate beneficial ownership of Lifeco common shares, which remains at 70.6% of the issued and outstanding Lifeco common shares. The transactions were reviewed and approved by the relevant related party and conduct review committees.

Summarized financial information for ChinaAMC is as follows:

	2022		2021	
	Canadian dollars	Chinese renminbi	Canadian dollars	Chinese renminbi
[in millions]				
Balance sheet at December 31 ^[1]				
Assets	3,461	17,650	3,241	16,295
Liabilities	1,032	5,261	996	5,007
Comprehensive income for the years ended December 31				
Revenue	1,446	7,475	1,560	8,015
Net earnings attributable to common shareholders	418	2,163	449	2,312
Total comprehensive income	434	2,248	444	2,287

[1] Excludes fair value adjustments made at the time of acquisition of \$3,248 million (RMB¥16,380 million).

NORTHLEAF CAPITAL GROUP LTD.

At December 31, 2022, IGM's subsidiary, Mackenzie, and Lifeco held a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager, through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco (unchanged from December 31, 2021).

Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years from the acquisition date on October 29, 2020, and extending into future periods. The equity method is used to account for the investment in Northleaf as Mackenzie and Lifeco exercise significant influence, through the acquisition vehicle. Significant influence arises from board representation, participation in the policy-making process and shared strategic initiatives.

The net earnings of Northleaf are not significant to the results of the Corporation.

NOTE 8 Owner-Occupied Properties and Capital Assets

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

December 31, 2022	Right-of-use assets ⁽¹⁾	Owner- occupied properties	Capital assets		Total
			Power generating assets	Other	
Cost, beginning of year	1,078	1,011	1,702	1,990	5,781
Additions	113	15	801	129	1,058
Modifications	(8)	-	-	-	(8)
Disposal/retirements	(6)	-	(66)	(60)	(132)
Changes in foreign exchange rates and other	21	11	99	9	140
Cost, end of year	1,198	1,037	2,536	2,068	6,839
Accumulated amortization, beginning of year	(317)	(214)	(171)	(1,393)	(2,095)
Amortization and impairment	(115)	(40)	(101)	(126)	(382)
Modifications	7	-	-	-	7
Disposal/retirements	4	-	14	45	63
Changes in foreign exchange rates and other	(2)	1	(18)	(4)	(23)
Accumulated amortization, end of year	(423)	(253)	(276)	(1,478)	(2,430)
Carrying value, end of year	775	784	2,260	590	4,409

December 31, 2021	Right-of-use assets ⁽¹⁾	Owner- occupied properties	Capital assets		Total
			Power generating assets	Other	
Cost, beginning of year	965	1,059	1,133	1,951	5,108
Additions	130	23	489	138	780
Modifications	(11)	-	-	-	(11)
Disposal/retirements	(6)	(10)	(13)	(90)	(119)
Derecognition	-	(52)	-	-	(52)
Changes in foreign exchange rates and other	-	(9)	93	(9)	75
Cost, end of year	1,078	1,011	1,702	1,990	5,781
Accumulated amortization, beginning of year	(215)	(218)	(129)	(1,329)	(1,891)
Amortization and impairment	(113)	(19)	(48)	(138)	(318)
Modifications	7	-	-	-	7
Disposal/retirements	4	3	6	49	62
Derecognition	-	20	-	2	22
Changes in foreign exchange rates and other	-	-	-	23	23
Accumulated amortization, end of year	(317)	(214)	(171)	(1,393)	(2,095)
Carrying value, end of year	761	797	1,531	597	3,686

[1] Right-of-use assets include leased properties and leased capital assets.

The following table provides the carrying value of owner-occupied properties and capital assets by geographic location:

December 31	2022	2021
Canada	2,710	2,233
United States	1,426	1,139
Europe	273	314
	4,409	3,686

NOTE 9 Other Assets

December 31	2022	2021
Premiums in course of collection, accounts receivable and interest receivable	7,528	6,845
Client funds on deposit	5,969	3,990
Trading account assets	2,972	1,671
Deferred acquisition costs and deferred selling commissions	1,035	945
Pension benefits [Note 25]	552	363
Income taxes receivable	362	287
Finance leases receivable	539	433
Prepaid expenses	216	196
Other	1,871	1,125
	21,044	15,855

Other assets of \$18,748 million as at December 31, 2022 (\$13,998 million as at December 31, 2021) are to be realized within 12 months. This amount excludes deferred acquisition costs and deferred selling commissions, the changes in which are presented below.

DEFERRED ACQUISITION COSTS AND DEFERRED SELLING COMMISSIONS

The changes in the carrying value of the deferred acquisition costs and deferred selling commissions are as follows:

December 31	2022	2021
Balance, beginning of year	945	853
Additions	245	266
Disposals	(23)	(27)
Amortization	(140)	(113)
Changes in foreign exchange rates and other	8	(34)
Balance, end of year	1,035	945

NOTE 10 Goodwill and Intangible Assets**GOODWILL**

The carrying value and changes in the carrying value of goodwill are as follows:

December 31	2022			2021		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Balance, beginning of year	14,129	(1,161)	12,968	15,124	(1,161)	13,963
Business acquisitions and dispositions	1,396	-	1,396	104	-	104
Purchase price allocation adjustments	31	-	31	161	-	161
Allocated to intangible assets	(55)	-	(55)	(1,181)	-	(1,181)
Changes in foreign exchange rates and other	348	(78)	270	(79)	-	(79)
Balance, end of year	15,849	(1,239)	14,610	14,129	(1,161)	12,968

INTANGIBLE ASSETS

The carrying value and changes in the carrying value of the intangible assets are as follows:

Indefinite life intangible assets

December 31, 2022	Brands trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,372	2,542	741	354	5,009
Changes in foreign exchange rates and other	31	106	-	-	137
Cost, end of year	1,403	2,648	741	354	5,146
Accumulated impairment, beginning of year	(130)	(1,028)	-	-	(1,158)
Changes in foreign exchange rates and other	(7)	(64)	-	-	(71)
Accumulated impairment, end of year	(137)	(1,092)	-	-	(1,229)
Carrying value, end of year	1,266	1,556	741	354	3,917

December 31, 2021	Brands trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,387	2,542	741	354	5,024
Changes in foreign exchange rates and other	(15)	-	-	-	(15)
Cost, end of year	1,372	2,542	741	354	5,009
Accumulated impairment, beginning of year	(133)	(1,028)	-	-	(1,161)
Changes in foreign exchange rates and other	3	-	-	-	3
Accumulated impairment, end of year	(130)	(1,028)	-	-	(1,158)
Carrying value, end of year	1,242	1,514	741	354	3,851

NOTE 10 Goodwill and Intangible Assets (continued)**Finite life intangible assets**

	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
December 31, 2022					
Cost, beginning of year	2,835	2,658	597	545	6,635
Additions	393	546	22	43	1,004
Disposal	(32)	(3)	-	(3)	(38)
Changes in foreign exchange rates and other	74	173	(5)	(51)	191
Cost, end of year	3,270	3,374	614	534	7,792
Accumulated amortization, beginning of year	(1,649)	(888)	(105)	(237)	(2,879)
Amortization and impairment	(250)	(177)	(33)	(29)	(489)
Disposal	3	3	-	3	9
Changes in foreign exchange rates and other	(57)	(31)	8	25	(55)
Accumulated amortization, end of year	(1,953)	(1,093)	(130)	(238)	(3,414)
Carrying value, end of year	1,317	2,281	484	296	4,378

	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
December 31, 2021					
Cost, beginning of year	2,500	1,401	511	464	4,876
Additions	380	1,266	86	174	1,906
Disposal	(17)	-	-	(2)	(19)
Changes in foreign exchange rates and other	(28)	(9)	-	(91)	(128)
Cost, end of year	2,835	2,658	597	545	6,635
Accumulated amortization, beginning of year	(1,451)	(738)	(73)	(198)	(2,460)
Amortization and impairment	(231)	(154)	(32)	(43)	(460)
Disposal	15	-	-	1	16
Changes in foreign exchange rates and other	18	4	-	3	25
Accumulated amortization, end of year	(1,649)	(888)	(105)	(237)	(2,879)
Carrying value, end of year	1,186	1,770	492	308	3,756

NOTE 10 Goodwill and Intangible Assets (continued)**ALLOCATION TO CASH GENERATING UNITS**

Goodwill and indefinite life intangible assets have been assigned to CGUs as follows:

December 31	2022			2021		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Lifeco						
Canada						
Group Customer	1,633	354	1,987	1,630	354	1,984
Individual Customer	2,806	619	3,425	2,795	649	3,444
Europe	2,418	218	2,636	2,442	221	2,663
United States						
Financial Services	4,207	95	4,302	2,674	89	2,763
Asset Management	-	1,566	1,566	-	1,473	1,473
IGM						
Wealth Management	1,586	23	1,609	1,586	23	1,609
Asset Management	1,274	1,003	2,277	1,274	1,003	2,277
Other	686	39	725	567	39	606
	14,610	3,917	18,527	12,968	3,851	16,819

RECOVERABLE AMOUNT**Lifeco**

For purposes of annual impairment testing, Lifeco allocates goodwill and indefinite life intangible assets to its CGUs. Any potential impairment of goodwill or indefinite life intangible assets is identified by comparing the recoverable amount to its carrying value.

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

In the fourth quarter of 2022, Lifeco conducted its annual impairment testing of goodwill and indefinite life intangible assets based on the September 30, 2022 asset balances. It was determined that the recoverable amounts of CGUs were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining the recoverable amounts of the CGUs are unlikely to cause the carrying values to exceed their recoverable amounts.

IGM Financial

IGM tests whether goodwill and indefinite life intangible assets are impaired by comparing the carrying amounts with the recoverable amounts. The recoverable amount of IGM's CGUs is based on the best available evidence of fair value less cost of disposal.

In assessing recoverable amounts, valuation approaches are used that may include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed in discounted cash flows include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes and discount rates, which represent Level 3 fair value inputs. Valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value are Level 2 inputs.

The fair value less cost of disposal of IGM's CGUs was compared with the carrying amount and it was determined there was no impairment. Changes in assumptions and estimates used in determining the recoverable amounts of the CGUs can result in significant adjustments to the valuation of the CGUs.

NOTE 11 Segregated Funds and Other Structured Entities

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

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of Lifeco under the terms of the policyholder agreement and cannot be used to settle obligations of Lifeco. In Europe, the assets of the funds are functionally and constructively segregated from those of Lifeco. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as investments on account of segregated fund policyholders and with an equal liability titled insurance and investment contracts on account of segregated fund policyholders on the balance sheets.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are \$6,388 million at December 31, 2022 (\$3,125 million at December 31, 2021).

Within the statements of earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the balance sheets. As these amounts do not directly impact the revenues and expenses of Lifeco, these amounts are not included separately in the statements of earnings.

The following presents further 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

December 31	2022 ^[1]	2021 ^[1]
Cash and cash equivalents	14,562	12,500
Bonds	69,371	60,647
Mortgage loans	2,159	2,377
Shares and units in unit trusts	117,878	134,568
Mutual funds	168,459	133,916
Investment properties	13,035	12,776
	385,464	356,784
Accrued income	692	442
Other liabilities	(4,647)	(2,932)
Non-controlling mutual fund interest	6,388	3,125
	387,897	357,419

[1] At December 31, 2022, \$66,283 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis (\$83,754 million at December 31, 2021). Included in this amount are \$157 million of cash and cash equivalents, \$12,437 million of bonds, \$15 million of shares and units in unit trusts, \$53,778 million of mutual funds, \$103 million of accrued income and \$207 million of other liabilities.

NOTE 11 Segregated Funds and Other Structured Entities (continued)**INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

Years ended December 31	2022	2021
Balance, beginning of year	357,419	334,032
Additions (deductions):		
Policyholder deposits	40,618	29,657
Net investment income	8,019	9,442
Net realized capital gains on investments	1,082	15,799
Net unrealized capital gains (losses) on investments	(62,823)	11,473
Unrealized gains (losses) due to changes in foreign exchange rates	9,487	(7,109)
Policyholder withdrawals	(46,859)	(40,324)
Business acquisitions ^[1]	77,700	2,844
Change in segregated fund investment in General Fund	64	(30)
Change in General Fund investment in segregated fund	(14)	(22)
Net transfer (to) from General Fund	(59)	22
Non-controlling mutual fund interest	3,263	1,635
	30,478	23,387
Balance, end of year	387,897	357,419

[1] Insurance and investment contracts on account of segregated fund policyholders acquired through the acquisition of Prudential in 2022 and the acquisition of Ark Life in 2021 (Note 3).

INVESTMENT INCOME ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

Years ended December 31	2022	2021
Net investment income	8,019	9,442
Net realized capital gains on investments	1,082	15,799
Net unrealized capital gains (losses) on investments	(62,823)	11,473
Unrealized gains (losses) due to changes in foreign exchange rates	9,487	(7,109)
Total	(44,235)	29,605
Change in insurance and investment contract liabilities on account of segregated fund policyholders	(44,235)	29,605
Net	-	-

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

December 31, 2022	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	270,907	106,720	14,455	392,082

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

December 31, 2021	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	249,543	96,575	13,822	359,940

[1] Excludes other liabilities, net of other assets, of \$2,521 million.

NOTE 11 Segregated Funds and Other Structured Entities (continued)

In 2022, certain foreign equity holdings valued at \$2,301 million were transferred from Level 2 to Level 1 (\$2,137 million were transferred from Level 2 to Level 1 at December 31, 2021), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings at year-end. 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.

As at December 31, 2022, \$3,928 million (\$5,394 million at December 31, 2021) of the segregated funds were invested in funds managed by IG Wealth Management and Mackenzie Investments, subsidiaries of IGM and related parties.

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:

December 31	2022	2021
Balance, beginning of year	13,822	13,556
Total gains (losses) included in segregated fund investment income	(310)	415
Purchases ^[1]	1,011	333
Sales	(366)	(482)
Transfers into Level 3	343	5
Transfers out of Level 3	(45)	(5)
Balance, end of year	14,455	13,822

[1] Includes \$236 million of Level 3 assets acquired through the Prudential acquisition (Note 3).

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.

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

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

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

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

Fee income earned by Lifeco resulting from Lifeco's interests in segregated funds and other structured entities was \$6,332 million for the year ended December 31, 2022 (\$6,194 million in 2021).

Included within other assets (Note 9) at December 31, 2022 is \$2,777 million (\$1,525 million at December 31, 2021) of investments by Lifeco in bonds and shares of Putnam- and Empower-sponsored funds and \$195 million (\$146 million at December 31, 2021) of investments in shares of sponsored unit trusts in Europe.

NOTE 12 Insurance and Investment Contract Liabilities**INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

	2022			2021		
December 31	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	233,888	24,945	208,943	208,378	21,032	187,346
Investment contract liabilities	13,810	73	13,737	12,455	106	12,349
	247,698	25,018	222,680	220,833	21,138	199,695

COMPOSITION OF INSURANCE AND INVESTMENT CONTRACT LIABILITIES AND RELATED SUPPORTING ASSETS

The composition of insurance and investment contract liabilities of Lifeco is as follows:

	2022			2021		
December 31	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Participating						
Canada	49,871	(226)	50,097	50,049	(115)	50,164
United States	10,649	4,003	6,646	10,694	13	10,681
Europe	128	-	128	141	-	141
Capital and Risk Solutions	761	-	761	886	-	886
Non-participating						
Canada	32,056	274	31,782	34,780	207	34,573
United States	105,000	16,193	88,807	63,938	14,708	49,230
Europe	37,415	4,688	32,727	47,215	6,197	41,018
Capital and Risk Solutions	11,818	86	11,732	13,130	128	13,002
	247,698	25,018	222,680	220,833	21,138	199,695

NOTE 12 Insurance and Investment Contract Liabilities (continued)

The composition of the assets supporting liabilities and equity of Lifeco is as follows:

December 31, 2022	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	20,382	11,710	8,043	4,519	5,217	49,871
United States	4,472	597	137	–	5,443	10,649
Europe	54	–	46	8	20	128
Capital and Risk Solutions	554	6	–	–	201	761
Non-participating liabilities						
Canada	21,731	4,287	2,764	715	2,559	32,056
United States	58,238	12,616	817	–	33,329	105,000
Europe	24,270	6,105	388	2,345	4,307	37,415
Capital and Risk Solutions	5,374	224	–	–	6,220	11,818
Other	13,653	3,076	1,229	327	403,154	421,439
Total equity	10,859	908	844	430	19,277	32,318
Total carrying value	159,587	39,529	14,268	8,344	479,727	701,455
Fair value	156,089	36,574	14,240	8,344	479,727	694,974

December 31, 2021	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	21,370	11,166	8,522	4,013	4,978	50,049
United States	4,876	607	76	–	5,135	10,694
Europe	66	–	67	8	–	141
Capital and Risk Solutions	666	8	–	–	212	886
Non-participating liabilities						
Canada	23,620	4,661	3,116	579	2,804	34,780
United States	32,302	4,641	211	–	26,784	63,938
Europe	33,208	5,891	391	2,743	4,982	47,215
Capital and Risk Solutions	6,394	80	–	–	6,656	13,130
Other	7,257	1,202	873	157	369,683	379,172
Total equity	10,853	596	927	263	17,844	30,483
Total carrying value	140,612	28,852	14,183	7,763	439,078	630,488
Fair value	142,653	29,658	14,235	7,763	439,078	633,387

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

NOTE 12 Insurance and Investment Contract Liabilities (continued)**CHANGE IN INSURANCE CONTRACT LIABILITIES**

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	Participating			Non-participating			Total net
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	
December 31, 2022							
Balance, beginning of year	61,770	(102)	61,872	146,608	21,134	125,474	187,346
Impact of new business	(60)	(4)	(56)	5,881	(374)	6,255	6,199
Normal change in in-force business	(571)	11	(582)	(28,141)	(5,733)	(22,408)	(22,990)
Management actions and changes in assumptions	(415)	(138)	(277)	264	433	(169)	(446)
Business movement from/to external parties	-	4,038	(4,038)	(29)	5,084	(5,113)	(9,151)
Prudential acquisition [Note 3]	-	-	-	43,550	-	43,550	43,550
Impact of foreign exchange rate changes	685	(28)	713	4,346	624	3,722	4,435
Balance, end of year	61,409	3,777	57,632	172,479	21,168	151,311	208,943

	Participating			Non-participating			Total net
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	
December 31, 2021							
Balance, beginning of year	58,264	(186)	58,450	150,638	22,177	128,461	186,911
Impact of new business	(78)	-	(78)	10,559	84	10,475	10,397
Normal change in in-force business	3,819	27	3,792	(12,920)	(1,472)	(11,448)	(7,656)
Management actions and changes in assumptions	(223)	57	(280)	(673)	(540)	(133)	(413)
Business movement from/to external parties	-	-	-	(613)	(37)	(576)	(576)
Ark Life acquisition [Note 3]	-	-	-	1,257	1,238	19	19
Impact of foreign exchange rate changes	(12)	-	(12)	(1,640)	(316)	(1,324)	(1,336)
Balance, end of year	61,770	(102)	61,872	146,608	21,134	125,474	187,346

Under IFRS 4, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in the in-force business above.

