REPORT TO SHAREHOLDERS

2023

Third Quarter Results

For the period ended September 30, 2023

GREAT-WEST LIFECO INC.

E1138(1123)-11/23

Quarterly Report to Shareholders

For cautionary notes regarding forward-looking information and non-IFRS financial measures, see page 1.

Copies of this report are available at www.greatwestlifeco.com or by contacting the Corporate Secretary’s Office at 204-946-4388.

GREAT-WEST
LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to September 30, 2023 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 30, 2023 were approved by the Board of Directors at a meeting held today.

Great-West Lifeco Inc. (Lifeco or the Company) today announced its third quarter 2023 results.

Key Financial Highlights

	In-Quarter			Year-to-Date	
	Q3 2023	Q2 2023	Q3 2022	**2023**	2022
Base earnings[1,4]	**$950**	$920	$809	**$2,696**	$2,424
Net earnings from continuing operations	**$936**	$569	$986	**$2,119**	$3,150
Net earnings	**$905**	$498	$987	**$1,998**	$3,144
Base EPS[2,4]	**$1.02**	$0.99	$0.87	**$2.89**	$2.60
Net EPS from continuing operations	**$1.01**	$0.61	$1.06	**$2.28**	$3.38
Net EPS	**$0.97**	$0.53	$1.06	**$2.15**	$3.38
Base ROE[2,3,4]	**16.4%**	15.9%			
Net ROE[3]	**11.2%**	11.7%			

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

2 Base EPS and base return on equity are non-GAAP ratios. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

3 Base return on equity and return on equity are calculated using the trailing four quarters of applicable IFRS 17 earnings and common shareholders' equity.

4 Comparative base earnings results are restated to exclude discontinued operations related to Putnam Investments.

Record base earnings per common share (EPS) of $1.02 up 17% from $0.87 a year ago. The increase year over year was primarily due to business growth as well as higher average equity markets and interest rates, which resulted in higher fee income and earnings on surplus. The third quarter of 2022 included several larger positive and negative items, including a provision for estimated claims related to Hurricane Ian in Capital and Risk Solutions, favourable tax impacts in Canada, and above average trading gains in Europe.

Base EPS are up 3% compared to $0.99 base EPS in the second quarter of 2023, primarily driven by the Canada and Europe segments. Growth in Canada resulted from strong Group disability results, while growth in Europe primarily stemmed from improved morbidity experience.

Net EPS from continuing operations was $1.01 compared to $1.06 a year ago. Compared to a year ago, the increase in base earnings and favourable impacts of rising long-term interest rates in Canada were offset by lower real estate valuations primarily in Europe, and a contingent consideration provision release related to Personal Capital in 2022. In addition, although actuarial assumption changes implemented in the quarter have a net positive economic and capital impact on the Company, the associated fair value adjustments negatively impacted net earnings in the quarter.

In conjunction with the transition to IFRS 17[5], the Company made asset/liability management and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with management's expectations.

Canada Life's consolidated LICAT Ratio increased by 2% in-quarter to 128% at September 30, 2023.

Return on equity was 16.4% on base earnings and 11.2% on net earnings in the third quarter of 2023.

5 For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of the interim Management Discussion and Analysis for the period ending September 30, 2023.

Highlights

- **The disciplined execution of the Company's strategy continues to drive strong momentum in each of its three value drivers:**

  Wealth & Asset Management

  - Empower Personal Wealth, launched in the first quarter of 2023, continued to see strong momentum with 30% growth in assets under administration year over year.

  Insurance & Risk Solutions

  - Onboarded a €80 million bulk annuity transaction in Irish Life which is the largest bulk annuity transaction to take place in the Irish market to date in 2023.

  Workplace Solutions

  - Group Life & Health book premiums increased by 13% over the previous quarter, to $17,048 million at September 30, 2023. The increase is from organic growth of in-force business in the Canada and Europe segments, and the addition of the Public Service Health Care Plan in Canada.

- **Remain on-track to deliver value from previously announced strategic transactions that will add new capabilities and drive scale:**

  - Canada Life completed its acquisition of Value Partners Group Inc. (Value Partners) and expects the acquisition of Investment Planning Counsel Inc. to close before the end of 2023. Together, these acquisitions will help advance the Company's goal of being a leading Canadian full-service wealth and insurance platform for independent advisors.
  - The sale of Putnam Investments to Franklin Templeton is expected to close in the fourth quarter of 2023. Once complete, the sale will unlock shareholder value and reinforce the Company's focus on the highly attractive U.S. retirement and personal wealth markets through Empower.
  - Empower continues its successful integration program related to the Prudential full-service retirement business acquisition, adding scale and capabilities to its DC recordkeeping business. Annualized run-rate synergies of US$66 million have been achieved.
  - On November 1, 2023, Irish Life Assurance plc completed the portfolio transfer of segregated funds with a carrying value of approximately €2 billion ($2.9 billion) to Saol Assurance dac (AIB Life), a 50/50 joint venture between Canada Life Irish Holding Company Limited and Allied Irish Banks, p.l.c. The Company expects to recognize a gain related to this transaction in the fourth quarter of 2023.
  - The Company continues to pay down acquisition related short-term debt, reducing leverage ratio to 31% at the end of the third quarter, down from 33% at the beginning of 2023.

- **Improving operational performance and modernizing the Company's businesses to meet needs of customers and advisors:**

  - Canada Life successfully completed a five-year journey to migrate eight individual wealth management client administration systems in Canada to a single system that sets the individual wealth business up for long-term success.
  - As part of its efforts to improve customer outcomes and achieve more efficient operations, the Company continues to explore next generation artificial intelligence (A.I.) capabilities to determine potential business use cases, while at the same time, deploying traditional A.I. technologies to support the business today.
  - The Company maintained its disciplined expense management with an active and continual focus on improving effectiveness and efficiency.

SEGMENTED OPERATING RESULTS

For reporting purposes, Lifeco's consolidated operating results are grouped into five reportable segments – Canada, United States, Europe, Capital and Risk Solutions and Lifeco Corporate – reflecting the management and corporatestructure of the Company. For more information, refer to the Company's third quarter of 2023 interim Management's Discussion and Analysis (MD&A).

	In-Quarter			Year-to-Date	
	Q3 2023	Q2 2023	Q3 2022	**2023**	2022
Segment Base Earnings[6]					
Canada	**$296**	$283	$340	**$857**	$904
United States	**262**	265	214	**745**	522
Europe	**206**	180	203	**564**	589
Capital and Risk Solutions	**198**	203	56	**558**	417
Lifeco Corporate	**(12)**	(11)	(4)	**(28)**	(8)
Total Base earnings[6]	**$950**	$920	$809	**$2,696**	$2,424
Segment Net Earnings from Continuing Operations					
Canada	**$414**	$148	$274	**$795**	$1,079
United States[7]	**244**	161	154	**575**	296
Europe	**25**	102	433	**167**	1,227
Capital and Risk Solutions	**265**	169	126	**618**	539
Lifeco Corporate	**(12)**	(11)	(1)	**(36)**	9
Total Net earnings from Continuing Operations	**$936**	$569	$986	**$2,119**	$3,150
Net Earnings from Discontinued Operations[8]	**(31)**	(71)	1	**(121)**	(6)
Total Net Earnings	**$905**	$498	$987	**$1,998**	$3,144

6 Base earnings is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
7 Comparative results are restated to exclude discontinued operations related to Putnam Investments.
8 Includes divestiture costs in 2023 related to the proposed sales of Putnam Investments.

CANADA

- **Q3 Canada segment base earnings of $296 million and net earnings of $414 million** – Base earnings of $296 million decreased by $44 million compared to the same quarter last year. Base earnings before tax grew by 3%, reflecting strong Group disability and mortality results and higher earnings on surplus, however taxes were higher, as 2022 benefited from a number of favourable tax impacts that did not re-occur.

UNITED STATES

- **Q3 United States segment base earnings of US$195 million ($262 million) and net earnings from continuing operations of US$182 million ($244 million)** – Base earnings for the third quarter of 2023 were US$195 million ($262 million), up US$31 million or 19% from the third quarter of 2022. The increase was primarily due to increased fees driven by higher average equity markets and transaction volumes, partially offset by higher expenses to support business growth.

EUROPE

- **Q3 Europe segment base earnings of $206 million and net earnings of $25 million** – Base earnings of $206 million increased by $3 million compared to the same quarter last year, primarily due to improved morbidity experience, favourable tax impacts and a positive $20 million impact of currency movement. The third quarter of 2022 included above average positive impacts of trading activity in the U.K. annuity portfolios that normalised in 2023.

CAPITAL AND RISK SOLUTIONS

- **Q3 Capital and Risk Solutions segment base earnings of $198 million and net earnings of $265 million** – Base earnings of $198 million increased by $142 million compared to the same quarter last year, primarily due to business growth, the impact of higher interest rates and a provision for estimated claims related to Hurricane Ian of $128 million in 2022 that did not re-occur. These items were partially offset by unfavourable mortality experience in the U.S. life business.

QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of $0.52 per share on the common shares of Lifeco payable December 29, 2023 to shareholders of record at the close of business November 30, 2023.

In addition, the Directors approved quarterly dividends on Lifeco's preferred shares, as follows:

First Preferred Shares	Amount, per share
Series G	$0.3250
Series H	$0.30313
Series I	$0.28125
Series L	$0.353125
Series M	$0.3625
Series N	$0.109313
Series P	$0.3375
Series Q	$0.321875
Series R	$0.3000
Series S	$0.328125
Series T	$0.321875
Series Y	$0.28125

For purposes of the Income Tax Act (Canada), and any similar provincial legislation, the dividends referred to above are eligible dividends.