2022

In 2022, the major contributor to the increase in net insurance contract liabilities was the Prudential acquisition of \$43,550 million. This was partially offset by decreases due to normal change in the in-force business of \$22,990 million, primarily due to fair value adjustments due to increased interest rates. Business movement from/to external parties includes a new reinsurance arrangement (Note 3).

Net non-participating insurance contract liabilities decreased by \$169 million in 2022 due to management actions and changes in assumptions including a \$127 million decrease in Capital and Risk Solutions and a \$147 million decrease in Europe, partially offset by an increase of \$105 million in Canada.

The decrease in Capital and Risk Solutions was primarily due to updated longevity assumptions of \$194 million, partially offset by increases due to updated mortality assumptions of \$55 million and updated expense and tax assumptions of \$24 million.

The decrease in Europe was primarily due to updated longevity assumptions of \$128 million.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of \$311 million. This was partially offset by decreases due to updated mortality assumptions of \$76 million, modelling refinements of \$58 million, and a decrease of \$55 million due to a change in the corporate tax rate.

There was no change in the U.S. due to management actions or changes in assumptions.

Net participating insurance contract liabilities decreased by \$277 million in 2022 due to management actions and changes in assumptions.

2021

Effective October 15, 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities. The revised standards included decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term.

In 2021, the major contributor to the increase in net insurance contract liabilities was the impact of new business of \$10,397 million. This was partially offset by decreases due to normal change in the in-force business of \$7,656 million and foreign exchange rate changes of \$1,336 million.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

Net non-participating insurance contract liabilities decreased by \$133 million due to management actions and changes in assumptions including a \$219 million decrease in Europe and \$7 million decrease in the U.S., partially offset by increases of \$75 million in Canada and \$18 million in Capital and Risk Solutions.

The decrease in Europe was primarily due to updated economic and asset-related assumptions of \$165 million, updated longevity assumptions of \$29 million, and updated policyholder behaviour assumptions of \$22 million.

The decrease in the U.S. was primarily due to updated economic assumptions, which include the net impact of the new standards, of \$5 million.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of \$172 million, mortality updates of \$44 million, and updated morbidity assumptions of \$37 million. This was partially offset by decreases due to updated economic and asset-related assumptions, which include the net impact of the new standards, of \$146 million, and modelling refinements of \$29 million.

The increase in Capital and Risk Solutions was primarily due to updated expense assumptions of \$11 million, and updated life mortality and longevity assumptions of \$6 million.

Net participating insurance contract liabilities decreased by \$280 million in 2021 due to management actions and changes in assumptions.

CHANGE IN INVESTMENT CONTRACT LIABILITIES MEASURED AT FAIR VALUE

	2022			2021		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
December 31						
Balance, beginning of year	12,455	106	12,349	9,145	130	9,015
Normal change in in-force business	2,433	38	2,395	3,497	38	3,459
Investment experience	(2,523)	(76)	(2,447)	(242)	(62)	(180)
Management actions and changes in assumptions	1	-	1	-	-	-
Prudential acquisition [Note 3]	690	-	690	-	-	-
Ark Life acquisition [Note 3]	-	-	-	43	-	43
Impact of foreign exchange rate changes	754	5	749	12	-	12
Balance, end of year	13,810	73	13,737	12,455	106	12,349

The carrying value of investment contract liabilities approximates their fair value. The impact to investment experience in 2022 was due to fair value adjustments related to increased interest rates.

GROSS PREMIUM INCOME

December 31	2022	2021
Direct premiums	29,990	26,197
Assumed reinsurance premiums	34,702	31,178
Total	64,692	57,375

GROSS POLICYHOLDER BENEFITS

December 31	2022	2021
Direct	24,628	20,903
Assumed reinsurance	34,208	28,452
Total	58,836	49,355

ACTUARIAL ASSUMPTIONS

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation.

These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

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

Actuarial assumptions	Methods
Mortality	<p>A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update Lifeco's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product-specific considerations, as well as professional guidance. In addition, appropriate provisions have been made for future mortality deterioration on term insurance.</p> <p>Annuitant mortality is also studied regularly and the results are used to modify established annuitant mortality tables.</p>
Morbidity	<p>Lifeco uses industry-developed experience tables modified to reflect emerging Lifeco experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.</p>
Property and casualty reinsurance	<p>Insurance contract liabilities for property and casualty reinsurance written by entities within Lifeco's Capital and Risk Solutions activities are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in net earnings. Capital and Risk Solutions analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.</p>
Investment returns	<p>The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (refer to Note 22).</p>
Expenses	<p>Contractual policy expenses (e.g., sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the CALM as inflation is assumed to be correlated with new money interest rates.</p>
Policy termination	<p>Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where Lifeco has no experience with specific types of policies or its exposure is limited. Lifeco's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided Lifeco's assumptions for these products as Lifeco's own experience is very limited.</p>
Utilization of elective policy options	<p>There are a wide range of elective options embedded in the policies issued by Lifeco. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee resets (segregated fund maturity guarantees). The assumed rates of utilization are based on Lifeco or industry experience when it exists and, when not, on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.</p>
Policyholder dividends and adjustable policy features	<p>Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is Lifeco's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business, respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability on net earnings is reflected in the changes in best estimate assumptions above.</p>

NOTE 12 Insurance and Investment Contract Liabilities (continued)**RISK MANAGEMENT****Insurance risk**

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions, including mortality, persistency, longevity, morbidity, expense variations and investment returns.

Lifeco is in the business of accepting risk associated with insurance contract liabilities. Lifeco's objective is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of its underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following table provides information about Lifeco's insurance contract liabilities' sensitivities to its management's best estimate of the approximate impact as a result of changes in assumptions used to determine Lifeco's liability associated with these contracts.

	Increase (decrease) in net earnings	
	2022	2021
Mortality – 2% increase	(247)	(276)
Annuitant mortality – 2% decrease	(522)	(722)
Morbidity – 5% adverse change	(253)	(262)
Investment returns		
Parallel shift in yield curve		
1% increase	–	–
1% decrease	–	–
Change in interest rates		
1% increase	79	197
1% decrease	(290)	(555)
Change in publicly traded common share values		
20% increase	37	21
10% increase	27	13
10% decrease	(28)	(19)
20% decrease	(146)	(66)
Change in other non-fixed income asset values		
10% increase	52	79
5% increase	26	39
5% decrease	(70)	(30)
10% decrease	(236)	(112)
Change in best estimate return assumptions for equities		
1% increase	525	567
1% decrease	(620)	(649)
Expenses – 5% increase	(193)	(207)
Policy termination and renewal – 10% adverse change	(945)	(1,002)

The earnings sensitivities illustrated in the table above represent impacts under the Corporation's accounting policies as at December 31, 2022, including accounting for insurance contracts under IFRS 4 and financial instruments under IAS 39. These sensitivities may change on transition to IFRS 17 and IFRS 9.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

December 31	2022			2021		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Canada	81,927	48	81,879	84,829	92	84,737
United States	115,649	20,196	95,453	74,632	14,721	59,911
Europe	37,543	4,688	32,855	47,356	6,197	41,159
Capital and Risk Solutions	12,579	86	12,493	14,016	128	13,888
	247,698	25,018	222,680	220,833	21,138	199,695

Reinsurance risk

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

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

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

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

NOTE 13 Obligations to Securitization Entities

IGM securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC)-sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as IGM retains prepayment risk and certain elements of credit risk. Accordingly, IGM has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as obligations to securitization entities which are carried at amortized cost.

IGM earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, IGM enters into a swap transaction whereby IGM pays coupons on CMBs and receives investment

returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a fair value of \$1 million at December 31, 2022 (\$5 million in 2021).

All mortgages securitized under the NHA MBS and CMB Programs are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, IGM has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP trusts have no recourse to IGM's other assets for failure to make payments when due.

December 31	2022			2021		
	Securitized mortgages	Obligations to securitization entities	Net	Securitized mortgages	Obligations to securitization entities	Net
Carrying value						
NHA MBS and CMB Programs	2,494	2,460	34	2,653	2,651	2
Bank-sponsored ABCP	2,143	2,150	(7)	2,372	2,407	(35)
Total	4,637	4,610	27	5,025	5,058	(33)
Fair value	4,532	4,544	(12)	5,084	5,146	(62)

The carrying value of obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation using an effective interest method.

NOTE 14 Power Corporation's Debentures and Other Debt Instruments

December 31	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
POWER CORPORATION				
Debentures – unsecured				
8.57% debentures due April 22, 2039	150	199	150	250
4.81% debentures due January 31, 2047	249	232	249	316
4.455% debentures due July 27, 2048	248	219	248	303
Total Power Corporation	647	650	647	869

The Corporation has a line of credit of \$500 million bearing interest at LIBOR plus 0.70%. At December 31, 2022 and 2021, the Corporation was not using its line of credit.

CHANGES IN DEBENTURES AND OTHER DEBT INSTRUMENTS

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

December 31	2022	2021
Balance, beginning of the year	647	756
Decrease in other debt instruments	–	(106)
Changes in foreign exchange rates and other	–	(3)
Balance, end of year	647	647

There are no principal repayments on debentures in each of the next five years.

NOTE 15 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.

	2022		2021	
December 31	Carrying value	Fair value	Carrying value	Fair value
POWER FINANCIAL				
Debentures – unsecured				
6.90% debentures due March 11, 2033	250	283	250	337
Total Power Financial	250	283	250	337
LIFECO				
Debentures and Senior Bonds – unsecured				
2.50% senior bonds due April 18, 2023 (€500 million) ^[1]	725	724	720	743
1.75% senior bonds due December 7, 2026 (€500 million) ^[1]	722	665	717	768
3.337% debentures due February 28, 2028	498	467	498	533
6.40% subordinated debentures due December 11, 2028	100	108	100	125
4.70% senior bonds due November 16, 2029 (€500 million)	721	744	–	–
2.379% debentures due May 14, 2030	597	507	597	602
6.74% debentures due November 24, 2031	196	223	195	270
6.67% debentures due March 21, 2033	395	447	394	549
5.998% debentures due November 16, 2039	343	372	342	478
2.981% debentures due July 8, 2050	494	342	493	479
7.529% capital trust debentures due June 30, 2052 (face value of \$150 million)	157	177	157	215
	4,948	4,776	4,213	4,762
Other Debt Instruments – unsecured				
Commercial paper and other short-term debt instruments with interest rate of 4.628% (rates of 0.172% to 0.203% at December 31, 2021)	135	135	122	122
Revolving credit facility with interest equal to LIBOR plus 0.70% (US\$50 million) (US\$50 million at December 31, 2021)	67	67	64	64
Non-revolving credit facility with interest based on Adjusted Term SOFR (US\$500 million)	675	675	–	–
0.904% senior notes due August 12, 2025 (US\$500 million)	672	600	632	617
1.357% senior notes due September 17, 2027 (US\$400 million)	538	451	506	493
4.047% senior notes due May 17, 2028 (US\$300 million)	403	380	379	431
1.776% senior notes due March 17, 2031 (US\$400 million)	537	406	506	490
4.15% senior notes due June 3, 2047 (US\$700 million)	930	729	874	1,057
4.581% senior notes due May 17, 2048 (US\$500 million)	669	555	629	820
3.075% senior notes due September 17, 2051 (US\$700 million)	935	588	879	899
	5,561	4,586	4,591	4,993
Total Lifeco	10,509	9,362	8,804	9,755
IGM FINANCIAL				
Debentures – unsecured				
3.44% debentures due January 26, 2027	400	375	400	423
6.65% debentures due December 13, 2027	125	133	125	154
7.45% debentures due May 9, 2031	150	171	150	203
7.00% debentures due December 31, 2032	175	196	175	238
7.11% debentures due March 7, 2033	150	169	150	207
6.00% debentures due December 10, 2040	200	213	200	274
4.56% debentures due January 25, 2047	200	177	200	241
4.115% debentures due December 9, 2047	250	206	250	284
4.174% debentures due July 13, 2048	200	166	200	230
4.206% debentures due March 21, 2050	250	208	250	290
Debentures of IGM held by Lifeco as investments	(88)	(85)	(88)	(105)
Total IGM	2,012	1,929	2,012	2,439
Total Power Financial, Lifeco and IGM	12,771	11,574	11,066	12,531

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

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)**LIFECO**

On March 30, 2022, Great-West Lifeco U.S. LLC, a subsidiary of Lifeco, established a 2-year US\$500 million non-revolving credit facility with interest on the drawn balance equal to a floating rate based on Adjusted Term Secured Overnight Financing Rate (SOFR). The facility is fully and unconditionally guaranteed by Lifeco. On April 1, 2022, the US\$500 million facility was fully drawn, along with US\$323 million from an existing revolving credit facility, to finance a portion of the Prudential acquisition (Note 3). The existing revolving credit facility incurs interest on the drawn balance equal to a floating rate based on Adjusted Term SOFR. On July 1, 2022, Great-West Lifeco U.S. LLC made a payment of US\$150 million on its existing revolving credit facility, followed by a final payment of US\$173 million on December 30, 2022. As at December 31, 2022, the \$675 million (US\$500 million) facility was fully drawn, along with nil from the existing revolving credit facility.

On November 16, 2022, Lifeco issued €500 million aggregate principal amount 4.70% senior bonds at par, maturing on November 16, 2029, which has a carrying value of \$721 million at December 31, 2022. The bonds are admitted to the Official List of Euronext Dublin and are listed for trading on the Global Exchange Market of Euronext Dublin.

Capital Trust Debentures

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

Distributions and interest on the capital trust debentures are classified as financing charges in the statements of earnings (Note 24). The fair value for capital trust securities is determined by the bid-ask price.

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

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.

December 31	2022	2021
Balance, beginning of the year	11,066	11,955
Issue of senior bonds	691	-
Increase in other debt instruments	1,101	63
Decrease in other debt instruments	(495)	(831)
Changes in foreign exchange rates and other	408	(121)
Balance, end of year	12,771	11,066

The principal repayments on debentures and other debt instruments in each of the next five years and thereafter are as follows:

2023	1,602
2024	-
2025	675
2026	725
2027	1,032
Thereafter	8,799

NOTE 15 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.

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
December 31				
OTHER DEBT INSTRUMENTS				
Investment Funds – secured				
Revolving credit facility up to \$49 million, with interest equal to prime rate plus 0.15%	24	24	7	7
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, 2021)	13	13	13	13
Revolving loan facility up to \$135 million, with interest equal to banker acceptance rate plus 1.85% or SOFR plus 1.75% (\$1 million and US\$35 million)(US\$38 million and US\$11 million at December 31, 2021)	48	48	52	52
Senior loan due in June 2029, with interest equal to Euribor plus 1% (€20 million) ^[1]	28	28	–	–
Renewable Energy – Project debt – secured				
Construction loan facilities due from January 2023 to December 2042, bearing interest at various rates from 4.28% to 4.72%, LIBOR plus 2.5% and U.S. base rate plus 1.5% (\$361 million and US\$186 million)(US\$253 million and US\$52 million at December 31, 2021)	613	620	319	318
Loan facilities due from June 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%	560	519	598	621
Loan facilities due from January 2025 to August 2046, bearing interest at various rates from 3.62% to 6.07%, prime rate plus 1.5% and LIBOR plus margin between 2.25% and 3.0% (\$322 million and US\$128 million)(US\$75 million and US\$168 million at December 31, 2021)	496	452	287	318
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	94	88	97	102
Standalone Businesses – secured				
Revolving credit facility and term loan facilities due in November 2025, bearing interest at various rates equal to U.S. base rate or prime rate plus margin from 1.0% to 3.25%	80	80	94	94
Total alternative asset investment platforms and other	1,956	1,872	1,467	1,525

[1] Represents debt held by an entity controlled by an investment fund.

RENEWABLE ENERGY

During the year ended December 31, 2022, Potentia Renewables Inc., a wholly owned subsidiary of the Corporation, entered into non-recourse construction loan facilities of \$572 million (\$203 million undrawn at December 31, 2022). The facilities have a weighted average interest rate equal to 4.4% and mature between September 2040 and December 2042.

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)**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.

December 31	2022	2021
Balance, beginning of the year	1,467	1,344
Acquisitions	25	123
Derecognition	(46)	(204)
Increase in other debt instruments	621	635
Decrease in other debt instruments	(135)	(423)
Changes in foreign exchange rates and other	24	(8)
Balance, end of year	1,956	1,467

The principal repayments on other debt instruments in each of the next five years and thereafter are as follows:

2023	415
2024	100
2025	302
2026	98
2027	108
Thereafter	945

NOTE 16 Other Liabilities

December 31	2022	2021 ^[1]
Accounts payable	4,111	3,840
Bank overdraft	274	407
Dividends and interest payable	545	525
Income taxes payable	160	311
Deferred income reserves	293	314
Deposits and certificates	5,978	3,968
Pension and other post-employment benefits [Note 25]	928	1,522
Lease liabilities	916	886
Limited-life and redeemable fund units	1,697	1,160
Other	7,581	4,284
	22,483	17,217

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

Other liabilities of \$17,630 million as at December 31, 2022 (\$13,118 million as at December 31, 2021) are expected to be settled within 12 months.

NOTE 16 Other Liabilities (continued)**LEASE LIABILITIES**

The changes in the lease liabilities are as follows:

December 31	2022	2021
Lease liabilities, beginning of year	886	869
Additions	122	108
Modifications	2	19
Lease payments	(144)	(143)
Interest	35	33
Change in foreign exchange rates and other	15	-
Lease liabilities, end of year	916	886

The table below presents the contractual undiscounted cash flows for lease obligations in each of the next five years and thereafter:

2023	134
2024	122
2025	109
2026	99
2027	96
Thereafter	606
Total undiscounted lease liabilities at December 31, 2022	1,166

NOTE 17 Income Taxes**INCOME TAXES**

The components of income tax expense recognized in the statements of earnings are:

Years ended December 31	2022	2021
Current taxes	679	375
Deferred taxes		
Origination and reversal of temporary differences	(240)	260
Derecognition (recognition) of previously recognized (unrecognized) tax losses, tax credits and temporary differences	21	(13)
Change in tax rates and other	21	21
	(198)	268
	481	643

The following table shows current and deferred taxes relating to items not recognized in the statements of earnings:

	2022		2021	
December 31	Other comprehensive income	Equity	Other comprehensive income	Equity
Current tax expense (recovery)	(157)	(1)	(38)	54
Deferred tax expense (recovery)	118	7	196	(21)
	(39)	6	158	33

NOTE 17 Income Taxes (continued)**EFFECTIVE INCOME TAX RATE**

The Corporation's effective income tax rate is derived as follows:

Years ended December 31	2022	2021
	%	%
Combined statutory Canadian federal and provincial tax rates	26.5	26.5
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(5.1)	(6.6)
Different tax rates applicable in local and foreign jurisdictions	(10.1)	(7.1)
Share of earnings of investments in jointly controlled corporations and associates	(0.4)	(1.6)
Tax rate changes on deferred taxes	0.6	0.4
Other	0.5	0.5
Effective income tax rate	12.0	12.1

In December 2021, the Organization for Economic Co-operation and Development (OECD) published model rules outlining a structure for a new 15% global minimum tax to be implemented by participating countries at a future date, currently expected to be 2024. The countries where the Corporation and its subsidiaries currently operate have indicated their participation; however, none have implemented legislation. A number of these countries currently operate at a lower tax rate than the proposed minimum, and when legislation is enacted, an increase in the effective tax rate is expected. The Corporation and its subsidiaries are awaiting legislation and detailed guidance to assess the full implications in the jurisdictions in which the Corporation and its subsidiaries operate.

DEFERRED TAXES

Composition and changes in net deferred taxes are as follows:

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2022							
Balance, beginning of year	(575)	(766)	1,484	(1,184)	227	352	(462)
Recognized in							
Statements of earnings	(1,494)	1,495	142	(46)	(42)	143	198
Statements of comprehensive income	-	60	-	-	(177)	(1)	(118)
Statements of changes in equity	-	-	(7)	(4)	-	4	(7)
Business acquisitions	(90)	(4)	-	127	1	35	69
Foreign exchange rate changes and other	(70)	(11)	92	(60)	1	33	(15)
Balance, end of year	(2,229)	774	1,711	(1,167)	10	566	(335)

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2021							
Balance, beginning of year	(320)	(865)	1,521	(1,068)	472	261	1
Recognized in							
Statements of earnings	(236)	48	(31)	(112)	(12)	75	(268)
Statements of comprehensive income	-	63	-	-	(233)	(26)	(196)
Statements of changes in equity	-	3	(2)	20	-	-	21
Business acquisitions	-	(1)	1	(30)	-	(2)	(32)
Foreign exchange rate changes and other	(19)	(14)	(5)	6	-	44	12
Balance, end of year	(575)	(766)	1,484	(1,184)	227	352	(462)

December 31	2022	2021
Presented on the balance sheets as follows:		
Deferred tax assets	1,187	1,131
Deferred tax liabilities	(1,522)	(1,593)
	(335)	(462)

NOTE 17 Income Taxes (continued)

Management of the Corporation and of its subsidiaries assess the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2022 are recoverable.

At December 31, 2022, a deferred tax asset of \$1,619 million (\$1,388 million at December 31, 2021) is recognized by Lifeco on tax loss carry forwards totalling \$7,319 million. Of this amount, \$4,478 million expires between 2026 and 2042, while \$2,841 million has no expiry date. Lifeco will realize this benefit in future years through a reduction in current income taxes payable.

A U.S. subsidiary of Lifeco has had a history of losses. The subsidiary has a net deferred tax asset balance of \$466 million (US\$345 million) as at December 31, 2022, composed principally of net operating losses. Management of Lifeco has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income to utilize the unused U.S. losses and deductions for which a deferred tax asset has been recognized.

As at December 31, 2022, the Corporation and its subsidiaries have non-capital losses of \$1,944 million (\$1,397 million in 2021) available to reduce future taxable income for which the benefits have not been recognized. Of this amount, \$1,798 million expires from 2023 to 2042, while \$146 million has no expiry date. In addition, the Corporation and its subsidiaries have capital loss carry forwards of \$559 million (\$298 million in 2021) to offset future capital gains for which the benefits have not been recognized. Of this amount, \$44 million expires in 2027 and \$515 million can be used indefinitely.

As at December 31, 2022, the Corporation and its subsidiaries have deductible temporary differences of \$621 million (\$665 million in 2021) for which the benefits have not been recognized. As at December 31, 2022 and 2021, no deferred tax liability was recognized in respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation and its subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTE 18 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

	2022		2021	
	Number of shares	Stated capital	Number of shares	Stated capital
December 31				
		\$		\$
Non-Participating Shares				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	–	–	86,100	4
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		954
Participating Shares				
Participating Preferred Shares	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	621,756,088	9,370	622,388,232	9,324
Issued under Stock Option Plan	1,683,043	52	3,436,756	107
Purchased for cancellation under normal course issuer bid	(11,219,400)	(169)	(4,068,900)	(61)
Balance, end of year	612,219,731	9,253	621,756,088	9,370
Total Participating Shares		9,486		9,603

NOTE 18 Stated Capital (continued)**Non-Participating Shares**

During the year ended December 31, 2022, the Corporation redeemed all 86,100 of its outstanding Cumulative Redeemable First Preferred Shares, 1986 Series for \$50.00 per share (43,300 shares in 2021).

The following First Preferred Shares series are entitled to fixed non-cumulative preferential cash dividends payable quarterly. The Corporation may redeem for cash the First Preferred Shares in whole or in part, at the Corporation's option, with all declared and unpaid dividends to, but excluding, the date of redemption. The dividends and redemption terms are as follows:

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	(\$/share)		(\$/share)
Non-cumulative, fixed rate			
Series A, 5.60%	0.350000	Currently redeemable	25.00
Series B, 5.35%	0.334375	Currently redeemable	25.00
Series C, 5.80%	0.362500	Currently redeemable	25.00
Series D, 5.00%	0.312500	Currently redeemable	25.00
Series G, 5.60%	0.350000	Currently redeemable	25.00

Participating Shares

Participating Preferred Shares are entitled to ten votes per share; and, subject to the rights of holders of the First Preferred Shares, to a non-cumulative dividend of 0.938¢ per share per annum before dividends on the Subordinate Voting Shares and have the further right to participate, share and share alike, with the holders of the Subordinate Voting Shares in any dividends that may be paid with respect to the Subordinate Voting Shares.

Subordinate Voting Shares are entitled to one vote per share. In 2022, 1,683,043 Subordinate Voting Shares (3,436,756 in 2021) were issued under the Corporation's Executive Stock Option Plan for a consideration of \$47 million (\$96 million in 2021).

Dividends declared on the Corporation's participating shares in 2022 were \$1.9800 per share (\$1.8375 per share in 2021).

Normal Course Issuer Bids

On February 25, 2021, the Corporation commenced a Normal Course Issuer Bid (NCIB) which was effective until February 24, 2022. During the three months ended March 31, 2022, the Corporation purchased for cancellation 703,700 Subordinate Voting Shares pursuant to this NCIB for a total of \$29 million (4,068,900 Subordinate Voting Shares for a total of \$153 million in 2021 under this NCIB).

On February 28, 2022, the Corporation commenced a new NCIB which is effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing

approximately 5.3% of the public float of Subordinate Voting Shares outstanding as at February 14, 2022) at market prices. During the year ended December 31, 2022, the Corporation purchased for cancellation 10,515,700 Subordinate Voting Shares pursuant to this NCIB for a total of \$386 million.

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 \$246 million and was recognized as a reduction to retained earnings (\$92 million in 2021).

SUBSEQUENT EVENT

On March 1, 2023, the Corporation commenced a 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 bid, 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 at February 22, 2023) at market prices. At March 16, 2023, the Corporation has repurchased 857,400 Subordinate Voting Shares for a total of \$31 million.

The Corporation has entered into an automatic share purchase plan (an "ASPP") with a designated broker to allow for the purchase of Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. The ASPP is effective March 1, 2023, the commencement date of the NCIB.

NOTE 19 Share-Based Compensation

STOCK OPTION PLAN

There are 21,366,139 Subordinate Voting Shares and 10,901,693 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). The plans require that the exercise price of the option must not be less than the market value of a share on the date of the grant of the option.

A summary of the status of the Corporation's Stock Option Plans, including tandem share appreciation rights (TSAR or TSARs), as at December 31, 2022 and 2021, and changes during the respective years ended is as follows:

	2022		2021	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	27,556,547	31.30	31,484,425	30.70
Granted	670,304	38.34	659,112	33.47
Exercised or surrendered for cash	(2,658,043)	27.70	(4,586,990)	27.48
Forfeited and expired	(1,565)	38.34	-	-
Outstanding, end of year	25,567,243	31.86	27,556,547	31.30
Options exercisable, end of year	18,576,247	31.10	17,951,463	30.71

The following table summarizes information about stock options, including TSARs, outstanding at December 31, 2022:

Range of exercise prices	Expiry date	Options outstanding			Options exercisable	
		Options	Weighted-average remaining life	Weighted-average exercise price	Options	Weighted-average exercise price
\$			(yrs)	\$		\$
28.24 – 31.03	2023	3,026,949	0.4	28.80	3,026,949	28.80
28.51 – 33.68	2024	2,832,668	1.4	31.40	2,832,668	31.40
31.79 – 36.53	2025	3,618,439	2.2	34.46	2,718,439	34.54
27.30 – 30.79	2026	2,706,413	3.2	30.00	2,706,413	30.00
29.61 – 33.68	2027	2,474,221	4.2	32.80	2,474,221	32.80
28.51 – 30.27	2028	3,161,467	5.2	29.54	3,161,467	29.54
31.12 – 31.84	2029	3,327,605	6.3	31.40	1,656,090	31.40
34.23	2030	3,091,630	7.1	34.23	-	-
33.30 – 42.45	2031	659,112	8.2	33.47	-	-
38.34	2032	668,739	9.2	38.34	-	-
		25,567,243	4.1	31.86	18,576,247	31.10

TANDEM SHARE APPRECIATION RIGHTS

The Corporation's Stock Option Plans provide for the granting of TSARs in connection with options granted thereunder, at or after the time of grant of such options. A TSAR entitles the optionee to surrender to the Corporation, unexercised, the right to subscribe for a Subordinate Voting Share pursuant to the related option and to receive from the Corporation cash in an amount equal to the excess of the market value of a Subordinate Voting Share over the subscription price under the related option.

A summary of the status of the Corporation's options with TSARs attached, as at December 31, 2022 and 2021, and changes during the respective years ended is as follows:

	2022			2021		
	TSARs	Weighted-average exercise price	Fair value of liability	TSARs	Weighted-average exercise price	Fair value of liability
		\$	\$		\$	\$
Outstanding, beginning of year	-	-	-	-	-	-
Attached to outstanding options	13,621,606	30.87	93	1,230,234	26.83	8
Surrendered for cash	(975,000)	27.25	(14)	(1,150,234)	26.83	(8)
Exercised for Subordinate Voting Shares	-	-	-	(80,000)	25.97	-
Change in fair value	-	-	(40)	-	-	-
Outstanding, end of year	12,646,606	31.15	39	-	-	-
TSARs exercisable, end of year	10,813,886	30.87	-	-	-	-

NOTE 19 Share-Based Compensation (continued)

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 \$39 million at December 31, 2022 (nil at December 31, 2021) and is recorded in other liabilities. The intrinsic value of this liability at December 31, 2022 was \$17 million (nil at December 31, 2021).

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

	December 31, 2022
Dividend yield	5.7%
Expected volatility	16.0% – 21.6%
Risk-free interest rate	3.7% – 4.9%
Expected life (years)	0.4 – 6.3
Share price (\$/share)	31.85
Weighted-average exercise price (\$/option)	31.15
Weighted-average fair value (\$/option)	3.08

In the second quarter of 2022, the Corporation entered into a total return swap agreement to manage exposure to the volatility of a portion of its cash-settled share-based payments and related liability. For the year ended December 31, 2022, a net gain of \$20 million (nil in 2021) arising from the change in fair value of the liability, net of the loss 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 year ended December 31, 2022, Power Corporation granted 670,304 options (659,112 options in 2021) under its Executive Stock Option Plan. Generally, the options vest on the basis of [i] the first 50%, three years from the date of the grant and [ii] the remaining 50% four years from the date of the grant.

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

	2022	2021
Dividend yield	5.7%	5.9%
Expected volatility	17.7%	18.0%
Risk-free interest rate	2.4%	1.4%
Expected life (years)	9.0	9.0
Fair value (\$/option)	2.46	1.67
Weighted-average exercise price (\$/option)	38.34	33.47

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. Total compensation expense relating to the equity-settled stock options granted by the Corporation and its subsidiaries amounted to \$107 million in 2022 (\$99 million in 2021) and was recorded in operating and administrative expenses in the statements of earnings.

NOTE 19 Share-Based Compensation (continued)**PERFORMANCE SHARE UNIT PLAN**

Power Corporation established a Performance Share Unit (PSU) Plan for selected employees and officers (participants) to assist in retaining and further aligning the interests of participants with those of the shareholders. Under the terms of the Plan, PSUs may be awarded annually and are subject to time and performance vesting conditions. The value of each PSU is based on the share price of the Corporation's Subordinate Voting Shares. The PSUs are cash settled and vest over a three-year period. Participants can elect at the time of grant to receive a portion of their PSUs in the form of performance deferred share units (PDSUs) which also vest over a three-year period. PDSUs are redeemable when a participant is no longer an employee of the Corporation or any of its affiliates, or in the event of the death of the participant, by a lump-sum cash payment based on the value of the PDSU at that time. Additional PSUs and PDSUs are issued in respect of dividends payable on Subordinate Voting Shares based on the value of the PSU or PDSU at the dividend payment date. At December 31, 2022, the carrying value of the PSU liability was \$31 million (\$31 million at December 31, 2021) and is recorded within other liabilities.