P. A. Mahon
President and Chief Executive Officer

November 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2023

DATED: NOVEMBER 8, 2023

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three and nine months ended September 30, 2023 and includes a comparison to the corresponding periods in 2022, to the three months ended June 30, 2023, and to the Company's financial condition as at December 31, 2022, as applicable. The comparative 2022 periods are restated and unaudited to reflect the adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe, and Capital and Risk Solutions.

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BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the periods ended September 30, 2023 which reflect the adoption of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* that resulted in the restatement of certain comparative amounts. Also refer to the "Accounting Policies" section of this MD&A and the 2022 Annual MD&A and audited consolidated financial statements in the Company's 2022 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. Forward-looking information includes, without limitation, statements about the Company and its operations, business (including business mix), financial condition, expected financial performance (including revenues, earnings or growth rates and medium-term financial objectives), ongoing business strategies or prospects, climate-related and diversity-related measures, objectives and targets, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected costs, benefits, timing of integration activities and timing and extent of revenue and expense synergies of acquisitions and divestitures (including but not limited to the proposed acquisition of Investment Planning Counsel (IPC), the recent acquisition of Value Partners Group Inc. (Value Partners), the proposed sale of Putnam Investments (Putnam), and the proposed sale of Canada Life U.K.'s individual onshore protection business), value creation and realization, growth opportunities, expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions and investments in strategic partnerships), the timing and completion of the proposed acquisition of IPC and the proposed sale of Putnam and Canada Life U.K.'s individual onshore protection business, and the impact of regulatory developments on the Company's business strategy and growth objectives.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. In all cases, whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, the ability to integrate recent and proposed acquisitions, the ability to leverage recent and proposed acquisitions and achieve anticipated synergies, customer behaviour (including customer response to new products), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, changes in actuarial standards, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2022 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 8, 2023 under "Risk Factors", which, along with other filings, is available for review at www.sedarplus.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information.

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

Important Note Regarding Sustainability Disclosure

Certain forward-looking statements in this MD&A relate to the Company's climate-related and diversity-related measures, objectives, priorities, strategies and commitments or actions that will be taken to achieve them. The climate-related statements include statements with respect to reducing the Company's greenhouse gas (GHG) emissions related to its own activities and energy consumption and achieving net-zero GHG emissions for its operating and financing activities by 2050, the causes and potential impacts of climate change globally, and the Company's approach to identifying and managing climate-related risks and opportunities. The diversity-related statements include statements with respect to growing representation of women and underrepresented minorities in management. The forward-looking climate-related and diversity-related information in this MD&A is presented for the purpose of assisting our stakeholders in understanding how we intend to address climate-related governance, strategy, risks, opportunities, and objectives, and may not be appropriate for other purposes.

Any commitments, goals or targets discussed in this MD&A, including but not limited to the Company's net-zero related commitments and diversity-related measures, are aspirational and may need to be changed or recalibrated as data improve and as climate science, regulatory requirements and market practices regarding standards, methodologies, metrics and measurements evolve. Our climate risk analysis and net-zero strategy remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. We are also continuing to develop our diversity-related data. There is a strong possibility that our expectations, forecasts, estimates, predictions and conclusions may not prove to be accurate and our assumptions may prove to be incorrect, and there is a material risk we will not achieve our climate-related and diversity-related objectives, priorities, strategies and commitments. In addition, many of the assumptions, standards, metrics and measurements used in preparing these forward-looking statements are not audited or independently verified, have limited comparability and continue to evolve.

There are limitations and uncertainties inherent in climate science, climate risk analysis and reporting. There are many factors that are the subject of ongoing climate science and that we cannot foresee or accurately predict, which will impact the Company's ability to achieve its climate-related objectives, priorities, strategies and commitments. There are also many factors which will impact the Company's ability to achieve its diversity-related objectives, priorities, strategies and commitments. These factors include, without limitation, the transition to a low-carbon economy, the need for more and better climate data and standardization of climate-related measurement methodologies, our ability to gather and verify data, our ability to develop indicators to effectively monitor our advancements and assess and manage climate-related risks, the need for active and continued action by stakeholders (including governmental and non-governmental organizations, our counterparties and other businesses and individuals), compliance with our policies and procedures, our ability to recruit and retain key personnel in a competitive environment for talent, technological advancements, the evolution of consumer behaviour, varying decarbonization efforts across economies, the challenges of balancing emission reduction objectives with an orderly, just and inclusive transition and geopolitical factors that impact global energy needs, the legal and regulatory environment, and regulatory compliance considerations.

CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND RATIOS

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

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Earnings					
Base earnings[1,6]	**$ 950**	$ 920	$ 809	**$ 2,696**	$ 2,424
Net earnings from continuing operations[3]	**936**	569	986	**2,119**	3,150
Net earnings - common shareholders	**905**	498	987	**1,998**	3,144
Per common share					
Basic:					
Base earnings[2,6]	**1.02**	0.99	0.87	**2.89**	2.60
Net earnings from continuing operations	**1.01**	0.61	1.06	**2.28**	3.38
Net earnings	**0.97**	0.53	1.06	**2.15**	3.38
Diluted net earnings from continuing operations	**1.00**	0.61	1.06	**2.27**	3.38
Diluted net earnings	**0.97**	0.53	1.06	**2.14**	3.37
Dividends paid	**0.52**	0.52	0.49	**1.56**	1.47
Book value[3]	**24.01**	23.22	22.97		
Base return on equity[2,6]	**16.4%**	15.9%			
Return on equity[3]	**11.2%**	11.7%			
Base dividend payout ratio[2,6]	**51.0%**	52.6%	56.5 %		
Dividend payout ratio[3]	**53.5%**	97.4%	46.3 %		
Financial leverage ratio[4]	**31%**	31%	33 %		
Price/earnings ratio[3]	**14.8X**	14.2X			
Price/book value ratio[3]	**1.6X**	1.7X			
Total assets per financial statements	**$ 680,010**	$ 690,003			
Total assets under management[1]	**1,032,857**	1,042,373			
Total assets under administration[1]	**2,628,364**	2,643,378			
Total contractual service margin (net of reinsurance held)	**$ 13,054**	$ 13,063			
Total equity	**$ 29,529**	$ 28,774			
Canada Life Assurance Company consolidated LICAT Ratio[5]	**128%**	126%			

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
3 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
4 The calculation for financial leverage ratio includes the after-tax non-participating contractual service margin (CSM) balance in the denominator, other than CSM associated with segregated fund guarantees. This reflects that the CSM represents future profit and is considered available capital under LICAT. These ratios are estimates based on available data.
5 The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company (Canada Life), Lifeco's major Canadian operating subsidiary. The LICAT Ratio is calculated in accordance with the Office of Superintendent of Financial Institutions' guideline - Life Insurance Capital Adequacy Test. Refer to the "Capital Management and Adequacy" section of this document for additional details.
6 Comparative results are restated to exclude net earnings (losses) from discontinued operations related to Putnam Investments.

Base earnings per share for the third quarter of 2023 of $1.02 are up 17% from the third quarter of 2022 and up 3% from the second quarter of 2023. Net earnings from continuing operations per share of $1.01 for the third quarter of 2023 are down from the third quarter of 2022 as assumption change impacts negatively impacted results. Net earnings from continuing operations compared to the second quarter of 2023 increased, including a $0.26 per share change from other comprehensive income losses related to asset re-balancing in the second quarter that did not re-occur (see Base and Net Earnings discussion).

In conjunction with the transition to IFRS 17, *Insurance Contracts*, the Company made asset/liability management (ALM) and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings from continuing operations, driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management's expectations. For additional information, refer to the "Transition to IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*" section of this document.

DEVELOPMENTS

- The Company has adopted and successfully implemented IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* effective January 1, 2023[1]. The new reporting regime provides improved visibility as to the strong underlying economics and diversification of Lifeco's portfolio through enhanced disclosures and metrics. These new standards do not have a material financial impact or result in a material change in the level of invested assets, nor do they change the underlying economics of the Company's business activities or change the Company's business strategy.
- As the Company is advancing its business strategy and driving momentum across the portfolio, it is enhancing its reporting and disclosures to provide greater clarity and transparency into how the Company is creating value for shareholders and growing the business. The result is that the Company is evolving the previous value-creation priorities to focus on three key value drivers for its business: Workplace Solutions, Wealth & Asset Management and Insurance & Risk Solutions.

Strategic Highlights and Transactions

- On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Resources, Inc., operating as Franklin Templeton. The total potential transaction consideration and retained value is estimated to be US$1.7-US$1.8 billion. Franklin Templeton will pay upfront consideration of US$950 million-US$1 billion consisting of 33.33 million Franklin Templeton shares at closing and US$100 million in cash 6 months after closing. Further consideration of up to US$375 million payable between 3 and 7 years is tied to the growth of the partnership. Lifeco will retain its controlling interest in PanAgora Asset Management, a leading quantitative asset manager, and realize the value of Putnam's seed capital, which, together with closing adjustments, are estimated to be worth US$375-US$425 million. Lifeco will also retain certain deferred tax assets related to Putnam. Lifeco has agreed to retain shares representing approximately 4.9% of outstanding Franklin Templeton stock for a minimum 5-year period. The transaction is expected to close in the fourth quarter of 2023, subject to customary closing conditions including regulatory approvals. Upon closing of the sale, the transaction consideration will be measured at fair value using information available at that date, including the application of market value of Franklin Templeton's common shares. There is significant measurement uncertainty over the transaction consideration.