DEFERRED SHARE UNIT PLAN

Power Corporation established a Deferred Share Unit (DSU) Plan for its Directors to promote a greater alignment of interests between Directors and shareholders of the Corporation. Under this Plan, Directors participating in the Plan will receive half of their annual retainer in the form of DSUs and may elect to receive the remainder of their annual retainer entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by

the five-day-average closing price on the Toronto Stock Exchange of the Subordinate Voting Shares of the Corporation on the last five days of the fiscal quarter (the value of a DSU). A Director will receive additional DSUs in respect of dividends payable on the Subordinate Voting Shares, based on the value of a DSU on the date on which the dividends were paid on the Subordinate Voting Shares. A DSU is payable, at the time a Director's membership on the Board is terminated (provided the Director is not then a director, officer or employee of an affiliate of the Corporation), or in the event of the death of a Director, by a lump-sum cash payment, based on the value of a DSU at that time. At December 31, 2022, the value of the DSUs outstanding was \$33 million (\$38 million at December 31, 2021) and is recorded within other liabilities. Alternatively, directors may participate in a Share Purchase Plan for Directors.

EMPLOYEE SHARE PURCHASE PROGRAM

Power Corporation established an Employee Share Purchase Program, giving employees the opportunity to subscribe for up to 6% of their gross salary to purchase Subordinate Voting Shares of the Corporation on the open market. Power Corporation invests, on the employee's behalf, up to an equal amount.

OTHER SHARE-BASED AWARDS OF SUBSIDIARIES

Power Financial and other subsidiaries of the Corporation have also established other share-based awards and performance share unit plans (plans) for their directors, management and employees. Some of these plans are cash settled and included within other liabilities. Total compensation expense related to these subsidiary plans amounted to \$67 million in 2022 (\$365 million in 2021, which included the increase in the put right liability of certain option holders in Wealthsimple) and was recorded in operating and administrative expenses on the statements of earnings.

NOTE 20 Non-Controlling Interests

The carrying value of non-controlling interests consists of the following:

December 31, 2022	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	7,365	2,003	–	507	9,875
Preferred shareholders	2,720	–	2,830	–	5,550
Participating account surplus	3,156	–	–	–	3,156
Limited recourse capital notes	1,500	–	–	–	1,500
	14,741	2,003	2,830	507	20,081

December 31, 2021	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,800	1,903	–	498	9,201
Preferred shareholders	2,720	–	2,830	–	5,550
Participating account surplus	3,138	–	–	–	3,138
Limited recourse capital notes	1,500	–	–	–	1,500
	14,158	1,903	2,830	498	19,389

NOTE 20 Non-Controlling Interests (continued)

The changes in non-controlling interests are as follows:

December 31, 2022	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	14,158	1,903	2,830	498	19,389
Net earnings (losses) attributable to non-controlling interests	1,240	300	135	(97)	1,578
Other comprehensive income (loss) attributable to non-controlling interests	(43)	32	-	6	(5)
Dividends	(667)	(182)	(135)	-	(984)
Issuance of equity instruments, net of repurchase of common shares and redemption of preferred shares	43	(71)	-	85	57
Effect of changes in ownership interest and other	10	21	-	15	46
Non-controlling interests, end of year	14,741	2,003	2,830	507	20,081

December 31, 2021	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	11,852	1,552	2,830	292	16,526
Net earnings (losses) attributable to non-controlling interests	1,342	263	136	(37)	1,704
Other comprehensive income (loss) attributable to non-controlling interests	(10)	44	-	(3)	31
Dividends	(625)	(184)	(136)	-	(945)
Issuance of limited recourse capital notes	1,500	-	-	-	1,500
Issuance of equity instruments, net of repurchase of common shares and redemption of preferred shares	103	60	-	295	458
Effect of changes in ownership interest and other ^[1]	(4)	168	-	(49)	115
Non-controlling interests, end of year	14,158	1,903	2,830	498	19,389

[1] Includes the effect of the Wealthsimple primary and secondary equity offerings and the extinguishment of put rights as described below.

Financial information of Lifeco and IGM as at and for the year ended December 31, 2022 can be obtained from their publicly available financial statements. Summarized financial information for Lifeco and IGM is as follows:

	2022		2021	
	Lifeco	IGM	Lifeco	IGM
Balance sheet				
Assets	701,455	18,873	630,488	17,661
Liabilities	669,137	12,610	600,005	11,160
Equity	32,318	6,263	30,483	6,501
Comprehensive income				
Net earnings	3,534	873	3,563	981
Other comprehensive income (loss)	192	(496)	117	956
Cash flows				
Operating activities	7,047	738	10,373	943
Financing activities	(620)	(1,092)	(992)	(1,522)
Investing activities	(5,493)	135	(11,212)	1,099

NOTE 20 Non-Controlling Interests (continued)**POWER FINANCIAL****Preferred Shares**

On October 15, 2021, Power Financial issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 at \$25.00 per share for gross proceeds of \$200 million.

On November 22, 2021, Power Financial redeemed all 8,000,000 of its outstanding 6.00% Non-Cumulative First Preferred Shares, Series I for a total of \$200 million.

LIFECO**Limited Recourse Capital Notes**

On August 16, 2021, Lifeco issued \$1,500 million aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 had a fair value of \$1,125 million at December 31, 2022.

Preferred Shares

On October 8, 2021, Lifeco issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series Y at \$25.00 per share for gross proceeds of \$200 million.

On December 31, 2021, Lifeco redeemed all 7,740,032 of its outstanding 5.90% Non-Cumulative First Preferred Shares, Series F for a total of \$194 million.

WEALTHSIMPLE

On May 12, 2021, Wealthsimple announced the closing of a \$750 million equity offering, consisting of a \$250 million primary offering by Wealthsimple, as well as a \$500 million secondary offering by the Corporation, IGM and Lifeco pro rata to their respective ownership interests. As a result of the secondary offering, the Corporation received proceeds of \$500 million. As well, the existing put rights held by non-controlling interests and option holders of Wealthsimple were extinguished. At the close of the transaction, the Corporation held a combined equity interest of 56.0% in Wealthsimple.

In the first quarter of 2021, the fair value increase in Wealthsimple resulted in charges included in the operating and administrative expenses in the statements of earnings related to the remeasurement of the put right liability of certain of the non-controlling interests and option holders in Wealthsimple to fair value and carried interest payable totalling \$332 million.

In the second quarter of 2021, following the close of the primary and secondary offerings and the extinguishment of the put rights, the Corporation recorded an increase in retained earnings of \$638 million (\$593 million net of income taxes), in share-based compensation reserve of \$119 million and in non-controlling interests of \$368 million.

NOTE 21 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 or above 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.

LIFECO

Lifeco manages its capital on both a consolidated basis as well as 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.

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.

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

NOTE 21 Capital Management (continued)

Lifeco's subsidiaries Canada Life, Empower and entities based in Europe are subject to minimum regulatory capital requirements.

- In Canada, the OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT ratio compares the regulatory capital resources of a company to its required capital defined by OSFI as the aggregate of all defined capital requirements multiplied by a scalar of 1.05. 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 December 31, 2022 was 120% (124% at December 31, 2021).
- For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2022 and 2021, all Lifeco's European regulated entities met the capital and solvency requirements as prescribed under Solvency II.
- Empower is subject to the risk-based capital regulatory regime in the U.S.
- Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2022 and 2021, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

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 December 31, 2022 and 2021, 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 December 31, 2022 and 2021, these subsidiaries have complied with all regulatory capital requirements.

NOTE 22 Risk Management

The Corporation and its subsidiaries have established policies, guidelines and procedures designed to identify, measure, monitor, report and mitigate material 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 will fluctuate as a result of changes in market factors. Market factors include three types of risks: foreign exchange risk, interest rate 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:

- assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- changes in actuarial, investment return and future investment activity assumptions;
- actual experience differing from the assumptions;
- changes in business mix, effective tax rates and other market factors;
- interactions among these factors and assumptions when more than one changes; and
- the 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 based on the assumptions outlined above. 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.

NOTE 22 Risk Management (continued)

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

LIQUIDITY RISK

Power Corporation is a holding company. As such, the holding company's cash flows are principally derived from dividends received from its subsidiaries and income from investments, less operating expenses, financing charges, income taxes and payment of dividends to its participating and non-participating shareholders. 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 subsidiary 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 regularly review their liquidity requirements and seek to maintain sufficient levels of liquidities to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, Power Financial and other subsidiaries to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance and risk profile of Power Corporation, Power Financial and their subsidiaries.

Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of \$500 million. The Corporation also maintains an uncommitted line of credit of \$100 million, and any advances are at the bank's sole discretion. At December 31, 2022 and 2021, the Corporation was not utilizing its committed line of credit or uncommitted line of credit. Other subsidiaries also have committed lines of credit of \$506 million with Canadian and U.S. banks (\$421 million was undrawn at December 31, 2022).

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM discussed below) represent the only significant contractual liquidity requirements. Contractual maturities of certain liabilities were as follows:

December 31, 2022	Payments due by period			Total
	Less than 1 year	1-5 years	After 5 years	
Deposits and certificates	1,644	–	–	1,644
Power Corporation's debentures and other debt instruments	–	–	650	650
Non-recourse debentures and other debt instruments	415	608	1,195	2,218
Future lease payments	30	115	272	417
Pension contributions	18	–	–	18
	2,107	723	2,117	4,947

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.

Power Corporation, Power Financial and other subsidiaries' management of liquidity risk has not changed materially since December 31, 2021.

CREDIT RISK

Fixed income securities and derivatives are subject to credit risk. Power Corporation and Power Financial manage credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum ratings and concentration limits.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Corporation, Power Financial and other subsidiaries operate, as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. Power Corporation and Power Financial regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives can also be used to mitigate foreign exchange or equity exposures. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

Other subsidiaries are also exposed to credit risk through derivative contracts used to hedge interest rate risk or mitigate foreign exchange exposures. Other subsidiaries regularly review the credit ratings of their counterparties. The exposure to credit risk on these financial instruments is limited to their carrying value.

Power Corporation, Power Financial and other subsidiaries' exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2021.

NOTE 22 Risk Management (continued)

MARKET RISK

Power Corporation and Power Financial and other subsidiaries' financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, other loans, investment funds and hedge funds), derivatives and debentures and other debt instruments.

Foreign exchange risk

In managing their own cash and cash equivalents as well as fixed income securities, Power Corporation, Power Financial and other subsidiaries may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2022, approximately 75% (73% as at December 31, 2021) of Power Corporation, Power Financial and other subsidiaries' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Power Corporation, Power Financial and other subsidiaries held other investments either classified as available for sale or as fair value through profit or loss. Unrealized gains and losses on investments classified as available for sale, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. Unrealized gains and losses on investments classified as fair value through profit or loss, resulting from foreign exchange rate variations, are recorded directly in net earnings. As at December 31, 2022, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income or a loss recorded in net earnings of approximately \$77 million and \$34 million, respectively (\$55 million and \$35 million at December 31, 2021, respectively). Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

Power Corporation has net investments in foreign operations. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar and Chinese renminbi spot rates impacts the Corporation's total equity.

Power Financial is exposed to foreign exchange risk on its investment in GBL held through Parjointco as its functional currency is the euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. As at December 31, 2022, the impact of a 5%

increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$163 million (\$214 million in 2021).

Power Corporation is also exposed to foreign exchange risk on its investment in ChinaAMC. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. As at December 31, 2022, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$39 million (\$38 million in 2021).

Interest rate risk

Power Corporation, Power Financial and other subsidiaries' financial instruments do not have significant exposure to interest rate risk.

Equity risk

Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the year, the Corporation recorded investment impairment charges on available-for-sale investments of \$18 million (nil in 2021). As at December 31, 2022, 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 \$95 million (\$110 million as at December 31, 2021) unrealized loss recorded in other comprehensive income related to investments classified as available for sale and \$147 million (\$128 million as at December 31, 2021) 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 the Corporation has classified as available for sale. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. As at December 31, 2022, the impact of a 10% decline in equity markets would have resulted in an approximate \$282 million (\$395 million in 2021) of unrealized loss to be recorded in other comprehensive income, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation and Power Financial sponsor a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Power Corporation. Power Corporation and Power Financial hedge their exposure to the equity risk associated with their PSU Plans through the use of total return swaps.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks.

LIQUIDITY RISK

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

- 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. Approximately 35% (approximately 48% in 2021) of insurance and investment contract liabilities are non-cashable prior to maturity or claim, with a further approximately 30% (approximately 24% in 2021) of insurance and investment contract liabilities subject to fair value adjustments under certain conditions.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at its holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2022, Lifeco maintained \$950 million of liquidity at its level through committed lines of credit with Canadian chartered banks. As well, Lifeco maintains a US\$500 million revolving credit agreement and a US\$500 million non-revolving credit agreement at Great-West Lifeco U.S. LLC, a US\$300 million revolving credit agreement with a syndicate of banks for use by Putnam, and a US\$50 million line of credit at Empower.

NOTE 22 Risk Management (continued)

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

December 31, 2022	Payments due by period						Total
	1 year	2 years	3 years	4 years	5 years	After 5 years	
Debentures and other debt instruments	1,602	–	675	725	540	6,879	10,421
Capital trust debentures ^[1]	–	–	–	–	–	150	150
Purchase obligations	184	108	79	55	47	64	537
Pension contributions	315	–	–	–	–	–	315
	2,101	108	754	780	587	7,093	11,423

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

CREDIT RISK

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

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the risk committee and the investment committee of the board of directors of Lifeco.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. Lifeco manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating-based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to Lifeco are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in Lifeco's Reinsurance Risk Management Policy. Lifeco seeks to minimize reinsurance credit risk by setting rating-based limits on net ceded exposure by counterparty as well as by seeking protection in the form of collateral or funds-withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

Maximum exposure to credit risk

The following table summarizes Lifeco's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

December 31	2022	2021
Cash and cash equivalents	7,290	6,075
Bonds		
Fair value through profit or loss	113,777	103,813
Available for sale	11,864	12,123
Loans and receivables	33,946	24,676
Mortgage loans	39,529	28,852
Loans to policyholders	8,820	8,319
Funds held by ceding insurers ^[1]	15,186	17,194
Reinsurance assets	25,018	21,138
Interest due and accrued	1,709	1,239
Accounts receivable	3,556	3,183
Premiums in course of collection	1,715	1,944
Trading account assets	2,972	1,671
Finance leases receivable	536	433
Other assets ^[2]	1,995	1,196
Derivative assets	2,314	967
Total balance sheet maximum credit exposure	270,227	232,823

[1] Includes \$11,980 million as at December 31, 2022 (\$15,125 million as at December 31, 2021) of funds held by ceding insurers where Lifeco retains the credit risk of the assets supporting the liabilities ceded (see Note 6).

[2] Includes items such as income taxes receivable and miscellaneous other assets of Lifeco.

NOTE 22 Risk Management (continued)

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of types of collateral and the valuation parameters. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco had \$1,348 million of collateral received from counterparties as at December 31, 2022 (\$318 million as at December 31, 2021) relating to derivative assets.

As at December 31, 2022, \$12,061 million of the \$25,018 million of reinsurance assets are ceded to Protective Life (\$14,512 million of \$21,138 million at December 31, 2021). This concentration risk is mitigated by funds held in trust and other arrangements of \$13,685 million as at December 31, 2022 (\$15,963 million at December 31, 2021).