  In addition to the sale, Lifeco, along with Power Corporation of Canada and Franklin Templeton, has entered into a strategic partnership to distribute Franklin Templeton products. Lifeco will provide an initial long-term asset allocation of US$25 billion assets under management[2] to Franklin Templeton within 12 months of closing with the potential for that amount to increase over the next several years.
- On April 3, 2023, Canada Life announced an agreement to acquire Investment Planning Counsel Inc. (IPC), a leading independent wealth management firm, from IGM Financial Inc. (IGM). This acquisition accelerates Canada Life's strategy of building a leading platform for independent advisors in Canada. Canada Life will

[1] Refer to the "Accounting Policies" section of this document and to notes 2 and 3 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 for further details.
[2] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

acquire IPC for a total cash consideration of $575 million, subject to adjustments. Transaction and integration costs of $25 million pre-tax are expected over 18 months after the deal is closed. IGM is an affiliated company and a member of the Power Corporation group of companies. The transaction is expected to close in the fourth quarter of 2023 and is subject to customary closing conditions including regulatory approvals.

- On September 8, 2023, Canada Life completed its acquisition of Value Partners Group Inc. (Value Partners), bringing complementary capabilities that will further extend wealth offerings for advisors and their clients. With the acquisitions of Value Partners and Investment Planning Counsel Inc. (IPC), which is on track to close in the fourth quarter of 2023, Canada Life is becoming one of the pre-eminent wealth providers in Canada[3] with more than 4,000 advisor relationships and $89 billion in assets under administration.[4]
- On May 16, 2023, Canada Life U.K. announced an agreement to sell its individual onshore protection business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Approximately 47,000 customer policies will transfer to Countrywide in 2024, subject to the completion of a court-approved transfer. This follows the Canada Life U.K. announcement that it closed onshore individual protection insurance to new business in November 2022. As a result of this agreement, divestiture costs of $29 million have been excluded from base earnings in the second quarter of 2023.

Capital Transactions

- The Company's leverage ratio of 31% has decreased by 2% compared to 33% at December 31, 2022. This reduction in leverage aligns with Management's expectation and is a result of the repayment of a temporary increase in short-term debt financing to fund the acquisition of the retirement services business of Prudential, as described below, as well as the issuance of €500 million senior 4.7% euro bond on November 16, 2022. On April 18, 2023, the Company repaid the principal amount of its maturing 2.50% €500 million senior bonds, together with accrued interest.
- Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments on its non-revolving credit facility of US$150 million on March 31, 2023, US$150 million on June 30, 2023 and US$100 million on September 29, 2023. The remaining drawn balance was US$100 million as at September 30, 2023.

Macroenvironmental Risks

Many factors continue to extend economic uncertainty and global financial markets continue to be volatile. The environment is displaying elevated levels of inflation and tighter financial conditions, and there have been increased liquidity concerns with respect to certain U.S. and European banks. Global financial market volatility is due, in part, to recent geopolitical conflicts, which the Company actively monitors. Central banks are weighing these factors in consideration of interest rate decisions in many of the countries in which the Company operates. The outlook for financial and real estate markets over the short and medium-term remains highly uncertain and the Company actively monitors events and information globally.

Throughout 2022 and into 2023, commercial real estate office markets in Europe and North America showed signs of slowdown due to dampened demand from a continued lag faced by employers on return-to-office plans, leading to higher vacancy rates and deteriorating operating performance, driven as well by challenging economic and capital market conditions. This has resulted in valuation reductions for certain investment properties and indirectly for certain commercial mortgages reflecting the current outlook for office properties. As market conditions evolve, the Company may be required to apply further valuation reductions.

The Company's strategies are resilient and flexible, positioning it to navigate current market conditions and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in an evolving environment.

[3] Based on assets under management (AUM) in the case of Segregated Funds and otherwise assets under administration (AUA).
[4] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

BASE AND NET EARNINGS

Consolidated base earnings and net earnings of Lifeco include the base earnings and net earnings of Canada Life (and its operating subsidiaries), Empower and PanAgora Asset Management, together with Lifeco's Corporate operating results. Net earnings also include the earnings from Putnam Investments reported as discontinued operations.

With the adoption of IFRS 17, the Company refined the definition of base earnings (loss) in the first quarter of 2023 with application to 2022 comparative results for an updated representation of the Company's underlying business performance, as well as for consistency and comparability with financial services industry peers.

For a further description of base earnings, refer to the "Non-GAAP Financial Measures and Ratios" section of this document.

Base earnings[1] and net earnings by segment

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1,4]					
Canada	**$ 296**	$ 283	$ 340	**$ 857**	$ 904
United States[4]	**262**	265	214	**745**	522
Europe	**206**	180	203	**564**	589
Capital and Risk Solutions	**198**	203	56	**558**	417
Lifeco Corporate	**(12)**	(11)	(4)	**(28)**	(8)
Lifeco base earnings[1,4]	**$ 950**	$ 920	$ 809	**$ 2,696**	$ 2,424
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ 153**	$ (79)	$ 151	**$ (94)**	$ 916
Realized OCI gains / (losses) from asset rebalancing	**—**	(121)	—	**(121)**	—
Assumption changes and management actions[2]	**(106)**	(4)	85	**(103)**	52
Acquisition and divestiture costs[3,4]	**(3)**	(91)	20	**(94)**	(44)
Restructuring and integration costs	**(22)**	(20)	(43)	**(61)**	(99)
Amortization of acquisition-related finite life intangibles	**(36)**	(36)	(36)	**(104)**	(99)
Items excluded from Lifeco base earnings	**$ (14)**	$ (351)	$ 177	**$ (577)**	$ 726
Net earnings (loss) from continuing operations[2]					
Canada	**$ 414**	$ 148	$ 274	**$ 795**	$ 1,079
United States[2]	**244**	161	154	**575**	296
Europe	**25**	102	433	**167**	1,227
Capital and Risk Solutions	**265**	169	126	**618**	539
Lifeco Corporate	**(12)**	(11)	(1)	**(36)**	9
Lifeco net earnings from continuing operations[2]	**$ 936**	$ 569	$ 986	**$ 2,119**	$ 3,150
Net earnings (loss) from discontinued operations[4]	**(31)**	(71)	1	**(121)**	(6)
Lifeco net earnings - common shareholders	**$ 905**	$ 498	$ 987	**$ 1,998**	$ 3,144

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 The acquisition and divestiture costs relate to acquisitions in the U.S. segment (the full-service retirement business of Prudential, Personal Capital and the retirement services business of MassMutual) as well as acquisitions and divestitures in the Europe and Canada segments.
4 Comparative results are restated to exclude discontinued operations related to Putnam Investments.

Base Earnings
Base earnings for the third quarter of 2023 of $950 million ($1.02 per common share) increased by $141 million or 17% from $809 million ($0.87 per common share) a year ago. The increase was primarily due to higher fee income driven by higher average equity markets and transaction volumes in the U.S. segment as well as business growth and higher earnings on surplus. The third quarter of 2022 included a provision for estimated claims related to Hurricane Ian of $128 million in 2022 that did not re-occur in the Capital and Risk Solutions segment. These items were partially offset by favourable tax impacts in the Canada segment in 2022 that did not re-occur.

For the nine months ended September 30, 2023, Lifeco's base earnings were $2,696 million ($2.89 per common share) compared to $2,424 million ($2.60 per common share) a year ago. The 11% increase was primarily due to Prudential related earnings and higher contributions from investment experience in the U.S. segment as well as the same reasons discussed for the in-quarter results.

Net Earnings
Lifeco's net earnings from continuing operations for the three month period ended September 30, 2023 of $936 million ($1.01 per common share) decreased by $50 million or 5% compared to $986 million ($1.06 per common share) for the same period last year. The decrease was primarily due to unfavourable market experience relative to expectations in the Europe segment compared to a year ago, less favourable actuarial assumption changes and management actions in the Canada segment and a contingent consideration provision release related to Personal Capital in 2022 that did not re-occur. The decrease was partially offset by favourable market experience relative to expectations in the Canada segment compared to a year ago and an increase in base earnings. The results from discontinued operations were a net loss of $31 million compared to a net gain of $1 million for the same quarter last year.

For the nine months ended September 30, 2023, Lifeco's net earnings from continuing operations of $2,119 million ($2.28 per common share) decreased $1,031 million compared to $3,150 million ($3.38 per common share) a year ago. In conjunction with the transition to IFRS 17, the Company made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings from continuing operations driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management's expectations. For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of this document. Market experience relative to expectations was negative $94 million, a decrease of $1,010 million compared to the same period last year, primarily due to large increases in interest rates in 2022 which had a significant positive earnings impact. In addition, the decrease was due to higher acquisition and divestiture costs predominantly in the U.S. and Europe segments, realized losses on the sale of surplus assets measured at fair value through other comprehensive income (FVOCI) to improve regulatory capital positioning in the Europe segment as well as the same reasons discussed for the in-quarter results. These items were partially offset by an increase in base earnings. The results from discontinued operations were a net loss of $121 million compared to a net loss of $6 million for the same quarter last year.