Concentrations of 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 of such debtors are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following table provides details of the carrying value of bonds of Lifeco by issuer, industry sector and business:

December 31, 2022	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	892	330	7,539	3,222	11,983
Government-related	17,054	3,283	6,631	373	27,341
Agency securitized	175	1,270	-	15	1,460
Non-agency securitized	2,355	15,022	734	123	18,234
Financials	3,625	13,507	4,520	921	22,573
Communications	1,008	1,872	667	137	3,684
Consumer products	4,352	10,934	1,743	968	17,997
Energy	2,277	3,698	406	285	6,666
Industrials	2,187	8,670	1,250	418	12,525
Technology	848	3,394	392	298	4,932
Transportation	3,503	2,090	638	122	6,353
Utilities	9,507	8,482	3,131	478	21,598
Short-term bonds	3,001	17	822	401	4,241
	50,784	72,569	28,473	7,761	159,587

December 31, 2021	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	529	109	10,334	4,735	15,707
Government-related	19,501	2,183	8,694	349	30,727
Agency securitized	178	497	-	17	692
Non-agency securitized	2,215	7,788	1,149	165	11,317
Financials	3,794	6,251	5,748	886	16,679
Communications	1,104	1,235	1,032	113	3,484
Consumer products	4,029	5,461	2,412	736	12,638
Energy	2,602	2,634	482	330	6,048
Industrials	2,092	4,707	1,393	348	8,540
Technology	729	1,732	411	319	3,191
Transportation	3,674	1,227	897	135	5,933
Utilities	9,971	5,028	4,480	506	19,985
Short-term bonds	2,854	1,976	644	197	5,671
	53,272	40,828	37,676	8,836	140,612

NOTE 22 Risk Management (continued)

The following table provides details of the carrying value of mortgage loans of Lifeco by business:

December 31, 2022	Single-family residential	Multi-family residential	Equity- release	Commercial	Total
Canada	1,856	4,732	1,392	9,126	17,106
United States	-	4,677	-	11,278	15,955
Europe	-	897	1,705	3,503	6,105
Capital and Risk Solutions	-	40	268	55	363
	1,856	10,346	3,365	23,962	39,529

December 31, 2021	Single-family residential	Multi-family residential	Equity- release	Commercial	Total
Canada	1,979	4,297	1,063	9,364	16,703
United States	-	2,474	-	3,696	6,170
Europe	-	792	1,546	3,553	5,891
Capital and Risk Solutions	-	38	-	50	88
	1,979	7,601	2,609	16,663	28,852

Asset quality

Bond Portfolio Quality December 31	2022	2021
AAA	25,399	20,254
AA	32,244	35,460
A	55,063	48,764
BBB	45,080	35,098
BB and lower	1,801	1,036
	159,587	140,612

Derivative Portfolio Quality December 31	2022	2021
Over-the-counter contracts (counterparty credit ratings):		
AA	1,604	662
A	697	304
Exchange-traded	13	1
	2,314	967

Loans past due, but not impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management of Lifeco has reasonable assurance of collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due, but not impaired:

December 31	2022	2021
Less than 30 days	530	164
30-90 days	348	34
Greater than 90 days	147	141
	1,025	339

NOTE 22 Risk Management (continued)**Future asset credit losses**

The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

December 31	2022	2021
Participating	1,327	1,376
Non-participating	1,896	1,895
	3,223	3,271

MARKET RISK**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. 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. The following policies and procedures are in place to mitigate Lifeco's exposure to foreign exchange risk:

- Lifeco uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented Investment Guidelines include maximum tolerances for unhedged currency mismatch exposures.
- For assets backing liabilities not matched by currency, Lifeco would normally convert the assets back to the currency of the liability using foreign exchange contracts.
- 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 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 change to net earnings.

Interest rate risk

The following policies and procedures are in place to mitigate Lifeco's exposure to interest rate risk:

- 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.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), Lifeco generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments or equities, as described below.
- For products that provide policyholders the right to redeem balances at book value, Lifeco has product features to mitigate interest rate risk.
- The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

NOTE 22 Risk Management (continued)

Projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.11% in 2022 (0.11% in 2021). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk because Lifeco's sensitivity to interest rate movements varies at different terms.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

December 31	2022		2021	
	1% increase	1% decrease ^[1]	1% increase	1% decrease ^[1]
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(92)	386	(219)	678
Increase (decrease) in net earnings	79	(290)	197	(555)

[1] For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

The earnings sensitivities illustrated in this section represent impacts under the accounting policies as at December 31, 2022, including accounting for insurance contracts under IFRS 4 and financial instruments under IAS 39. These sensitivities may change on transition to IFRS 17 and IFRS 9.

Equity risk

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate price 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. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries-prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities. Actual movements in interest rates may produce different impacts on the value of liabilities, net of changes in the value of assets supporting liabilities, depending on the extent of the change in interest rates in different geographies and at different durations. An immediate 1% increase in interest rates in Canada could lead to an increase in the value of liabilities, net of changes in the value of assets supporting liabilities, and a decrease in net earnings, but the impact would not be expected to be material.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common shares and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger decreases in equity values, relative to the change in equity values. Decreases in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

NOTE 22 Risk Management (continued)

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common shares on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	2022				2021			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
December 31								
Change in publicly traded common share values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(43)	(31)	31	180	(26)	(16)	22	76
Increase (decrease) in net earnings	37	27	(28)	(146)	21	13	(19)	(66)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	2022				2021			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
December 31								
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(63)	(32)	90	302	(92)	(46)	38	144
Increase (decrease) in net earnings	52	26	(70)	(236)	79	39	(30)	(112)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common shares and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market decreases.

The best estimate return assumptions for publicly traded common shares and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or a 1% decrease in the best estimate assumptions:

	2022		2021	
	1% increase	1% decrease	1% increase	1% decrease
December 31				
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	(676)	806	(715)	829
Increase (decrease) in net earnings	525	(620)	567	(649)

Lifeco sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. Lifeco hedges its exposure to the equity risk associated with its PSU Plan through the use of total return swaps.

The earnings sensitivities illustrated in this section represent impacts under the accounting policies as at December 31, 2022, including accounting for insurance contracts under IFRS 4 and financial instruments under IAS 39. These sensitivities may change on transition to IFRS 17 and IFRS 9.

NOTE 22 Risk Management (continued)**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.

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. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS), including sales to Canada Housing Trust under the Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of IGM are approved issuers of NHA MBS and are approved sellers into the CMB Program. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in principal reinvestment accounts.

IGM maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

IGM's contractual maturities of certain liabilities were as follows:

December 31, 2022	Payments due by period				Total
	Demand	Less than 1 year	1-5 years	After 5 years	
Derivative financial instruments	–	21	31	–	52
Deposits and certificates ^[1]	4,332	–	1	1	4,334
Obligations to securitization entities	–	948	3,651	11	4,610
Future lease payments	–	32	95	119	246
Debentures	–	–	525	1,575	2,100
Pension contributions	–	2	–	–	2
Total contractual maturities	4,332	1,003	4,303	1,706	11,344

[1] Deposits and certificates due on demand are primarily offset by IGM's client funds held on deposit.

In addition to IGM's current balance of cash and cash equivalents, liquidity is available through IGM's lines of credit. IGM's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million as at December 31, 2022, unchanged from December 31, 2021. The lines of credit as at December 31, 2022 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2021. Any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2022 and 2021, IGM was not utilizing its committed lines of credit or its uncommitted lines of credit.

IGM's liquidity position and its management of liquidity risk have not changed materially since December 31, 2021.

CREDIT RISK

IGM's cash and cash equivalents, other investment holdings, mortgage portfolios and derivatives are subject to credit risk. IGM monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2022, IGM's cash and cash equivalents of \$1,073 million (\$1,292 million in 2021) consisted of cash balances of \$346 million (\$326 million in 2021) on deposit with Canadian chartered banks and cash equivalents of

\$727 million (\$966 million in 2021). 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.

As at December 31, 2022, residential mortgages, recorded on IGM's balance sheets, of \$5.0 billion (\$5.4 billion in 2021) consisted of \$4.6 billion sold to securitization programs (\$5.0 billion in 2021), \$372 million held pending sale or securitization (\$316 million in 2021) and \$13 million related to IGM's intermediary operations (\$14 million in 2021).

IGM manages credit risk related to residential mortgages through:

- adhering to its lending policy and underwriting standards;
- its loan servicing capabilities;
- use of client-insured mortgage default insurance and mortgage portfolio default insurance held by IGM; and
- its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan™.

NOTE 22 Risk Management (continued)

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling \$2.5 billion (\$2.6 billion in 2021), IGM is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.1 billion (\$2.4 billion in 2021) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$55 million (\$68 million in 2021) and \$21 million (\$34 million in 2021), respectively, at December 31, 2022. Cash reserve accounts are reflected on the balance sheets, whereas rights to future net interest income are not reflected on the balance sheets and will be recorded over the life of the mortgages.

At December 31, 2022, residential mortgages recorded on the balance sheets were 53.3% insured (53.1% in 2021). At December 31, 2022, impaired mortgages on these portfolios were \$2 million (\$3 million in 2021). Uninsured non-performing mortgages over 90 days on these portfolios were \$2 million at December 31, 2022 (\$2 million in 2021).

IGM also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short-Term Income Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the balance sheets as IGM has transferred substantially all of the risks and rewards of ownership associated with these loans.

IGM regularly reviews the credit quality of the mortgages and the adequacy of the allowance for credit losses.

IGM's allowance for credit losses was \$1 million at December 31, 2022 (\$1 million in 2021), 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, 2021.

IGM is exposed to credit risk through the derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain share-based compensation arrangements. These derivatives are discussed more fully under the IGM market risk section below.

To the extent that the fair value of the derivatives is in a gain position, IGM is exposed to the credit risk that its counterparties fail to fulfill their obligations under these arrangements.

IGM's derivative activities are managed in accordance with its investment policy, which includes counterparty limits and other parameters to manage counterparty risk. Counterparties are all Canadian Schedule I chartered banks and, as a result, management of IGM has determined that its overall credit risk related to derivatives was not significant at December 31, 2022. Management of credit risk related to derivatives has not changed materially since December 31, 2021.

MARKET RISK**Foreign exchange risk**

IGM is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in other comprehensive income. As of December 31, 2022, the impact of a 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investment by approximately \$37 million (\$41 million in 2021).

Interest rate risk

IGM is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in IGM's mortgage banking operations.

IGM manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- IGM has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As part of the CMB Program, IGM is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a fair value of \$21 million (\$1 million in 2021) and an outstanding notional value of \$0.2 billion at December 31, 2022 (\$0.3 billion in 2021). IGM enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled negative \$20 million (\$4 million in 2021), on an outstanding notional amount of \$1.3 billion at December 31, 2022 (\$1.3 billion in 2021). The net fair value of these swaps recorded on the balance sheets was \$1 million at December 31, 2022 (\$5 million in 2021) and had an outstanding notional amount of \$1.5 billion at December 31, 2022 (\$1.6 billion in 2021).
- IGM is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. IGM enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by IGM pending sale or securitization. The fair value of these swaps was \$5 million (\$1 million in 2021) on an outstanding notional amount of \$192 million at December 31, 2022 (\$129 million in 2021).

As at December 31, 2022, the impact to net earnings of a 100-basis-point increase in interest rates would have been a decrease of approximately \$2 million (\$3 million in 2021). IGM's exposure to and management of interest rate risk have not changed materially since December 31, 2021.

Equity risk

IGM is exposed to equity risk on its equity investments which are classified as fair value through profit or loss and on its investments in associates, which are accounted for using the equity method.

IGM sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. IGM hedges its exposure to this risk through the use of forward agreements and total return swaps.

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management and advisement. These changes in assets under management and advisement directly impact earnings of IGM.

NOTE 23 Operating and Administrative Expenses

Years ended December 31	2022	2021
Salaries and other employee benefits	5,605	5,680
General and administrative expenses	3,211	3,118
Amortization, depreciation and impairment	877	778
Premium taxes	497	500
Restructuring and other	185	94
	10,375	10,170

RESTRUCTURING AND OTHER**Lifeco****Empower restructuring and integration**

During the year ended December 31, 2022, Lifeco recorded integration expenses of \$128 million (\$74 million in 2021) and restructuring expenses of \$50 million (\$10 million in 2021). The restructuring is primarily attributable to staff reductions and other exit costs related to Lifeco's acquisitions of the retirement services businesses of MassMutual and Prudential. Lifeco expects to incur further restructuring and integration expenses associated with the Prudential acquisition in 2023 (Note 3).

At December 31, 2022, the balance of restructuring provisions, including those above, amounts to \$62 million (\$104 million in 2021) and is recorded in other liabilities.

NOTE 24 Financing Charges

Years ended December 31	2022	2021
Interest on debentures and other debt instruments	544	512
Interest on lease liabilities	35	33
Interest on limited recourse capital notes	54	20
Interest on capital trust debentures	11	11
Other	32	23
	676	599

NOTE 25 Pension Plans and Other Post-Employment Benefits

CHARACTERISTICS, FUNDING AND RISKS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors as well as unfunded supplementary employee retirement plans (SERP) for eligible employees. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings; however, the plans of the Corporation and its subsidiaries are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Corporation and its subsidiaries' defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, in most circumstances active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans, and assuming the plans are not terminated. Assets supporting the funded pension plans are held in separate trustee pension funds. Obligations for the wholly unfunded plans are supported by assets of the Corporation or its subsidiaries, as applicable.

New hires are only eligible for defined contribution benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Corporation and its subsidiaries also provide unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Lifeco's subsidiaries' plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The obligations for these benefits are supported by assets of the Corporation or its subsidiaries, as applicable.

The Corporation and its subsidiaries have pension and benefit committees or a trustee arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to benefit plans of the Corporation or of its subsidiaries require approval from the respective board of directors or committee thereof.

The Corporation and its subsidiaries' funding policy for the funded pension plans requires annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit asset, the Corporation and its subsidiaries determine if an economic benefit exists in the form of potential reductions in future contributions, the present value of future expenses to be paid from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

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

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**PLAN ASSETS, BENEFIT OBLIGATION AND FUNDED STATUS**

December 31	2022		2021	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	8,935	-	8,735	-
Interest income	230	-	189	-
Employee contributions	23	-	20	-
Employer contributions	142	22	149	23
Actual return on assets greater (less) than interest income	(1,559)	-	572	-
Benefits paid	(409)	(22)	(387)	(23)
Settlements	(10)	-	(142)	-
Administrative expenses	(8)	-	(8)	-
Foreign exchange and other	(12)	-	(193)	-
Fair value of plan assets, end of year	7,332	-	8,935	-
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	9,635	418	10,387	474
Current service cost	102	3	126	4
Employee contributions	23	-	20	-
Interest cost	248	13	228	12
Actuarial (gains) losses on:				
Financial assumption changes	(2,496)	(71)	(312)	(30)
Demographic assumption changes	5	(33)	(16)	(10)
Arising from member experience	10	(16)	(17)	(9)
Benefits paid	(409)	(22)	(387)	(23)
Past service cost and plan amendments	(2)	-	-	-
Settlements	(10)	-	(200)	-
Curtailments	(2)	-	(2)	-
Foreign exchange and other	(18)	2	(192)	-
Defined benefit obligation, end of year	7,086	294	9,635	418
Funded status				
Fund surplus (deficit)	246	(294)	(700)	(418)
Unrecognized amount due to asset ceiling (see below)	(328)	-	(41)	-
Accrued benefit liability	(82)	(294)	(741)	(418)

The aggregate defined benefit obligation of pension plans is as follows:

December 31	2022	2021
Wholly or partly funded plans	6,521	8,911
Wholly unfunded plans	565	724

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

	2022			2021		
	Defined benefit pension plans	Other post-employment benefits	Total	Defined benefit pension plans	Other post-employment benefits	Total
December 31						
Pension benefit assets [Note 9]	552	–	552	363	–	363
Pension and other post-employment benefit liabilities [Note 16]	(634)	(294)	(928)	(1,104)	(418)	(1,522)
Accrued benefit liability	(82)	(294)	(376)	(741)	(418)	(1,159)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Corporation and its subsidiaries must assess whether each pension plan's asset has economic benefit to the Corporation and its subsidiaries through future contribution reductions, the present value of

future expenses to be paid from the plan, or surplus refunds; in the event the Corporation and its subsidiaries are not entitled to a benefit, a limit or "asset ceiling" is required on the balance sheet. The following provides a breakdown of the changes in the asset ceiling:

	2022	2021
December 31		
Asset ceiling, beginning of year	41	29
Interest on asset ceiling	1	1
Change in asset ceiling	269	11
Foreign exchange rate changes	17	–
Asset ceiling, end of year	328	41

PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSE

	2022		2021	
	Pension plans	Other post-employment benefits	Pension plans	Other post-employment benefits
December 31				
Defined benefit current service cost	102	3	126	4
Net interest cost	19	13	40	12
Past service cost, plan amendments, curtailments and settlements	(4)	–	(60)	–
Administrative expenses	8	–	8	–
Defined contribution current service cost	184	–	191	–
Expense recognized in net earnings	309	16	305	16
Actuarial gains recognized	(2,481)	(120)	(345)	(49)
Return on assets (greater) less than discount rate	1,559	–	(572)	–
Change in asset ceiling	269	–	11	–
Income recognized in other comprehensive income (loss)	(653)	(120)	(906)	(49)
Total income	(344)	(104)	(601)	(33)

In 2022, the Corporation and its subsidiaries incurred \$5 million of actuarial gains (\$11 million in 2021) for pension plan remeasurements not included in the table shown above. This relates to the share of actuarial gains (losses) for investments in jointly controlled corporations and associates.

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**ASSET ALLOCATION BY MAJOR CATEGORY WEIGHTED BY PLAN ASSETS**

December 31 Percentage [%]	Defined benefit pension plans	
	2022	2021
Equity securities	39	41
Debt securities	50	50
All other assets	11	9
	100	100

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Lifeco's plan assets include investments in segregated and other funds managed by subsidiaries of Lifeco of \$5,614 million at December 31, 2022 (\$6,980 million at December 31, 2021) of which \$5,520 million (\$6,902 million at December 31, 2021) are included in the balance sheets. Plan assets do not

include any property occupied or other assets used by Lifeco. A portion of IGM's plan assets are invested in investment funds managed by IGM or related parties. A portion of Power Corporation and Power Financial's plan assets are invested in segregated funds managed by a subsidiary of Lifeco.

DETAILS OF DEFINED BENEFIT OBLIGATION**Portion of defined benefit obligation subject to future salary increases**

December 31	2022		2021	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Benefit obligation without future salary increases	6,345	294	8,695	418
Effect of assumed future salary increases	741	-	940	-
Defined benefit obligation	7,086	294	9,635	418

Maturity profile of defined benefit obligation by membership

December 31 Percentage [%]	2022		2021	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Actives	37	19	41	20
Deferred vesteds	14	-	16	-
Retirees	49	81	43	80
Total	100	100	100	100
Weighted average duration of defined benefit obligation (in years)	14.1	10.0	17.3	11.9

CASH FLOW INFORMATION

The expected employer contributions for the year 2023 are as follows:

	Pension plans	Other post-employment benefits
Funded (wholly or partly) defined benefit plans	68	-
Unfunded defined benefit plans	43	22
Defined contribution plans	219	-
Total	330	22

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**ACTUARIAL ASSUMPTIONS AND SENSITIVITIES****Actuarial assumptions**

December 31 Percentage [%]	2022		2021	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Range of discount rates				
To determine benefit cost	2.6–3.3	3.0–3.3	2.1–2.7	2.4–2.6
To determine accrued benefit obligation at year-end	5.0–5.3	5.3–5.4	2.6–3.3	3.0–3.3
Weighted average assumptions used to determine benefit cost ^[1]				
Discount rate	2.9	3.1	2.4	2.5
Rate of compensation increase	3.2	–	3.0	–
Weighted average assumptions used to determine accrued benefit obligation at year-end ^[1]				
Discount rate	5.1	5.3	2.9	3.1
Rate of compensation increase	3.8	–	3.2	–
Weighted average healthcare trend rates ^[1]				
Initial healthcare trend rate		4.9		4.8
Ultimate healthcare trend rate		4.1		4.1
Year ultimate trend rate is reached		2039		2039

[1] Weighted based on the obligations of each plan.

Sample life expectancies based on mortality assumptions

December 31	2022		2021	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Weighted average life expectancies based on mortality assumptions ^[1] :				
Male				
Age 65 in fiscal year	22.8	22.8	22.6	22.5
Age 65 for those age 35 in the fiscal year	24.6	24.2	24.5	24.0
Female				
Age 65 in fiscal year	24.9	25.1	24.8	24.9
Age 65 for those age 35 in the fiscal year	26.7	26.5	26.6	26.2

[1] Weighted based on the obligations of each plan.

Mortality assumptions are significant in measuring the defined benefit obligation for defined benefit plans. The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. The mortality assumptions applied by the Corporation and its subsidiaries take into consideration average life expectancy, including allowances for future longevity improvements as appropriate, and reflect variations in such factors as age, gender and geographic location.

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

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of \$191 million for the defined benefit pension plans and \$6 million for the other post-employment benefits.

Impact of changes to assumptions on defined benefit obligation

December 31	2022		2021	
	1% increase	1% decrease	1% increase	1% increase
Defined benefit pension plans:				
Impact of a change to the discount rate	(886)	1,103	(1,446)	1,856
Impact of a change to the rate of compensation increase	196	(177)	339	(306)
Impact of a change to the rate of inflation	390	(352)	657	(586)
Other post-employment benefits:				
Impact of a change to the discount rate	(26)	29	(41)	50
Impact of a change to assumed medical cost trend rates	16	(14)	27	(24)

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions and therefore the sensitivity analysis presented may not be representative of the actual change.

NOTE 26 Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Corporation and its subsidiaries are end-users of various derivative financial instruments. Contracts are either exchange traded or over-the-counter with counterparties that are credit-worthy financial intermediaries.

The following tables summarize the portfolio of derivative financial instruments of the Corporation and its subsidiaries:

	Notional amount					
December 31, 2022	1 year or less	1–5 years	Over 5 years	Total	Maximum credit risk	Total fair value
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	1,104	2,338	4,588	8,030	180	(324)
Options purchased	1	114	–	115	–	–
Futures – long	6	–	–	6	–	–
Futures – short	169	–	–	169	–	–
	1,280	2,452	4,588	8,320	180	(324)
Foreign exchange contracts						
Cross-currency swaps	3,215	7,521	17,416	28,152	1,923	943
Forward contracts	3,270	–	–	3,270	14	(66)
Options written	82	–	–	82	–	–
	6,567	7,521	17,416	31,504	1,937	877
Other derivative contracts						
Equity contracts	1,567	224	103	1,894	39	7
Futures – long	12	–	–	12	–	–
Futures – short	1,134	–	–	1,134	13	13
Other forward contracts	271	–	–	271	4	3
Credit default swaps	–	500	175	675	–	–
	2,984	724	278	3,986	56	23
	10,831	10,697	22,282	43,810	2,173	576
Fair value hedges						
Foreign exchange contracts						
Forward contracts	83	–	–	83	–	(3)
Cash flow hedges						
Interest rate contracts						
Swaps	–	72	965	1,037	45	45
Foreign exchange contracts						
Cross-currency swaps	–	100	–	100	6	6
Forward contracts	344	10	–	354	13	9
Other derivative contracts						
Equity contracts	93	284	–	377	43	24
	437	466	965	1,868	107	84
Net investment hedges						
Foreign exchange contracts						
Cross-currency swaps	–	–	2,270	2,270	179	134
Forward contracts	2,027	456	–	2,483	21	(28)
	2,027	456	2,270	4,753	200	106
	13,378	11,619	25,517	50,514	2,480	763

NOTE 26 Derivative Financial Instruments (continued)

	Notional amount					
December 31, 2021 ⁽¹⁾	1 year or less	1-5 years	Over 5 years	Total	Maximum credit risk	Total fair value
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	1,247	1,946	3,823	7,016	219	159
Options purchased	11	96	-	107	-	-
Futures – long	1	-	-	1	-	-
Futures – short	147	-	-	147	-	-
	1,406	2,042	3,823	7,271	219	159
Foreign exchange contracts						
Cross-currency swaps	2,574	4,298	13,462	20,334	539	(420)
Forward contracts	2,464	-	-	2,464	10	(4)
Options written	79	-	-	79	-	-
	5,117	4,298	13,462	22,877	549	(424)
Other derivative contracts						
Equity contracts	1,993	62	96	2,151	79	76
Futures – long	15	-	-	15	-	-
Futures – short	578	-	-	578	1	(2)
Other forward contracts	1,488	-	-	1,488	3	3
	4,074	62	96	4,232	83	77
	10,597	6,402	17,381	34,380	851	(188)
Fair value hedges						
Foreign exchange contracts						
Forward contracts	78	-	-	78	-	(1)
Cash flow hedges						
Interest rate contracts						
Swaps	-	42	499	541	11	10
Foreign exchange contracts						
Forward contracts	274	99	-	373	-	(5)
Other derivative contracts						
Equity contracts	71	222	-	293	122	122
	345	363	499	1,207	133	127
Net investment hedges						
Foreign exchange contracts						
Cross-currency swaps	-	-	2,320	2,320	25	-
Forward contracts	1,409	518	-	1,927	40	48
	1,409	518	2,320	4,247	65	48
	12,429	7,283	20,200	39,912	1,049	(14)

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

The amount subject to maximum credit risk is limited to the current fair value of the instruments which are in a gain position. The maximum credit risk represents the total cost of all derivative contracts with positive values and does not reflect actual or expected losses. The total fair value represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this would not result in a gain or loss to the Corporation and its subsidiaries as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

NOTE 26 Derivative Financial Instruments (continued)

The Corporation and its subsidiaries use the following derivatives:

Type	Purpose
Interest rate contracts	<p>Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities and to reduce the impact of fluctuating interest rates on the mortgage banking operations, intermediary operations and debt instruments. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based.</p> <p>Call options grant the Corporation and its subsidiaries the right to enter into a swap with predetermined fixed rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees and debt instruments.</p>
Foreign exchange contracts	<p>Cross-currency swaps are used in combination with other investments to manage foreign exchange risk associated with investment activities and insurance and investment contract liabilities. Under these swaps, principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Corporation and its subsidiaries may also enter into certain foreign exchange forward contracts to hedge certain product liabilities, cash and cash equivalents and cash flows. Cross-currency swaps are also used to hedge the Corporation and its subsidiaries' net investment in foreign operations.</p>
Other derivative contracts	<p>Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage the potential credit risk impact of significant declines in certain equity markets.</p> <p>Equity forward agreements and total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Forward agreements and total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these instruments are not designated as hedges.</p> <p>Equity call options and warrants are also used as part of the Corporation's investment activities.</p> <p>Credit default swaps are used to transfer credit risk to another party.</p>

The ineffective portion of the cash flow hedges during 2022, which includes interest rate contracts and foreign exchange contracts, and the anticipated net gains (losses) expected to be reclassified out of other comprehensive income within the next twelve months, is not significant. The maximum time frame for which variable cash flows are hedged is 22 years.

ENFORCEABLE MASTER NETTING AGREEMENTS OR SIMILAR AGREEMENTS

The Corporation and its subsidiaries enter into the International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Corporation and its subsidiaries receive and pledge collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the balance sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

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

NOTE 26 Derivative Financial Instruments (continued)

The following disclosure shows the potential effect on the balance sheets of financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the balance sheets.

	Gross amount of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net exposure
		Offsetting counterparty position ^[1]	Financial collateral received/pledged ^[2]	
December 31, 2022				
Financial instruments (assets)				
Derivative financial instruments	2,480	(912)	(1,274)	294
	2,480	(912)	(1,274)	294
Financial instruments (liabilities)				
Derivative financial instruments	1,717	(912)	(513)	292
	1,717	(912)	(513)	292
December 31, 2021				
Financial instruments (assets)				
Derivative financial instruments	1,049	(548)	(293)	208
	1,049	(548)	(293)	208
Financial instruments (liabilities)				
Derivative financial instruments	1,063	(548)	(279)	236
	1,063	(548)	(279)	236

[1] Includes counterparty amounts recognized on the balance sheets where the Corporation and its subsidiaries have a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheets, excluding collateral.

[2] Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2022, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$1,348 million (\$318 million at December 31, 2021), and pledged on derivative liabilities was \$754 million (\$480 million at December 31, 2021).

NOTE 27 Fair Value Measurement

The Corporation's assets and liabilities recorded at fair value and those for which fair value is disclosed 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.	<ul style="list-style-type: none"> 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	<p>Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> 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	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> 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 27 Fair Value Measurement (continued)

The Corporation's assets and liabilities recorded or disclosed at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies (Note 2) 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. The following tables distinguish between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed.

These tables exclude fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

December 31, 2022	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	113,772	-	113,646	126	113,772
Available for sale	12,222	-	12,222	-	12,222
Mortgage and other loans					
Fair value through profit or loss	3,230	-	-	3,230	3,230
Available for sale	240	-	-	240	240
Shares					
Fair value through profit or loss	14,227	10,705	76	3,446	14,227
Available for sale ^[1]	1,038	613	10	415	1,038
Investment properties	8,344	-	-	8,344	8,344
Funds held by ceding insurers	11,851	222	11,629	-	11,851
Derivative instruments	2,480	13	2,439	28	2,480
Reinsurance assets	73	-	73	-	73
Other assets	3,163	320	1,903	940	3,163
	170,640	11,873	141,998	16,769	170,640
Assets disclosed at fair value					
Bonds					
Loans and receivables	33,962	-	30,395	69	30,464
Mortgage and other loans					
Loans and receivables	41,186	-	33,582	4,532	38,114
Shares					
Available for sale	119	-	-	119	119
Funds held by ceding insurers	129	-	-	129	129
	75,396	-	63,977	4,849	68,826
Total	246,036	11,873	205,975	21,618	239,466
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	13,810	-	13,810	-	13,810
Derivative instruments	1,717	-	1,712	5	1,717
Limited-life and redeemable fund units	1,697	86	34	1,577	1,697
Other liabilities	191	11	180	-	191
	17,415	97	15,736	1,582	17,415
Liabilities disclosed at fair value					
Obligations to securitization entities	4,610	-	-	4,544	4,544
Power Corporation's debentures and other debt instruments	647	-	650	-	650
Non-recourse debentures and other debt instruments	14,727	877	12,541	28	13,446
Deposits and certificates	5,978	-	5,978	-	5,978
Other liabilities	243	-	-	243	243
	26,205	877	19,169	4,815	24,861
Total	43,620	974	34,905	6,397	42,276

[1] Fair value of certain shares available for sale cannot be reliably measured, therefore these investments are recorded at cost.

NOTE 27 Fair Value Measurement (continued)

December 31, 2021	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	103,708	-	103,608	100	103,708
Available for sale	12,603	-	12,603	-	12,603
Mortgage and other loans					
Fair value through profit or loss	2,724	-	57	2,667	2,724
Shares					
Fair value through profit or loss	13,975	11,721	14	2,240	13,975
Available for sale ^[1]	1,343	741	37	565	1,343
Investment properties	7,763	-	-	7,763	7,763
Funds held by ceding insurers	14,999	336	14,663	-	14,999
Derivative instruments	1,049	1	1,036	12	1,049
Reinsurance assets	106	-	106	-	106
Other assets	1,890	383	976	531	1,890
	160,160	13,182	133,100	13,878	160,160
Assets disclosed at fair value					
Bonds					
Loans and receivables	24,676	-	26,668	49	26,717
Mortgage and other loans					
Loans and receivables	31,542	-	27,319	5,087	32,406
Funds held by ceding insurers	126	-	-	126	126
	56,344	-	53,987	5,262	59,249
Total	216,504	13,182	187,087	19,140	219,409
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	12,455	-	12,455	-	12,455
Derivative instruments	1,063	3	1,054	6	1,063
Limited-life and redeemable fund units ^[2]	1,160	-	155	1,005	1,160
Other liabilities	227	76	93	58	227
	14,905	79	13,757	1,069	14,905
Liabilities disclosed at fair value					
Obligations to securitization entities	5,058	-	-	5,146	5,146
Power Corporation's debentures and other debt instruments	647	-	869	-	869
Non-recourse debentures and other debt instruments	12,533	186	13,870	-	14,056
Deposits and certificates	3,968	-	3,968	-	3,968
Other liabilities	110	-	-	110	110
	22,316	186	18,707	5,256	24,149
Total	37,221	265	32,464	6,325	39,054

[1] Fair value of certain shares available for sale cannot be reliably measured, therefore these investments are recorded at cost.

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

There were no significant transfers between Level 1 and Level 2 in 2022 and 2021.

NOTE 27 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 for the years ended December 31, 2022 and 2021 is presented below.

	Bonds	Mortgages and other loans		Shares			Derivatives net	Limited-life and redeemable fund units	Other assets (liabilities)	Total
	Fair value through profit or loss	Fair value through profit or loss	Available for sale	Fair value through profit or loss ⁽²⁾	Available for sale	Investment properties				
December 31, 2022										
Balance, beginning of year	100	2,667	-	2,240	565	7,763	6	(1,005)	473	12,809
Total gains (losses)										
Net earnings	(5)	(650)	-	217	63	(41)	26	(14)	(125)	(529)
Other comprehensive income ⁽¹⁾	-	(67)	10	45	(152)	(42)	(1)	(39)	30	(216)
Purchases	51	-	-	1,151	75	710	(5)	-	710	2,692
Issues	-	1,463	230	-	-	-	-	(528)	-	1,165
Sales	(20)	-	-	(183)	(137)	(55)	-	-	(168)	(563)
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	126	3,230	240	3,446	415	8,344	23	(1,577)	940	15,187

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage and other loans and investment properties 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.

	Bonds	Mortgages and other loans	Shares			Investment properties	Derivatives net	Limited-life and redeemable fund units ⁽³⁾	Other assets (liabilities) ⁽³⁾	Total
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ⁽²⁾	Available for sale						
December 31, 2021										
Balance, beginning of year	73	2,092	1,675	739	6,270	81	(756)	14	10,188	
Total gains (losses)										
Net earnings	4	(91)	418	161	615	6	(301)	(62)	750	
Other comprehensive income ⁽¹⁾	(5)	(30)	5	45	(52)	(1)	19	–	(19)	
Purchases	28	92	1,099	105	970	15	–	597	2,906	
Issues	–	954	–	–	–	–	(704)	(50)	200	
Sales	–	–	(316)	(568)	(40)	–	–	(140)	(1,064)	
Settlements	–	(178)	–	–	–	7	160	12	1	
Derecognition	–	(263)	(182)	–	–	–	546	–	101	
Transfers into Level 3	–	2	189	92	–	–	(26)	–	257	
Transfers out of Level 3	–	(19)	(540)	(9)	–	(102)	57	–	(613)	
Other	–	108	(108)	–	–	–	–	102	102	
Balance, end of year	100	2,667	2,240	565	7,763	6	(1,005)	473	12,809	

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage and other loans and investment properties 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] The Corporation reclassified certain comparative figures to conform to the current year's presentation.