Lifeco's net earnings from continuing operations for the three month period ended September 30, 2023 of $936 million ($1.01 per common share) increased by $367 million or 64% compared to $569 million ($0.61 per common share) in the previous quarter. The increase was primarily due to lower acquisition costs related to transactions in the U.S. and Europe segments, favourable market experience relative to expectations in the Canada and Capital and Risk Solutions segments as well as realized losses from the sale of surplus assets in the prior quarter as discussed above. The results from discontinued operations were a net loss of $31 million compared to a net loss of $71 million in the previous quarter.

Items Excluded from Base Earnings
Market Experience Relative to Expectations
Market experience relative to expectations, which are reflected in the net investment result of the Company's consolidated statement of earnings, positively impacted net earnings by $153 million in the third quarter of 2023 (positive impact of $151 million in the third quarter of 2022). In-quarter impacts reflect interest rate movements,

including spread movements, partially offset by lower returns than expected on real estate and equity assets. The positive interest rate and spread movement impacts primarily arose from liabilities decreasing by more than their supporting assets in the Canada and Capital and Risk Solutions segments, with some offsets in the Europe segment. The lower returns than expected on real estate and equities arose on real estate assets in the U.K., and public equity and real estate assets held in Canada.

For the nine months ended September 30, 2023, market experience relative to expectations of negative $94 million decreased by $1,010 million compared to the same period last year. The 2023 year-to-date negative impact was primarily due to lower returns than expected on real estate and equity assets, partially offset by positive interest rate movements, including spread movements.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including sensitivity disclosures as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023.

Assumption Changes and Management Actions

Under IFRS 17, assumption changes on insurance risks and management actions directly impact CSM, for contracts which have CSM. The impact of assumption changes and management actions on CSM are measured at locked-in rates, for contracts measured under the General Measurement Model.

Net earnings impacts arise from the fair value impact of assumption changes impacting CSM, as well as assumption changes on financial risks on certain products and assumption changes on insurance risks on contracts which do not have CSM (including short-term insurance contracts).

The fair value impact of CSM assumption changes included in earnings is a second-order impact which captures the present value difference between the impact of assumption changes measured at prevailing discount rates and locked-in discount rates (used to determine impacts on CSM). In general, prevailing discount rates are currently higher than locked-in rates for the Company’s insurance contracts. Therefore, a favourable change in assumptions on insurance risks, which increases CSM, also results in a negative earnings impact in period due to the fair value impact.

The negative earnings impact arising in the current period from the fair value impact of favourable CSM assumption changes will result in higher earnings in the future, through an increase in the CSM recognized in future periods.

For the three months ended September 30, 2023, assumption changes and management actions resulted in a negative net earnings impact of $106 million and an increase in CSM of $188 million on non-participating business. The fair value impact of CSM assumption changes accounts for $53 million of the overall negative earnings impact of $106 million.

In the Capital and Risk Solutions segment, net earnings were negatively impacted by $45 million and CSM was positively impacted by $49 million, due to updated annuitant mortality assumptions, partially offset by updated life mortality and morbidity assumptions. In the Europe segment, net earnings were negatively impacted by $37 million and CSM was positively impacted by $156 million, primarily due to updated annuitant mortality assumptions and financial assumption changes, partially offset by expense assumption updates. In the Canada segment, net earnings were negatively impacted by $24 million, primarily due to legislation changes and financial assumption changes. In the Canada segment, the CSM was negatively impacted by $18 million, primarily due to updated lapse assumptions.

This compares to a net negative earnings impact of $4 million and a decrease in CSM of $17 million on non-participating business in the previous quarter.

For the nine months ended September 30, 2023, assumption changes and management actions resulted in a negative net earnings impact of $103 million, compared to positive $52 million for the same period in 2022. Additionally, assumption changes and management actions resulted in an increase of $166 million in CSM on non-participating business, compared to an increase in CSM of $54 million for the same period in 2022.

Other Items Excluded from Base Earnings

For the third quarter of 2023, acquisition and divestiture costs increased by $23 million compared to the same quarter last year. The third quarter of 2022 included a contingent consideration provision release of $51 million (US$39 million) related to Personal Capital that did not re-occur. Restructuring and integration costs were $22 million, $21 million less compared to the same quarter last year. The decrease is primarily due to higher restructuring and integration costs related to the MassMutual, Personal Capital and Prudential acquisitions in the same quarter last year, partially offset by higher restructuring costs in Europe in the third quarter of 2023.

For the nine months ended September 30, 2023, other items excluded from base earnings had a larger negative impact compared to the same period last year, primarily due $121 million related to the sale of Europe surplus assets measured at FVOCI as well as the same reasons discussed for the in-quarter results.

Foreign Currency

The average currency translation rate for the third quarter of 2023 increased for the U.S. dollar, the euro and the British pound compared to the third quarter of 2022. The overall impact of currency movement on the Company's net earnings for the three months ended September 30, 2023 was an increase of $16 million (increase of $50 million year-to-date) compared to translation rates a year ago.

From June 30, 2023 to September 30, 2023, the market rates at the end of the reporting period used to translate the euro and British pound assets and liabilities to the Canadian dollar decreased, while the U.S. dollar increased. The movements in end-of-period exchange rates impact the translation of foreign operations, including related hedge activities, resulting in post-tax unrealized foreign exchange gains of $204 million in-quarter ($53 million net unrealized gains year-to-date) recorded in other comprehensive income.

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

LIFECO VALUE DRIVERS

As the Company is advancing its business strategy and driving momentum across the portfolio, it is enhancing its reporting and disclosures to provide greater clarity and transparency into how the Company is creating value for shareholders and growing the business. The result is that the Company is evolving the previous value-creation priorities to focus on three key value drivers for its business: Workplace Solutions, Wealth & Asset Management and Insurance & Risk Solutions.

The following table displays how the various business units in each operating segment have been aligned with value drivers at the consolidated Lifeco level. Accordingly, the Company has updated how it refers to the business units within the Canada, Europe and U.S. operating segments.

A description of the value drivers and a supplemental view of base earnings and other key performance indicators at the consolidated Lifeco level are provided below.

Value Drivers	Operating Segments[1]: Canada	U.S.	Europe	Capital and Risk Solutions
Workplace Solutions	Group Life & Health Group Retirement	Empower Defined Contribution	Group Life & Health Group Retirement	
Wealth & Asset Management	Individual Wealth Management	Empower Personal Wealth Asset Management[2]	Individual Wealth & Asset Management	
Insurance & Risk Solutions	Insurance & Annuities		Insurance & Annuities	Reinsurance

[1] Certain business units have been realigned within operating segments to map consistently to value drivers.
[2] Includes results of PanAgora Asset Management which will be retained by the Company subsequent to the sale of Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions.

Workplace Solutions

The Company has built millions of trusted relationships with customers through Workplace Solutions. These relationships are based on the consistent delivery of health and wellness benefits, as well as retirement solutions that are delivered at scale through employer sponsored plans as a core part of the business. The Company is also building lifetime customer relationships through a focus on deepening the advice and solutions to better meet customers' retirement, investment and wellness needs.

Selected Results

Workplace Solutions	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1]	**$ 463**	$ 454	$ 440	**$ 1,362**	$ 1,193
Retirement net cash flows[2,3]	**(8,999)**	4,388	8,025	**5,298**	38,349
Fee and other income	**1,033**	1,067	931	**3,119**	2,699
Group Life & Health book premiums[2]	**17,048**	15,067	13,945		

[1] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
[2] Refer to the "Glossary" section of this document for additional details on the composition of this measure.
[3] Comparative results for nine months ended September 30, 2022 do not include $403.3 billion (US$315.1 billion) in net transfers related to the Prudential acquisition.

Base earnings

Workplace Solutions base earnings for the third quarter of 2023 of $463 million increased by $23 million compared to the same quarter last year. The increase was primarily due to strong group disability results in the Canada segment and higher net fee income in Empower Defined Contribution, partially offset by unfavourable claims experience in the Europe segment.

For the nine months ended September 30, 2023, Workplace Solutions base earnings of $1,362 million increased by $169 million compared to the same period last year. The increase was primarily due to: an additional quarter of Prudential related earnings in the current year as well as expense synergies related to Prudential and MassMutual acquisitions in the U.S. segment; higher contributions from investment experience; more favourable group insurance long-term disability morbidity experience; and pricing actions in Group Life and Health business.

Net cash flows

Net cash outflows for the third quarter of 2023 of $9.0 billion compared to net cash inflows of $8.0 billion in the same quarter last year, primarily due to net participant redemptions of assets under administration in Empower Defined Contribution as well as lower large plan sales.

For the nine months ended September 30, 2023, net cash inflows of $5.3 billion decreased by $33.1 billion compared to the same period last year, primarily due to lower inflows in Empower Defined Contribution driven by lower large plan sales and due to the same reasons discussed for the in-quarter results. Empower Defined Contribution had four large plan sales in the first quarter of 2022 contributing CAD$31.9 billion (US$25.1 billion) in assets compared to CAD$4.2 billion (US$3.1 billion) in large plan sales in the first quarter of 2023. The decrease in net cash inflows was partially offset by higher wealth fund management sales in the Europe segment.

Fee and other income

Fee and other income for the third quarter of 2023 of $1,033 million increased by $102 million compared to the same quarter last year. The increase was primarily due to increased participants and higher equity market levels in Empower Defined Contribution, growth in administrative services only (ASO) fees in the Canada segment, higher group insurance fees in the Europe segment and positive impacts from currency movement.