NOTE 27 Fair Value Measurement (continued)

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 funds 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 funds and segregated funds.

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, Lifeco's investment in these funds with a fair value of \$457 million was transferred on April 19, 2021 from Level 3 to Level 1.

Significant unobservable inputs used at year-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	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 3.9%–14.0% Range of 4.0%–7.5% Weighted average of 2.5%	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. 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. 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 and available-for-sale)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 4.3%–6.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
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 28 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	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	
Year ended December 31, 2022						
Balance, beginning of year	247	847	1,976	(474)	(17)	2,579
Other comprehensive income (loss)	(432)	417	(926)	425	5	(511)
Other	-	-	37	-	(1)	36
Balance, end of year	(185)	1,264	1,087	(49)	(13)	2,104

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	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	
Year ended December 31, 2021						
Balance, beginning of year	730	1,033	1,984	(969)	(28)	2,750
Other comprehensive income (loss)	(483)	(186)	(63)	495	11	(226)
Other	-	-	55	-	-	55
Balance, end of year	247	847	1,976	(474)	(17)	2,579

NOTE 29 Earnings Per Share

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

Years ended December 31	2022	2021
Earnings		
Net earnings attributable to shareholders	1,965	2,969
Dividends on non-participating shares	(52)	(52)
Net earnings attributable to participating shareholders	1,913	2,917
Dilutive effect of subsidiaries' outstanding stock options	(4)	(6)
Effect of equity-settled method for TSARs	(20)	-
Net earnings adjusted for dilutive effect	1,889	2,911
Number of participating shares [millions]		
Weighted average number of participating shares outstanding - Basic	670.6	676.8
Potential exercise of outstanding stock options	2.9	4.8
Weighted average number of participating shares outstanding - Diluted	673.5	681.6
Net earnings per participating share		
Basic	2.85	4.31
Diluted	2.80	4.27

For 2022, 1.6 million stock options (nil in 2021) were excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 30 Related Parties

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions: subsidiaries provide insurance benefits, sub-advisory services, distribution of insurance products and/or other administrative and technology services to other subsidiaries of the group and to the Corporation; sale of residential mortgage loans; employee ownership participations; loans to employees; as well as capital commitments to investment funds, including commitments from management, performance fees and base management fees paid to alternative asset managers of the group. In all cases, these transactions are in the normal course of operations and have been recorded at fair value. Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Corporation and related parties are disclosed below.

On January 12, 2023, subsequent to year-end, the Corporation and IGM completed a previously announced agreement in which IGM acquired the Corporation's 13.9% interest held in ChinaAMC. In a separate transaction, IGM sold a 1.6% interest held in Lifeco to Power Financial (Note 7).

In 2022, a wind project which had reached commercial operation, and the related project debt, was transferred to Power Sustainable Energy Infrastructure from Potentia in exchange for a total consideration in cash and an interest in the fund of \$94 million.

Lifeco provides asset management, employee benefits and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries.

KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The persons included in the key management personnel are the members of the Board of Directors of the Corporation, as well as certain management executives of the Corporation and its subsidiaries.

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

Years ended December 31	2022	2021
Compensation and employee benefits	25	25
Post-employment benefits	1	2
Share-based payments	17	15
	43	42

NOTE 31 Contingent Liabilities

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

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

NOTE 32 Commitments and Guarantees

GUARANTEES

In the normal course of operations, the Corporation and its subsidiaries execute agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions and performance contract obligations. The Corporation and its subsidiaries have also agreed to indemnify their directors and certain of their officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation and its subsidiaries could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

LETTERS OF CREDIT

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities at Lifeco is US\$1,913 billion, of which US\$1,497 billion were issued as of December 31, 2022.

The Capital and Risk Solutions activities also periodically use letters of credit as collateral under certain reinsurance contracts for on-balance-sheet policy liabilities.

Potentia and Power Sustainable Energy Infrastructure have issued letters of credit totalling \$326 million with one-year terms to support required lender reserves, performance guarantees for operating solar assets and awarded wind power purchase agreements, as well as commitments for projects under construction.

INVESTMENT COMMITMENTS

With respect to Lifeco, commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines and that are to be disbursed upon fulfillment of certain contract conditions were \$5,336 million as at December 31, 2022, with \$5,245 million maturing within one year, \$84 million maturing within two years and \$7 million maturing in over five years.

The Corporation and other subsidiaries have outstanding commitments of \$412 million representing future capital contributions to investment funds and other investments.

PLEDGING OF ASSETS FOR REINSURANCE AGREEMENTS

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

- [i] The amount of assets included in the Corporation's balance sheets which have a security interest by way of pledging is \$1,467 million (\$1,263 million at December 31, 2021) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

- [ii] Lifeco has pledged, in the normal course of business, \$74 million (\$63 million at December 31, 2021) of its assets for the purpose of providing collateral for the counterparty.

ENERGY SALES CONTRACTS

Potentia has entered into various power purchase agreements (PPA) to sell substantially all electricity produced from its solar and wind projects to credit-rated counterparties. The contract rates are fixed for a period of 20 to 25 years.

Potentia signed three 20-year PPAs for 307 MW of wind electricity in Alberta. Contracts will be effective when the wind farms are commissioned. Commercial operation of certain projects are expected to commence in 2023.

Potentia has entered into construction and turbine purchase contracts related to the Saskatchewan and Alberta wind projects under development of \$579 million.

Power Energy and Power Sustainable Energy Infrastructure have issued certain indemnifications and guarantees in relation to projects in operation and under construction. These guarantees are non-recourse to the Corporation.

NOTE 33 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 and investment services, 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 focused on long-term value creation. 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 an other 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.

Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

NOTE 33 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

For the year ended December 31, 2022	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Revenues							
Total net premiums	52,821	-	-	-	-	(26)	52,795
Net investment income (loss)	(15,778)	24	-	48	(60)	15	(15,751)
Fee income ^[1]	7,598	3,431	-	-	253	(168)	11,114
Other revenues	-	-	-	-	537	-	537
Total revenues	44,641	3,455	-	48	730	(179)	48,695
Expenses							
Total paid or credited to policyholders	29,664	-	-	-	-	-	29,664
Commissions ^[1]	2,675	1,295	-	-	-	(48)	3,922
Operating and administrative expenses	8,157	1,134	-	125	1,089	(130)	10,375
Financing charges	398	114	-	55	94	15	676
Total expenses	40,894	2,543	-	180	1,183	(163)	44,637
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,747	912	-	(132)	(453)	(16)	4,058
Share of earnings (losses) of investments in jointly controlled corporations and associates	21	211	(15)	57	(146)	(162)	(34)
Earnings before income taxes	3,768	1,123	(15)	(75)	(599)	(178)	4,024
Income taxes	234	250	-	4	(8)	1	481
Net earnings	3,534	873	(15)	(79)	(591)	(179)	3,543
Attributable to							
Non-controlling interests	1,441	329	-	135	(148)	(179)	1,578
Non-participating shareholders	-	-	-	52	-	-	52
Participating shareholders ^{[2][3]}	2,093	544	(15)	(266)	(443)	-	1,913
	3,534	873	(15)	(79)	(591)	(179)	3,543

[1] Dealer compensation expenses at IGM are included in commission expenses.

[2] 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.

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

NOTE 33 Segmented Information (continued)**TOTAL ASSETS AND LIABILITIES**

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	229,639	5,200	–	194	1,976	151	237,160
Investments in Lifeco, IGM and alternative asset investment platforms and other	702	1,671	–	22,855	–	(25,228)	–
Investments in jointly controlled corporations and associates	207	1,112	3,314	783	1,147	(47)	6,516
Other assets	58,907	5,651	–	310	4,664	(208)	69,324
Goodwill and intangible assets	17,243	4,173	–	2	1,487	–	22,905
Investments on account of segregated fund policyholders	387,897	–	–	–	–	–	387,897
Total assets^[1]	701,885	18,880	3,314	25,421	9,767	(25,617)	733,650
Insurance and investment contract liabilities	247,698	–	–	–	–	–	247,698
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	23,033	5,900	–	987	4,366	(317)	33,969
Insurance and investment contracts on account of segregated fund policyholders	387,897	–	–	–	–	–	387,897
Total liabilities	669,137	12,610	–	1,884	6,322	(405)	689,548

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

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2022	Canada	United States	Europe	Total
Investments and cash and cash equivalents	98,725	103,739	44,544	247,008
Investments in jointly controlled corporations and associates	2,535	289	3,692	6,516
Other assets	14,079	41,383	13,862	69,324
Goodwill and intangible assets	11,508	8,148	3,249	22,905
Investments on account of segregated fund policyholders	93,816	166,274	127,807	387,897
Total assets	220,663	319,833	193,154	733,650
Total revenues	16,926	29,175	2,594	48,695

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2022	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	7,047	738	1,473	(34)	(1,722)	7,502
Financing activities	(620)	(1,092)	(1,891)	1,146	1,509	(948)
Investing activities	(5,493)	135	60	(1,392)	192	(6,498)
Effect of changes in exchange rates on cash and cash equivalents	281	–	–	14	(12)	283
Increase (decrease) in cash and cash equivalents	1,215	(219)	(358)	(266)	(33)	339
Cash and cash equivalents, beginning of the year	6,075	1,292	1,635	759	(252)	9,509
Cash and cash equivalents, end of year	7,290	1,073	1,277	493	(285)	9,848

NOTE 33 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

For the year ended December 31, 2021	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Revenues							
Total net premiums	52,813	-	-	-	-	(22)	52,791
Net investment income	4,265	23	-	38	882	38	5,246
Fee income ^[1]	7,294	3,565	-	-	285	(189)	10,955
Other revenues	-	-	-	-	569	-	569
Total revenues	64,372	3,588	-	38	1,736	(173)	69,561
Expenses							
Total paid or credited to policyholders	50,295	-	-	-	-	-	50,295
Commissions ^[1]	2,664	1,296	-	-	-	(50)	3,910
Operating and administrative expenses	7,263	1,106	-	166	1,763	(128)	10,170
Financing charges	328	114	-	54	89	14	599
Total expenses	60,550	2,516	-	220	1,852	(164)	64,974
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,822	1,072	-	(182)	(116)	(9)	4,587
Share of earnings (losses) of investments in jointly controlled corporations and associates	45	196	172	62	413	(159)	729
Earnings before income taxes	3,867	1,268	172	(120)	297	(168)	5,316
Income taxes	304	287	-	26	24	2	643
Net earnings	3,563	981	172	(146)	273	(170)	4,673
Attributable to							
Non-controlling interests	1,490	507	-	136	(259)	(170)	1,704
Non-participating shareholders	-	-	-	52	-	-	52
Participating shareholders ^{[2][3]}	2,073	474	172	(334)	532	-	2,917
	3,563	981	172	(146)	273	(170)	4,673

[1] Dealer compensation expenses at IGM are included in commission expenses.

[2] 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.

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

NOTE 33 Segmented Information (continued)**TOTAL ASSETS AND LIABILITIES**

December 31, 2021	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	6,075	1,292	-	1,635	759	(252)	9,509
Investments	198,898	5,488	-	260	1,926	81	206,653
Investments in Lifeco, IGM and alternative asset investment platforms and other	672	2,284	-	21,868	-	(24,824)	-
Investments in jointly controlled corporations and associates	159	1,028	4,278	766	1,237	(44)	7,424
Other assets	52,670	3,410	-	347	3,857	(231)	60,053
Goodwill and intangible assets	15,025	4,164	-	2	1,384	-	20,575
Investments on account of segregated fund policyholders	357,419	-	-	-	-	-	357,419
Total assets⁽¹⁾	630,918	17,666	4,278	24,878	9,163	(25,270)	661,633
Insurance and investment contract liabilities	220,833	-	-	-	-	-	220,833
Obligation to securitization entities	-	5,058	-	-	-	-	5,058
Power Corporation's debentures and other debt instruments	-	-	-	647	-	-	647
Non-recourse debentures and other debt instruments	8,804	2,100	-	250	1,467	(88)	12,533
Other liabilities	12,949	4,002	-	1,090	3,854	(480)	21,415
Insurance and investment contracts on account of segregated fund policyholders	357,419	-	-	-	-	-	357,419
Total liabilities	600,005	11,160	-	1,987	5,321	(568)	617,905

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

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2021	Canada	United States	Europe	Total
Investments and cash and cash equivalents	101,614	60,239	54,309	216,162
Investments in jointly controlled corporations and associates	2,534	264	4,626	7,424
Other assets	10,942	32,419	16,692	60,053
Goodwill and intangible assets	11,455	5,983	3,137	20,575
Investments on account of segregated fund policyholders	101,537	116,919	138,963	357,419
Total assets	228,082	215,824	217,727	661,633
Total revenues	23,785	31,027	14,749	69,561

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2021	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	10,373	943	1,312	(234)	(1,341)	11,053
Financing activities	(992)	(1,522)	(1,572)	689	2,435	(962)
Investing activities	(11,212)	1,099	669	(237)	(898)	(10,579)
Effect of changes in exchange rates on cash and cash equivalents	(40)	-	-	(4)	1	(43)
Increase (decrease) in cash and cash equivalents	(1,871)	520	409	214	197	(531)
Cash and cash equivalents, beginning of the year	7,946	772	1,226	545	(449)	10,040
Cash and cash equivalents, end of year	6,075	1,292	1,635	759	(252)	9,509

Independent Auditor's Report

To the Shareholders of Power Corporation of Canada

OPINION

We have audited the consolidated financial statements of Power Corporation of Canada (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities – Refer to Notes 2 and 12 to the financial statements

Key Audit Matter Description

Great-West Lifeco Inc., a publicly traded operating subsidiary of the Corporation (thereafter, "Lifeco"), has insurance contract liabilities representing a significant portion of the Corporation's total liabilities. Insurance contract liabilities are determined in accordance with generally accepted actuarial practices established by the Canadian Institute of Actuaries using the Canadian Asset Liability Method ("CALM"). This method requires the use of complex valuation models incorporating projections of cash inflows and outflows using the best estimate of future experience together with a margin for adverse deviation.

While there are many assumptions which management of Lifeco makes, the assumptions with the greatest estimation uncertainty are those related to mortality, including the impact, if any, of the COVID-19 pandemic, and policyholder behaviour. These assumptions required significant auditor attention in specific circumstances where (i) there is limited company and industry experience data, and (ii) the historical experience may not be a good indicator of the future. Auditing of certain valuation models, mortality and policyholder behaviour assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Key Audit Matter was Addressed in the Audit

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

- With the assistance of actuarial specialists, tested the appropriateness of certain valuation models used in the estimation process by:
 - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.
 - Testing the accuracy of certain valuation models for changes in key assumptions.
- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions, by:
 - Evaluating whether management of Lifeco's assumptions were determined in accordance with actuarial principles and practices under the Canadian actuarial standards of practice.
 - Testing experience studies and other inputs used in the determination of the policyholder behaviour and mortality assumptions.
 - Analyzing management of Lifeco's interpretation and judgment of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.

Income taxes – Refer to Notes 2 and 17 to the financial statements**Key Audit Matter Description**

The Corporation and its subsidiaries recognize deferred income taxes for the tax expected to be payable or recoverable on differences arising between the financial statement and tax basis of assets and liabilities, and is recorded at enacted or substantively enacted tax rates in effect for the years in which the differences are expected to be realized.

Certain of Lifeco's subsidiaries have had a history of losses and have a deferred income tax asset comprised principally of net operating losses and judgment is applied in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections. Lifeco has concluded that through the use of certain tax planning opportunities, it is probable that sufficient taxable income will be generated to utilize certain of the unused losses.

The determination of the recoverability of deferred tax assets in Lifeco's subsidiaries required management of Lifeco to make judgments related to the assessment of management's planned implementation of tax strategies. In addition, management of Lifeco makes significant estimates and assumptions in projecting future taxable income, specifically the revenue growth rates and projected expense margins and in the determination of whether the deferred tax asset will be realized. Auditing these judgments required a high degree of auditor judgment as the estimations made by management of Lifeco contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve income tax and other specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the tax strategies, revenue growth rates and projected expense margins, and the determination of whether the deferred tax assets in Lifeco's subsidiaries will be realized included the following, among others:

- With the assistance of income tax specialists, analyzed the reasonableness of Lifeco management's projected future taxable income available to determine whether the models properly factored in the impact of the tax planning strategies.
- Tested the reasonableness of the revenue growth rates and projected expense margins used to project future taxable income that was available to realize the deferred tax asset by:
 - Assessing the key factors influencing management of Lifeco's revenue growth rates and projected expense margins used in the projections through both market and internally entity specific driven evidence.
 - Performing a retrospective analysis of projected future taxable income against actual results from prior years.
- With the assistance of income tax and other specialists, evaluated the proposed tax planning strategies considered in the recoverability analysis to assess whether the deferred tax asset will be realized.