For the nine months ended September 30, 2023, fee and other income of $3,119 million increased by $420 million compared to the same period last year, primarily due to an additional quarter of Prudential related fee income in the current year as well as the reasons discussed for the in-quarter results.

Group Life & Health book premiums

Group Life & Health book premiums at September 30, 2023 were $17,048 million, an increase of $1,981 million compared to June 30, 2023, primarily due to the addition of the Public Service Health Care Plan in the Canada segment as well as organic growth of in-force business in the Canada and Europe segments.

Wealth & Asset Management

In partnership with over 234,000 advisor relationships globally, the Company is delivering targeted and sophisticated solutions supported by personalized advice to meet customers' most complex personal wealth needs. The approach is enabled through investments in technology platforms and in market leading managed solutions to help advisors continue to meet the evolving needs of customers.

Selected Results

Wealth & Asset Management	As at or for the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1,3]	**$ 157**	$ 119	$ 156	**$ 395**	$ 404
Wealth net cash flows[2,3,4]	**466**	1,882	1,538	**8,605**	7,651
Fee and other income[3]	**407**	384	342	**1,163**	1,063
CSM, segregated fund products	**3,120**	3,302	3,019		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 Comparative results are restated to exclude net earnings (losses), net cash flows and fee and other income from discontinued operations related to Putnam Investments as well as the re-mapping of certain business units to Value Drivers in the Europe segment following internal reviews.
4 Comparative results for the nine months ended September 30, 2022 do not include $7.8 billion (US$6.1 billion) in net transfers related to the Prudential acquisition.

Base earnings

Wealth & Asset Management base earnings for the third quarter of 2023 of $157 million increased by $1 million compared to the same quarter last year. The increase was primarily due to lower returns on non-fixed income assets in the Europe segment, partially offset by increased fees driven by higher average equity markets, higher transaction volumes in Empower Personal Wealth and the impact of currency movements.

For the nine months ended September 30, 2023, Wealth & Asset Management base earnings of $395 million decreased by $9 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Net cash flows

Net cash inflows for the third quarter of 2023 were $466 million compared to net inflows of $1,538 million for the same quarter last year, primarily driven by higher institutional fund outflows at PanAgora.

For the nine months ended September 30, 2023, net cash inflows were $8,605 million compared to net inflows of $7,651 million for the same period last year, primarily due to higher wealth fund management sales in Ireland in the Europe segment and the impact of currency movement. This was partially offset by higher mutual fund withdrawals in the Canada segment as well as higher institutional fund outflows at PanAgora.

Fee and other income

Fee and other income for the third quarter of 2023 of $407 million increased by $65 million compared to the same quarter last year, primarily due to higher assets in Empower Personal Wealth and the Europe segment as well as the impact of currency movement.

For the nine months ended September 30, 2023, fee and other income of $1,163 million increased by $100 million compared to the same period last year, primarily due to the reasons discussed for the in-quarter results.

CSM, segregated fund products

Closing CSM for segregated fund products for the third quarter of 2023 of $3,120 million decreased by $182 million compared to the second quarter of 2023, primarily due to the impact of market movements, partially offset by organic CSM movement.

Insurance & Risk Solutions

The Company has a strong and stable insurance base which helps produce capital that is invested in areas of opportunity for growth. Additionally, with its sophisticated risk and capital management expertise, the Company is helping organizations manage their risks and deliver sustainable customer solutions. By leveraging this expertise, Lifeco is diversifying its portfolio, offsetting or counterbalancing risks and creating value for stakeholders including strong financial performance.

Selected Results

Insurance & Risk Solutions	As at or for the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1]	**$ 346**	$ 377	$ 243	**$ 1,015**	$ 859
New business non-participating CSM, excluding segregated fund products	**125**	85	89	**269**	256
Non-participating CSM, excluding segregated fund products	**5,988**	5,896	5,636		

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

Base earnings

Insurance & Risk Solutions base earnings for the third quarter of 2023 of $346 million increased by $103 million compared to the same quarter last year. The increase was primarily due to business growth, the impact of higher interest rates and a provision for estimated claims related to Hurricane Ian of $128 million in 2022 that did not re-occur in the Capital and Risk Solutions segment, partially offset by changes in certain tax estimates in the Canada segment.

For the nine months ended September 30, 2023, Insurance & Risk Solutions base earnings of $1,015 million increased by $156 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results as well as changes to certain tax estimates in the Europe segment in 2023.

New business non-participating CSM, excluding segregated fund products

Insurance & Risk Solutions new business non-participating CSM, excluding segregated fund products, for the third quarter of 2023 of $125 million was comparable to the same quarter last year.

For the nine months ended September 30, 2023, new business non-participating CSM, excluding segregated fund products, of $269 million increased by $13 million compared to the same period last year. The increase was primarily due to higher new business growth in the longevity reinsurance portfolio.

Non-participating CSM, excluding segregated fund products

Ending non-participating CSM, excluding segregated fund products, for the third quarter of 2023, excluding participating and segregated fund products, increased to $5,988 million compared to the second quarter of 2023, primarily due to impact of assumption changes, partly offset by organic CSM movement.

STATEMENT OF EARNINGS

The following discussion sections reflect the statement of earnings presentation under IFRS 17 which provides a picture of profit from earnings sources before taxes. For insurance contracts, at a high level, the impacts of insurance performance are presented separately from financial risks and investment income, through the Insurance Service Result and Net Investment Result, respectively. Other businesses such as Group Retirement, Group Administrative Services Only and Wealth & Asset Management are presented through Other Income and Expenses.

INSURANCE SERVICE RESULT

Insurance service result depicts the profit earned from providing insurance coverage and comprises the combined impact of insurance revenue, insurance expenses and net expenses from reinsurance contracts held. Insurance revenue reflects the consideration to which the insurer expects to be entitled in exchange for insurance services provided on an earned basis. Insurance expenses include incurred claims and other operating expenses directly attributable to the insurance contracts the Company issues. Net expenses from reinsurance contracts held represents the combined impact of allocated reinsurance premiums paid to and amounts recovered from reinsurers by the Company.

Insurance service result (pre-tax)

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Insurance service result					
Canada	**$ 387**	$ 354	$ 378	**$ 1,082**	$ 1,073
United States	**17**	15	20	**49**	36
Europe	**205**	132	165	**519**	530
Capital and Risk Solutions	**179**	202	89	**541**	492
Total insurance service result	**$ 788**	$ 703	$ 652	**$ 2,191**	$ 2,131

Insurance service result for the third quarter of 2023 of $788 million increased by $136 million compared to the third quarter of 2022, primarily due to a provision for estimated claims related to Hurricane Ian of $128 million in 2022 in the Capital and Risk Solutions segment that did not re-occur. The increase was also driven by higher earnings on short-term insurance contracts in the Canada and Capital and Risk Solutions segments due to business growth and the impact of currency movement. These items were partially offset by unfavourable experience in the U.S. life business in the Capital and Risk Solutions segment.

For the nine months ended September 30, 2023, insurance service result of $2,191 million increased by $60 million compared to the same period in 2022. The increase was primarily due to the same reasons discussed for the in-quarter results, as well as a reinsurance settlement gain in the Europe segment. The increase was partially offset by unfavourable claims experience in the U.S. life business in the Capital and Risk Solutions segment.

NET INVESTMENT RESULT

Net investment result can be analyzed in three parts in the table below:

Net investment income - investment income earned from managing the Company's invested assets net of expenses, allowances for credit losses and realized gains (losses);

Changes in fair value through profit and loss (FVTPL) - change of the carrying value of invested assets measured at FVTPL on the balance sheet; and

Net finance income/(expense) from insurance and reinsurance contracts and changes in investment contract liabilities - changes in insurance, reinsurance, and investment contract liabilities on the balance sheet due to financial risks. This includes the effect of the passage of time (interest accretion), changes in the time value of money and the effect of financial risk and changes in financial risk, including the effects of discount rates and other financial assumptions on valuing the Company's insurance and investment contract liabilities.

Net investment result (pre-tax)

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Investment income earned (net of investment properties expenses)[1]	**$ 2,340**	$ 2,269	$ 2,117	**$ 6,790**	$ 5,737
Net allowances for credit losses	**(10)**	—	(11)	**(9)**	(22)
Net realized gains (losses)	**(17)**	(170)	(17)	**(223)**	(34)
Regular investment income[1]	**2,313**	2,099	2,089	**6,558**	5,681
Investment expenses	**(42)**	(38)	(62)	**(125)**	(172)
Net investment income[1]	**2,271**	2,061	2,027	**6,433**	5,509
Changes in fair value through profit or loss[1]	**(5,457)**	(2,668)	(7,399)	**(4,553)**	(32,351)
Total net investment income[1]	**$ (3,186)**	$ (607)	$ (5,372)	**$ 1,880**	$ (26,842)
Net finance expenses from insurance contracts	**3,287**	631	3,180	**348**	20,420
Net finance income from reinsurance contracts	**(212)**	(6)	(160)	**(125)**	(1,157)
Changes in investment contract liabilities	**761**	286	3,157	**(835)**	10,122
Total net investment result[1]	**$ 650**	$ 304	$ 805	**$ 1,268**	$ 2,543
Segments:					
Canada	**$ 276**	$ (103)	$ 7	**$ 150**	$ 432
United States[1]	**376**	316	256	**1,048**	710
Europe	**(115)**	70	412	**(103)**	1,117
Capital and Risk Solutions	**104**	12	116	**158**	233
Lifeco Corporate	**9**	9	14	**15**	51
Total net investment result[1]	**$ 650**	$ 304	$ 805	**$ 1,268**	$ 2,543

[1] Comparative results are restated to exclude net investment result from discontinued operations related to Putnam Investments.