Prudential Financial Retirement Business Acquisition – Refer to Note 3 to the financial statements**Key Audit Matter Description**

On April 1, 2022, Lifeco completed the acquisition of the full-service retirement business of Prudential Financial, Inc. ("Prudential"), through a share purchase and reinsurance transaction and recognized the assets acquired and the liabilities assumed based on their respective acquisition-date fair values, including customer contract intangible assets ("intangible assets") and certain insurance contract liabilities ("insurance contract liabilities").

Management of Lifeco used discounted cash flow models to determine the fair value of the intangible assets. While there are several assumptions and estimates required, those with the highest degree of subjectivity are the forecasted revenues and earnings, and discount rates.

There are many components embedded in the determination of the fair value of the insurance contract liabilities that required management of Lifeco to make judgments and assumptions relating to (1) the appropriate accounting treatment, and (2) the appropriateness of valuation models that incorporate projections of cash inflows and outflows using the best estimate of future experience together with the discount rates. The judgments and assumptions with the greatest subjectivity are the determination of the appropriate accounting treatment, appropriateness of the valuation models, policyholder behaviour and discount rate assumptions.

Auditing of these judgments, assumptions and estimates required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, actuarial, and financial instrument specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to these judgments, assumptions, estimates and the accounting treatment used to determine the fair value of intangible assets and insurance contract liabilities included the following, among others:

Intangible assets:

- Evaluated the reasonableness of forecasted revenue and earnings by comparing the forecasts to:
 - Historical results of the acquired entity.
 - Actual results of the acquired entity post acquisition.
 - Underlying analyses detailing business strategies and growth plans including estimated revenue and cost per participant.
 - Third-party reports and comparable company performance.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management of Lifeco.

Insurance contract liabilities:

- With the assistance of financial instrument specialists, evaluated management of Lifeco's assessment related to the accounting treatment of the insurance contract liabilities by:
 - Assessing the executed contracts to understand the nature of the products and to determine whether all key facts and circumstances were incorporated into management of Lifeco's assessment.
 - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.
- With the assistance of actuarial specialists, tested the appropriateness of the valuation models used in the estimation process by:
 - Testing the valuation models for the incorporation of the key assumptions.
 - Recalculating management of Lifeco's estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.
- With the assistance of actuarial specialists, tested the reasonableness of policyholder behaviour assumptions, by:
 - Evaluating whether management of Lifeco's assumptions were determined in accordance with actuarial principles and practices.
 - Testing experience studies and other inputs used in the determination of the policyholder behaviour assumptions.
 - Analyzing management of Lifeco's interpretation and judgments based on the relative inputs, considering reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.

Adoption of new and amended Accounting Standards – IFRS 17 Insurance Contracts (“IFRS 17”) – Refer to Note 2 to the financial statements

Key Audit Matter Description

For the period beginning on January 1, 2023, the Corporation and its subsidiary, Lifeco, will be adopting IFRS 17 and the Corporation has included an estimate of the financial impact on the opening consolidated balance sheet as at January 1, 2022 (“the transition date”) in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation, and will impact how Lifeco's insurance contracts are recognized, measured, presented, and disclosed. In adopting the new standard, certain accounting policy choices were made, and the expected opening retained earnings impact was disclosed along with certain reclassifications and other transitional adjustments which reflect the future application of IFRS 17 requirements, including the establishment of the initial contractual service margin. These disclosures will be more extensive in 2023, once the new standard is adopted.

Management of Lifeco was required to make judgments and estimates to determine the accounting treatment at transition and to estimate the expected opening retained earnings impact. This resulted in an increased extent of audit effort, including the involvement of various specialists.

How the Key Audit Matter was Addressed in the Audit

When additional IFRS 17 disclosures are required in the December 31, 2023 consolidated financial statements, further testing of the impacts of transition will be performed. With the assistance of various specialists, our audit procedures related to the determination of the accounting treatment at transition and the estimate of the expected opening retained earnings impact included the following, among others:

- Evaluated management of Lifeco's judgments to determine the accounting treatment at transition by analyzing the disclosures against IFRS 17 accounting guidance.
- Assessed the appropriateness and reasonableness of certain reclassifications, key models, significant assumptions and other relevant inputs used in determining the transitional adjustments including the contractual service margin and their related impact on the expected opening retained earnings.

OTHER INFORMATION

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

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Benoit B. Patry.

Signed,
Deloitte LLP¹

¹ CPA auditor, public accountancy permit No. A110092

March 16, 2023
Montréal, Quebec

Power Corporation of Canada

Five-Year Financial Summary

December 31 [in millions of Canadian dollars, except per share amounts] (unaudited)	2022	2021	2020	2019	2018
CONSOLIDATED BALANCE SHEETS					
Cash and cash equivalents	9,848	9,509	10,040	6,805	6,441
Total assets	733,650	661,633	629,104	477,250	452,303
Shareholders' equity	24,021	24,339	22,207	14,174	15,118
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues					
Total net premiums	52,795	52,791	42,999	24,489	35,440
Net investment income (loss)	(15,751)	5,246	12,146	13,442	3,069
Fee income	11,114	10,955	8,942	10,081	8,776
Other revenues	537	569	529	829	813
Total revenues	48,695	69,561	64,616	48,841	48,098
Expenses					
Total paid or credited to policyholders	29,664	50,295	48,487	33,091	32,068
Commissions	3,922	3,910	3,439	3,480	3,512
Operating and administrative expenses	10,375	10,170	8,694	8,341	8,175
Financing charges	676	599	555	544	462
Total expenses	44,637	64,974	61,175	45,456	44,217
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,058	4,587	3,441	3,385	3,881
Share of earnings (losses) of investments in jointly controlled corporations and associates	(34)	729	170	212	164
Earnings before income taxes	4,024	5,316	3,611	3,597	4,045
Income taxes	481	643	77	554	578
Net earnings	3,543	4,673	3,534	3,043	3,467
Attributable to					
Non-controlling interests	1,578	1,704	1,488	1,883	2,128
Non-participating shareholders	52	52	52	52	52
Participating shareholders	1,913	2,917	1,994	1,108	1,287
	3,543	4,673	3,534	3,043	3,467
PER SHARE					
Net earnings attributable to participating shareholders	2.85	4.31	3.08	2.53	2.77
Adjusted net earnings attributable to participating shareholders	2.85	4.77	3.07	2.92	2.46
Dividends declared on participating shares	1.98	1.84	1.79	2.00	1.50
Book value per participating share	34.58	34.56	31.38	30.98	30.38
MARKET PRICE (Participating shares)					
High	43.04	43.86	34.66	34.42	32.56
Low	30.47	29.15	17.62	24.47	23.57
Year-end	31.85	41.80	29.23	33.45	24.53

Quarterly Financial Information

[in millions of Canadian dollars, except per share amounts] (unaudited)	Fourth quarter	Third quarter	Second quarter	First quarter
2022				
Total revenues ^[1]	15,085	13,435	10,157	10,018
Net earnings	928	909	850	856
Net earnings attributable to participating shareholders	486	422	527	478
Earnings per share attributable to participating shareholders				
– Basic	0.73	0.63	0.78	0.71
– Diluted	0.72	0.63	0.76	0.70
2021				
Total revenues	19,475	18,584	19,318	12,184
Net earnings	980	1,268	1,557	868
Net earnings attributable to participating shareholders	626	741	994	556
Earnings per share attributable to participating shareholders				
– Basic	0.93	1.09	1.47	0.82
– Diluted	0.91	1.08	1.46	0.82

[1] Comparative figures for 2022 have been adjusted to reflect a reclassification of the fair value changes of certain derivative contracts. This reclassification had no impact on net earnings of the Corporation.

Board of Directors

PIERRE BEAUDOIN^[1]

Chairman of the Board,
Bombardier Inc.

MARCEL R. COUTU^{[2][3]}

Company Director

ANDRÉ DESMARAIS, O.C., O.Q.^[4]

Deputy Chairman,
Power Corporation of Canada

PAUL DESMARAIS, JR., O.C., O.Q.^[4]

Chairman,
Power Corporation of Canada

GARY A. DOER, O.M.^[2]

Senior Business Advisor,
Dentons Canada LLP

ANTHONY R. GRAHAM, LL.D.^{[3][4][5]}

Chairman, President and Chief Executive Officer,
Sumarria Inc.

SHARON MACLEOD^[3]

Company Director

PAULA B. MADOFF^[1]

Company Director

ISABELLE MARCOUX, C.M.^{[3][4]}

Chair of the Board,
Transcontinental Inc.

CHRISTIAN NOYER^{[1][4]}

Company Director

R. JEFFREY ORR

President and Chief Executive Officer,
Power Corporation of Canada

T. TIMOTHY RYAN, JR.^[2]

Company Director

SIIM A. VANASELJA, FCPA, FCA^[2]

Company Director

ELIZABETH D. WILSON, FCPA, FCA^{[1][2]}

Vice-Chair of the Board,
Chartered Professional Accountants of Canada

[1] MEMBER OF THE RELATED PARTY AND CONDUCT REVIEW COMMITTEE

[2] MEMBER OF THE AUDIT COMMITTEE

[3] MEMBER OF THE HUMAN RESSOURCES COMMITTEE

[4] MEMBER OF THE GOVERNANCE AND NOMINATING COMMITTEE

[5] LEAD DIRECTOR

Officers

R. JEFFREY ORR

President and Chief Executive Officer

JOCELYN LEFEBVRE

Vice-Chairman, Europe

MICHEL PLESSIS-BÉLAIR

Vice-Chairman

GREGORY D. TRETIK, FCPA, FCA

Executive Vice-President
and Chief Financial Officer

CLAUDE GÉNÉREUX

Executive Vice-President

OLIVIER DESMARAIS

Senior Vice-President

PAUL DESMARAIS III

Senior Vice-President

PAUL C. GENEST

Senior Vice-President

CHARLES DUMONT

Vice-President, Strategy

DENIS LE VASSEUR, FCPA, FCA

Vice-President and Controller

STÉPHANE LEMAY

Vice-President,
General Counsel and Secretary

YUHONG LIU (HENRY), CFA

Vice-President

RICHARD PAN

Vice-President,
Head of Corporate Finance

LUC RENY, CFA

Vice-President,
Human Resources and Administration

HONORARY DEPUTY CHAIRMAN

ROBERT GRATTON

Corporate Information

Power Corporation of Canada

751 Victoria Square
Montréal, Quebec, Canada H2Y 2J3
514-286-7400
1-800-890-7440
corporate.secretary@powercorp.com

161 Bay Street, Suite 5000
Toronto, Ontario, Canada M5J 2S1
416-607-2250

www.powercorporation.com

This document is also available on the Corporation's website and on SEDAR at www.sedar.com.

STOCK LISTINGS

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange:

Subordinate Voting Shares: POW

Participating Preferred Shares: POW.PR.E

First Preferred Shares, Series A: POW.PR.A

First Preferred Shares, Series B: POW.PR.B

First Preferred Shares, Series C: POW.PR.C

First Preferred Shares, Series D: POW.PR.D

First Preferred Shares, Series G: POW.PR.G

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.

Offices in:

Montréal, Quebec; Toronto, Ontario;

Vancouver, British Columbia

www.investorcentre.com

SHAREHOLDER SERVICES

Shareholders with questions relating to the payment of dividends, change of address, share certificates, direct registration and estate transfers should contact the Transfer Agent:

Computershare Investor Services Inc.

Shareholder Services

100 University Avenue, 8th Floor

Toronto, Ontario, Canada M5J 2Y1

1-800-564-6253 (toll-free in Canada and the U.S.)

or 514-982-7555

www.computershare.com

ABBREVIATIONS

The following abbreviations are used throughout this report:

adidas (adidas AG)	PanAgora (PanAgora Asset Management, Inc.)
Affidea (Affidea Group B.V.)	Pargesa (Pargesa SA)
AIM (AIM sub-market of the London Stock Exchange)	Parjointco (Parjointco SA)
Alternative asset investment platforms or Investment platforms (Alternative Asset Investment Platforms)	Parques Reunidos (Parques Reunidos Servicios Centrales, S.A.)
Ark Life (Ark Life Assurance Company dac)	Peak (Peak Achievement Athletics Inc.)
B (billion)	Pernod Ricard (Pernod Ricard SA)
Canada Life (The Canada Life Assurance Company)	Personal Capital (Personal Capital Corporation)
Canyon (Canyon Bicycles GmbH)	PFTA or Portage SPAC (Portage Fintech Acquisition Corporation)
ChinaAMC (China Asset Management Co., Ltd.)	Portage Ventures I (Portag3 Ventures Limited Partnership)
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Portage Ventures II (Portag3 Ventures II Limited Partnership)
EBR (Euronext Brussels)	Portage Ventures III (Portage Ventures III Limited Partnership)
Empower (Empower Annuity Insurance Company of America (formerly Great-West Life & Annuity Insurance Company)	Potentia or Potentia Renewables (Potentia Renewables Inc.)
EPA (Euronext Paris)	Power or Power Corporation or the Corporation (Power Corporation of Canada)
ESG (Environmental, Social, Governance)	Power Financial (Power Financial Corporation)
EverWest (EverWest Holdings Inc.)	Power Sustainable (Power Sustainable Capital Inc.)
GAAP (Generally Accepted Accounting Principles)	Power Sustainable China (Power Sustainable Investment Management Inc.)
GBL (Groupe Bruxelles Lambert)	Power Sustainable Energy (Power Sustainable Energy Infrastructure)
GEA (GEA Group AG)	Power Sustainable Lios (Power Sustainable Lios Inc.)
Grayhawk (Grayhawk Wealth Holdings Inc.)	PRI (Principles for Responsible Investment)
Great-West Lifeco or Lifeco (Great-West Lifeco Inc.)	Prudential (Prudential Financial, Inc.)
Holcim (Holcim Ltd.)	PSEIP (Power Sustainable Energy Infrastructure Partnership)
IFRS (International Financial Reporting Standards)	Putnam (Putnam Investments, LLC)
IGM or IGM Financial (IGM Financial Inc.)	Sagard (Sagard Holdings Inc.)
IG Wealth Management (Investors Group Inc.)	Sagard Credit Partners I (Sagard Credit Partners, LP)
Imerys (Imerys SA)	Sagard Credit Partners II (Sagard Credit Partners II, LP)
Investment Planning Counsel or IPC (Investment Planning Counsel Inc.)	Sagard Healthcare Partners (Sagard Healthcare Royalty Partners, LP)
Irish Life (Irish Life Group Limited)	Sagard Holdings Management or SHMI (Sagard Holdings Management Inc.)
Koho (KOHO Financial Inc.)	Sagard MidCap (Sagard MidCap II, Sagard MidCap III, Sagard MidCap IV (formerly Sagard Europe II, Sagard Europe 3, Sagard Europe 4))
Lion or Lion Electric (The Lion Electric Company)	Sagard Senior Lending Partners or SSLP (Sagard Senior Lending Partners Holdings (I and II) LP, and Sagard Senior Lending Partners Holdings (I-U and II-U) LP)
LMPG (LMPG Inc.)	Sanoptis (Sanoptis AG)
M (million)	SGS (SGS SA)
M&A (Mergers and Acquisitions)	Sienna (Sienna Capital and Sienna Investment Managers)
Mackenzie or Mackenzie Investments (Mackenzie Financial Corporation)	SIX (Swiss Stock Exchange)
MassMutual (Massachusetts Mutual Life Insurance Company)	SPEC (Sagard Private Equity Canada LP)
MD&A (Management's Discussion and Analysis)	TCFD (Task Force on Climate-related Financial Disclosures)
MOWI (Mowi ASA)	TotalEnergies (TotalEnergies SA)
Nautilus or Nautilus Solar (Nautilus Solar Energy, LLC)	TSX (Toronto Stock Exchange)
NAV or Net asset value (Adjusted net asset value)	Umicore (Umicore, NV/SA)
NCIB (normal course issuer bid)	UNGC (United Nations Global Compact)
NCREIF (National Council of Real Estate Investment Fiduciaries)	USPF (GWL U.S. Property Fund L.P.)
nesto (nesto Inc.)	Wealthsimple (Wealthsimple Financial Corp.)
Northleaf or Northleaf Capital (Northleaf Capital Group Ltd.)	Webhelp (Webhelp Group)
NYSE (New York Stock Exchange)	XETR (XETRA Stock Exchange)
Ontex (Ontex Group NV)	
OpCos (publicly traded operating companies)	
OSE (Oslo Stock Exchange)	
OSFI (Office of the Superintendent of Financial Institutions)	



POWER CORPORATION
OF CANADA