Total net investment result in the third quarter of 2023 decreased by $155 million compared to the same quarter last year. The third quarter of 2023 included favourable impacts on liabilities compared to their supporting assets driven by a rise in long-term interest rates within the Canada segment as well as higher earnings on surplus in all segments, partially offset by slightly adverse non-fixed income returns. However, the favourable results in the third quarter of 2023 were not as large as the impact of increases in interest rates within the U.K. and the impact of positive non-fixed income returns in the third quarter of 2022. Net investment expenses are down in the third quarter of 2023 compared to the same period in 2022 due to lower transaction expenses related to equity release mortgages.

For the nine months ended September 30, 2023, total net investment result decreased by $1,275 million compared to the same period last year. The decrease was primarily due to a smaller increase in interest rates within Canada and the U.K. during 2023 compared to 2022 leading to a smaller positive earnings impact as liabilities decreased by more than their supporting assets as well as the impacts of net realized OCI losses from asset rebalancing in Europe in the second quarter of 2023. These items were partially offset by higher earnings on surplus in all segments as well as higher earned rates and volumes at Empower in the U.S. segment, partially driven by the acquisition of Prudential. Net investment expenses are down for the nine month period in 2023 compared to the same period in 2022 due to lower transaction expenses related to equity release mortgages.

Credit Markets

In the third quarter of 2023, the Company experienced credit-related charges in net investment result on its $187.3 billion bond and mortgage portfolio, which negatively impacted common shareholders' net earnings by $8 million after tax, primarily due to the net remeasurement of allowance for expected credit losses on mortgage loans.

For the nine months ended September 30, 2023, the Company experienced credit-related charges in net investment result, which negatively impacted common shareholders' net earnings by $20 million after tax, primarily due to charges on impaired corporate bonds and net remeasurement of allowance for expected credit losses on mortgage loans.

FEE AND OTHER INCOME

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

Fee and other income (pre-tax)[1]	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Canada	**$ 328**	$ 341	$ 287	**$ 994**	$ 899
United States[1]	**928**	921	830	**2,736**	2,338
Europe	**190**	200	163	**576**	546
Capital and Risk Solutions	**4**	4	—	**10**	3
Total fee and other income[1]	**$ 1,450**	$ 1,466	$ 1,280	**$ 4,316**	$ 3,786

[1] Comparative results are restated to exclude fee and other income from discontinued operations related to Putnam Investments.

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

EXPENSES

Expenses shown below are represented in the Company's consolidated statement of earnings by either insurance service expense or in other income and expenses depending on whether or not those expenses are directly attributable to the Company's insurance businesses.

Expenses (pre-tax)[1]

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Insurance service operating and administrative expenses[2]	**$ 395**	$ 405	$ 396	**$ 1,248**	$ 1,279
Other operating and administrative expenses[3]	**1,522**	1,571	1,336	**4,622**	4,043
Total operating and administrative expenses	**$ 1,917**	$ 1,976	$ 1,732	**$ 5,870**	$ 5,322
Amortization of acquisition-related finite life intangible assets	**48**	49	47	**140**	131
Amortization of software finite life intangible assets	**52**	48	49	**147**	134
Financing charges	**103**	104	97	**322**	280
Restructuring and integration expenses	**38**	19	58	**83**	135
Total	**$ 2,158**	$ 2,196	$ 1,983	**$ 6,562**	$ 6,002

[1] Prior period results are restated to exclude expenses from discontinued operations related to Putnam Investments.
[2] Excluded from the above table, but included in insurance service expenses for the nine months ended September 30, 2023, are $10.6 billion ($9.6 billion for the period ended September 30, 2022) primarily relating to claims and benefits paid, adjustments to the liability for incurred claims and losses (reversal of losses) on onerous insurance contracts and assets for insurance acquisition cash flows. Refer to note 9 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 for additional detail.
[3] Other operating and administrative expenses includes the pre-tax impact of acquisition and divestiture costs incurred in-period which are excluded from base earnings.

In the third quarter of 2023, expenses increased by $175 million to $2,158 million compared to the same quarter last year, primarily due to higher operating and administrative expenses associated with the onboarding and support of the Canada federal government's Public Service Health Care Plan (PSHCP) in the Canada segment and increased spend in the U.S. segment to support business growth at Empower. Restructuring and integration expenses were lower compared to the same quarter last year, primarily due to lower integration costs related to the MassMutual, Personal Capital and Prudential acquisitions, partially offset by higher restructuring costs in the Europe segment.

For the nine months ended September 30, 2023, expenses increased by $560 million to $6,562 million compared to the same period last year, primarily due to higher operating and administrative expenses driven by the acquisition of Prudential's retirement services business in the U.S. segment and the onboarding and support of the PSHCP in the Canada segment. Financing charges were higher compared to the same period last year driven by the issuance of a €500 million euro bond on November 16, 2022. Restructuring and integration expenses decreased compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

INCOME TAXES

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

Effective income tax rate

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022[2]	**Sept. 30 2023**	Sept 30 2022[2]
Base earnings - Common shareholders[1]	**12.8 %**	15.6 %	8.4 %	**13.2 %**	9.3 %
Net earnings - Common shareholders	**12.8 %**	12.0 %	11.6 %	**10.8 %**	13.4 %
Net earnings - Total Lifeco	**12.2 %**	8.2 %	10.3 %	**9.1 %**	12.0 %

[1] This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
[2] The effective income tax rates for the comparative figures have been restated to reflect the adoption of IFRS 17 and IFRS 9 and to exclude discontinued operations related to Putnam Investments from earnings.

The Company's effective income tax rate is generally lower than the statutory income tax rate of 28.0% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

In the third quarter of 2023, the effective income tax rate on base earnings for the common shareholders of 12.8% was up from 8.4% in the third quarter of 2022, primarily due to the resolution of outstanding tax issues in 2022 and changes in certain tax estimates. In the third quarter of 2023, the effective income tax rate on net earnings for the common shareholders of 12.8% was up from 11.6% in the third quarter of 2022, primarily due to changes in certain tax estimates and the resolution of outstanding tax issues in the Canada segment in 2022, partially offset by jurisdictional mix of earnings.

In the third quarter of 2023, the overall effective income tax rate on net earnings of 12.2%, was up from 10.3% in the third quarter of 2022. The increase was primarily due to the same reasons discussed for the in-quarter common shareholder net earnings results.

The Company had an effective income tax rate on base earnings for the common shareholders of 13.2% for the nine months ended September 30, 2023, which was up from 9.3% for the same period last year, primarily due to jurisdictional mix of earnings and the resolution of outstanding tax issues in the Canada segment in 2022. The Company had an effective income tax rate on net earnings for the common shareholders of 10.8%, down from 13.4% for the same period last year, primarily due to jurisdictional mix of earnings and higher non-taxable investment income, partially offset by the favourable impact of the resolution of outstanding tax issues in the Canada segment in 2022.

The Company had an overall effective income tax rate on net earnings of 9.1% for the nine months ended September 30, 2023 down from 12.0% for the same period last year, primarily due to the same reasons discussed for the year-to-date common shareholder net earnings results.

Refer to note 17 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 for further details.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published model rules outlining a structure for a new global minimum tax regime to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. Detailed commentary and guidance on the rules was released by the OECD during 2022 and 2023. On August 4, 2023, Canada released draft legislation to implement the global minimum tax with effect for fiscal years that begin on or after December 31, 2023. The U.K. enacted legislation in June 2023. In December 2022, the European Union adopted a directive that member countries must enact the 15% minimum tax into their national laws by end of 2023; Germany released draft legislation in August 2023 and Ireland followed in October 2023. At this point, the countries where the Company currently operates, other than the U.S., have all indicated their participation.

The Company is reviewing the relevant legislation and available guidance to assess the full implications of the minimum tax regime. The global minimum tax is very complex in nature and will apply to Lifeco as part of a larger related group of companies. The determination of the minimum tax impact will require significant interpretation of each country's new legislation to determine the ultimate tax liability for the group as a whole, which will then be allocated to individual companies within the group, such as Lifeco. A number of the countries, that the related group of companies operates in, have a lower tax rate than the proposed minimum and when legislation is enacted the Company expects a modest increase in the effective income tax rate.

SEGMENTED OPERATING RESULTS

The segmented operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life (and its operating subsidiaries), Empower and Putnam (primarily reflected as discontinued operations), together with Lifeco's corporate results. The following sections analyze the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions.

TRANSLATION OF FOREIGN CURRENCY

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

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. The Canada business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Workplace Solutions offers group life and health and group retirement products through employer sponsored plans and individual product solutions, including life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to plan members.
- Individual Wealth Management provides personal wealth savings and income products.
- Insurance & Annuities offers life, disability and critical illness insurance products, as well as individual life annuities and single premium group annuities.

DEVELOPMENTS

- Canada Life onboarded the Canada federal government Public Service Health Care Plan (PSHCP) on July 1st, 2023, after 19 months of preparations. The PSHCP is the largest group benefit plan in Canada and increases Canada Life's Group Life & Health block by approximately 15% and extends the Company's capabilities in the Health space to better support all customers in the future. While the initial impact to operations and customer service of onboarding the PSHCP was larger than originally expected, this prompted a number of agile responses, including the development and implementation of a Customer Service Action Plan, which continues to bring positive improvements week over week. The Company expects to see an improvement in service outcomes.
- On September 8, 2023, Canada Life completed its acquisition of Value Partners Group Inc. (Value Partners), bringing complementary capabilities that will further extend wealth offerings for advisors and their clients. With the acquisitions of Value Partners and Investment Planning Counsel Inc. (IPC), which is on track to close in the fourth quarter of 2023, Canada Life is becoming one of the pre-eminent wealth providers in Canada with more than 4,000 advisor relationships and $89 billion in assets under administration.
- During the third quarter of 2023, Canada Life successfully completed a five-year journey to migrate eight individual wealth management client administration systems to a single system that sets the individual wealth business up for long-term success.
- In September 2023, Canada Life expanded its mobile Android and iPhone apps to include group savings, creating a unified experience to match the industry-leading My Canada Life at Work member site. Members now can make claims, see balances, and easily understand their group savings in a single, easy-to-use, and easy-to-access dedicated mobile experience.

SELECTED FINANCIAL INFORMATION - CANADA

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1]					
Workplace Solutions	**$ 191**	$ 164	$ 167	**$ 514**	$ 490
Individual Wealth Management	**49**	46	60	**156**	155
Insurance & Annuities	**58**	63	110	**164**	238
Corporate	**(2)**	10	3	**23**	21
Base earnings (loss)[1]	**$ 296**	$ 283	$ 340	**$ 857**	$ 904
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ 147**	$ (129)	$ (186)	**$ (25)**	$ 75
Assumption changes and management actions[2]	**(24)**	1	125	**(21)**	114
Amortization of acquisition-related finite life intangibles	**(4)**	(5)	(5)	**(13)**	(14)
Acquisition and divestiture costs	**(1)**	(2)	—	**(3)**	—
Net earnings - common shareholders	**$ 414**	$ 148	$ 274	**$ 795**	$ 1,079
Sales[2]					
Group Life & Health	**$ 1,913**	$ 108	$ 116	**$ 2,201**	$ 472
Group Retirement	**617**	633	859	**2,008**	2,389
Workplace Solutions	**2,530**	741	975	**4,209**	2,861
Individual Wealth Management	**2,100**	2,174	1,899	**6,932**	7,129
Insurance & Annuities	**152**	154	215	**462**	624
Net cash flows[2]					
Group Retirement	**$ (161)**	$ 157	$ 203	**$ 414**	$ 830
Individual Wealth Management	**(427)**	(524)	(756)	**(1,388)**	(995)
Net cash flows[2]	**$ (588)**	$ (367)	$ (553)	**$ (974)**	$ (165)
Fee and other income					
Workplace Solutions	**$ 233**	$ 240	$ 189	**$ 701**	$ 603
Individual Wealth Management	**88**	92	90	**270**	272
Corporate	**7**	9	8	**23**	24
Fee and other income	**$ 328**	$ 341	$ 287	**$ 994**	$ 899
Group Life & Health book premiums[2]	**$ 14,700**	$ 12,761	$ 11,955		
Total assets	**$ 191,837**	$ 196,673			
Other assets under management[2,3]	**7,460**	3,971			
Total assets under management[1]	**199,297**	200,644			
Other assets under administration[2]	**27,759**	27,362			
Total assets under administration[1]	**$ 227,056**	$ 228,006			
Contractual service margin					
Insurance & Annuities - Non-Participating	**$ 1,149**	$ 1,213	$ 1,332		
Individual Wealth Management - Segregated Funds	**1,797**	1,912	1,804		
Insurance & Annuities - Participating	**3,385**	3,241	3,241		
Contractual service margin	**$ 6,331**	$ 6,366	$ 6,377		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 At September 30, 2023, Canada Life had $6.7 billion of proprietary mutual fund assets held by retail clients ($6.9 billion at December 31, 2022); however, $3.1 billion ($2.9 billion as at December 31, 2022) of these assets are consolidated as investments on account of segregated fund policyholders on the Company's balance sheet.

Base and net earnings

In the third quarter of 2023, the Canada segment's net earnings of $414 million increased by $140 million compared to the same quarter last year. Base earnings of $296 million decreased by $44 million compared to the same quarter last year, primarily due to changes in certain tax estimates and the favourable impact of the resolution of an outstanding tax issue in 2022. Base earnings before tax grew by 3% compared to the same quarter last year, reflecting strong group disability and mortality results and higher earnings on surplus.

Items excluded from base earnings were positive $118 million compared to negative $66 million for the same quarter last year. Market experience relative to expectations was positive $147 million in the third quarter of 2023 due to favourable impacts on liabilities compared to assets driven by a rise in long-term interest rates and changes in credit spreads. This positive impact was partially offset by unfavourable non-fixed income performance relative to expectations. Market experience relative to expectations of negative $186 million in the same quarter last year was due to unfavourable impacts from short-term interest rates rising more than long-term interest rates, changes in credit spreads and unfavourable non-fixed income performance relative to expectations. Assumption changes and management actions of negative $24 million in the third quarter of 2023 were unfavourable compared to positive assumption changes and management actions of $125 million in the same quarter last year.

In conjunction with the transition to IFRS 17, the Company made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings from continuing operations driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management's expectations. For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of this document.

For the nine months ended September 30, 2023, net earnings decreased by $284 million to $795 million compared to the same period last year. Base earnings of $857 million decreased by $47 million compared to the same period last year, primarily due to strong group health morbidity results in 2022 that did not repeat and tax items as discussed for the in-quarter results, partially offset by higher earnings on surplus in 2023. Base earnings before tax grew by 4% compared to the same period last year.

For the nine months ended September 30, 2023, items excluded from base earnings were negative $62 million compared to positive $175 million for the same period last year. Market experience relative to expectations was negative $25 million compared to positive $75 million for the same period last year. Assumption changes and management actions were negative $21 million compared to positive $114 million compared to the same period last year.

For the third quarter of 2023, net earnings attributable to the participating account were $20 million compared to net earnings of $17 million for the same quarter last year, primarily driven by higher CSM recognition for services provided, partially offset by more favourable tax impacts in the same quarter last year.

For the nine months ended September 30, 2023, net earnings attributable to the participating account were $21 million compared to $48 million for the same period last year, primarily due to lower income on participating insurance account surplus. The decrease was partially offset by higher CSM recognition for services provided.

Sales

Group Life & Health sales for the third quarter of 2023 of $1,913 million increased by $1,797 million compared to the same quarter last year, primarily due to the addition of the federal government PSHCP. Group Retirement sales for the third quarter of 2023 of $617 million decreased by $242 million compared to the same quarter last year, primarily due to lower group capital accumulation plan sales. Individual Wealth Management sales for the third quarter of 2023 of $2,100 million increased by $201 million compared to the same quarter last year, primarily due to higher mutual fund and guaranteed sales. Insurance & Annuities sales for the third quarter of 2023 of $152 million decreased by $63 million compared to the same quarter last year, primarily due to lower individual life annuity and single premium group annuity sales. Individual insurance sales grew by 2% compared to the same quarter last year.

For the nine months ended September 30, 2023, Group Life & Health sales of $2,201 million increased by $1,729 million compared to the same period last year, primarily due to the same reason discussed above for the in-quarter results. Group Retirement sales for the nine months ended September 30, 2023 of $2,008 million decreased by $381 million compared to the same period last year, due to the same reason discussed above for the in-quarter results. Individual Wealth Management sales for the nine months ended September 30, 2023 of $6,932 million decreased by $197 million compared to the same period last year, primarily due to lower segregated fund and mutual fund sales, partially offset by increased third party mutual fund and guaranteed sales. Insurance & Annuities sales for the nine months ended September 30, 2023 of $462 million decreased by $162 million compared to the same period last year, due to the same reasons discussed for the in-quarter results, partially offset by higher participating insurance sales.

Group Life & Health book premiums

Group Life & Health book premiums at September 30, 2023 were $14,700 million, an increase of $1,939 million compared to June 30, 2023, primarily due to the addition of the PSHCP, combined with natural growth in the book.

Net cash flows

In the third quarter of 2023, net cash outflows were $588 million compared to net cash outflows of $553 million for the same quarter last year. The net cash outflows in the third quarter of 2023 were primarily due to higher Group Retirement and segregated fund withdrawals, partially offset by lower mutual fund withdrawals.

For the nine months ended September 30, 2023, net cash outflows were $974 million compared to net cash outflows of $165 million for the same period last year, primarily due to higher segregated fund withdrawals, partially offset by lower mutual fund withdrawals.

Fee and other income

Fee and other income for the third quarter of 2023 of $328 million increased by $41 million compared to the same quarter last year, primarily due to growth in administrative services only fees.

Fee and other income for the nine months ended September 30, 2023 of $994 million increased by $95 million compared to the same period last year, primarily due to the same reason discussed for the in-quarter results.

Contractual service margin (CSM)

Contractual service margin at September 30, 2023 was $6,331 million, a decrease of $35 million compared to June 30, 2023, primarily driven by unfavourable individual insurance experience and assumption changes, unfavourable market impact on segregated funds, partially offset by an increase in participating insurance due to lower cost of guarantees.

UNITED STATES

The United States segment operating results for Lifeco include the results of Empower Annuity Insurance Company of America (Empower), PanAgora Asset Management and the results of the insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results. The U.S. segment also includes the results of Putnam Investments classified as discontinued operations. The U.S. business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Empower Defined Contribution helps people with saving, investing and advice through employer sponsored plans and individual product solutions. Empower Defined Contribution aligns with the Workplace Solutions value driver.
- Empower Personal Wealth offers retail wealth management products and services.
- Asset Management, which represents the results of PanAgora Asset management, provides investment management services and related administrative functions and distribution services and offers a broad range of investment products.
- Included in the Corporate business unit are a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed life retrocession block. Items not

associated directly with or allocated to Empower and Asset Management, including the impact of certain non-continuing items related to the U.S. segment are also included in the Corporate business unit.

DEVELOPMENTS

Empower

- On April 1, 2022, Empower completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. (Prudential). With the completion of the acquisition, Empower's reach in the U.S. has expanded to approximately 82,000 workplace savings plans as of September 30, 2023.

  The Company funded the total transaction value of US$3,480 million with US$1,193 million of limited recourse capital notes and US$823 million of short-term debt, in addition to existing resources. As expected, the Company has been paying down the short-term debt and the remaining balance is US$100 million at September 30, 2023.

  Empower anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's recordkeeping platform. Estimated annualized run-rate cost synergies of US$180 million are expected to be phased in over 24 months primarily when systems migrations are completed. As of September 30, 2023, US$66 million of annualized pre-tax run rate cost synergies have been achieved. Annualized revenue synergies of US$20 million are expected on annualized run-rate basis by the end of 2024 and are expected to grow to US$50 million by 2026.

  Empower expects to incur one-time integration and restructuring expenses of US$170 million pre-tax related to the Prudential acquisition, US$12 million pre-tax of which were incurred in the third quarter of 2023. The integration is expected to be completed in the first half of 2024.

(in US$ millions)	**For the three months ended**		**For the nine months ended**	**Total expensed to date**
	Sept. 30 2023	June 30 2023	**Sept. 30 2023**	**Sept. 30 2023**
Restructuring and integration (pre-tax)	**$ 12**	$ 17	**$ 46**	**$ 114**
Restructuring and integration (post-tax)	**9**	13	**34**	**85**

- Empower assets under administration (AUA) were US$1.4 trillion at September 30, 2023, an increase of US$0.2 trillion compared to September 30, 2022. Empower participant accounts have grown to 18.3 million at September 30, 2023, up from 17.5 million at September 30, 2022. The increase in AUA compared to September 30, 2022 was primarily due to increased equity markets.

Asset Management

- Ending other assets under management (AUM) at September 30, 2023 of US$166.4 billion increased by US$8.7 billion compared to the same period last year, while average other AUM for the nine months ended September 30, 2023 of US$169.9 billion decreased by US$10.5 billion compared to the same period last year. The increase in ending other AUM is primarily due to the impact of increasing equity market levels throughout 2023. The decrease in average other AUM for the nine months ended September 30, 2023 is primarily due to higher beginning other AUM in the same period last year. Included in ending other AUM at September 30, 2023 is US$135.6 billion related to Putnam Investments.

SELECTED FINANCIAL INFORMATION - UNITED STATES

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss) (US$)[1]					
Empower Defined Contribution	**$ 163**	$ 175	$ 156	**$ 504**	$ 389
Empower Personal Wealth	**38**	37	27	**95**	49
Asset Management[3]	**(2)**	(1)	(4)	**(7)**	(5)
Corporate	**(4)**	(13)	(15)	**(36)**	(30)
Base earnings (loss) (US$)	**$ 195**	$ 198	$ 164	**$ 556**	$ 403
Items excluded from base earnings (US$)					
Market experience relative to expectations[2]	**$ 16**	$ (3)	$ (11)	**$ 10**	$ (17)
Restructuring and integration costs	**(10)**	(15)	(33)	**(39)**	(76)
Acquisition and divestiture costs[3]	**—**	(40)	19	**(40)**	(23)
Amortization of acquisition-related finite life intangibles	**(19)**	(20)	(22)	**(57)**	(60)
Net earnings from continuing operations (US$)[2]	**$ 182**	$ 120	$ 117	**$ 430**	$ 227
Base earnings (C$)[1,3]	**$ 262**	$ 265	$ 214	**$ 745**	$ 522
Net earnings from continuing operations (C$)[2]	**244**	161	154	**575**	296
Net flows (US$)[2]					
Empower Defined Contribution[4]	**$ (6,976)**	$ 2,762	$ 5,697	**$ 2,700**	$ 28,299
Empower Personal Wealth[5]	**1,881**	1,842	1,901	**6,866**	6,840
Asset Management[3]	**(1,486)**	(707)	(497)	**(2,782)**	(2,112)
Net flows (US$)[2]	**$ (6,581)**	$ 3,897	$ 7,101	**$ 6,784**	$ 33,027
Net flows (C$)[2]	**$ (8,818)**	$ 5,222	$ 9,302	**$ 9,186**	$ 42,191
Fee and other income (US$)					
Empower Defined Contribution	**$ 569**	$ 570	$ 534	**$ 1,687**	$ 1,515
Empower Personal Wealth	**104**	97	78	**289**	232
Asset Management[3]	**20**	21	21	**62**	69
Fee and other income (US$)	**$ 693**	$ 688	$ 633	**$ 2,038**	$ 1,816
Fee and other income (C$)	**$ 928**	$ 921	$ 830	**$ 2,736**	$ 2,338
Total assets (US$)	**$ 218,344**	$ 227,492			
Other assets under management[2]	**212,564**	219,827			
Total assets under management[1]	**430,908**	447,319			
Other assets under administration[2]	**1,144,242**	1,183,399			
Total assets under administration (US$)[1]	**$1,575,150**	$1,630,718			
Total assets under administration (C$)[1]	**$2,142,204**	$2,152,548			

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 Comparative results are restated to exclude discontinued operations related to Putnam Investments.
4 Comparative results for the nine months ended September 30, 2022 do not include $403.3 billion (US$315.1 billion) in net transfers related to the Prudential acquisition.
5 Comparative results for the nine months ended September 30, 2022 do not include $7.8 billion (US$6.1 billion) in net transfers related to the Prudential acquisition.

Note: The United States segment does not have a material contractual service margin (CSM) balance.

Base earnings and net earnings from continuing operations

In the third quarter of 2023, net earnings from continuing operations increased by US$65 million to US$182 million compared to the same quarter last year. Base earnings of US$195 million increased by US$31 million compared to the same quarter last year. The increase was primarily due to a US$18 million increase in Empower from increased fees driven by higher average equity markets and transaction volumes, partially offset by higher expenses to support growth in the business in excess of acquisition related expense synergies.

Items excluded from base earnings were negative US$13 million compared to negative US$47 million for the same quarter last year. The improvement is primarily due to lower integration costs related to the MassMutual acquisition and lower acquisition costs related to the Prudential acquisition, as well as improved market experience relative to expectations on surplus assets and hedge ineffectiveness related to the guaranteed lifetime withdrawal benefit products. These items were partially offset by a contingent consideration provision release of US$39 million related to Personal Capital in the third quarter of 2022.

For the nine months ended September 30, 2023, net earnings from continuing operations increased by US$203 million to US$430 million compared to the same period last year. Base earnings of US$556 million increased by US$153 million compared to the same period last year, primarily due to an additional quarter of Prudential related earnings in 2023, higher contributions from investment experience, as well as the same reasons discussed for the in-quarter results.

For the nine months ended September 30, 2023, items excluded from base earnings increased to negative US$126 million compared to negative US$176 million for the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results, partially offset by a provision recorded in the second quarter of 2023 related to Empower's sale of substantially all of its individual life and annuity business in 2019.

Net flows

In the third quarter of 2023, net outflows were US$6.6 billion compared to net inflows of US$7.1 billion for the same quarter last year, due to net participant redemptions of assets under administration in Empower Defined Contribution, as well as lower large plan sales. Large plan sales and deconversions can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

For the nine months ended September 30, 2023, net inflows were US$6.8 billion compared to net inflows of US$33.0 billion for the same period last year, excluding US$321.2 billion in net transfers related to the Prudential acquisition. The decrease was primarily due to the same reasons discussed for the in-quarter results. Empower Defined Contribution had four large plan sales in the first quarter of 2022 contributing US$25.1 billion in assets compared to US$3.1 billion in large plan sales in the first quarter of 2023.

Fee and other income

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

Fee and other income for the third quarter of 2023 of US$693 million increased by US$60 million compared to the same quarter last year. The increase was primarily due to increased participants and higher equity market levels in Empower Defined Contribution and asset growth in Empower Personal Wealth.

Fee and other income for the nine months ended September 30, 2023 of US$2,038 million increased by US$222 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results as well as an additional quarter of Prudential related fee income of US$142 million in 2023.

EUROPE

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany. The Company operates under the Canada Life brand in the U.K. and Germany and under the Irish Life brand in Ireland. The Europe business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Workplace Solutions consists of group life and health insurance businesses in the U.K. and Ireland as well as group retirement and insurance brokerage services in Ireland.
- Individual Wealth & Asset Management consists of investments products (including life bonds, retirement drawdown and pension) offered in the U.K., pension, savings and investment products offered in Ireland and pension products offered in Germany. This business also includes asset management and wealth distribution services.
- Insurance & Annuities consists of bulk and individual payout annuities offered in the U.K and Ireland, equity release mortgages offered in the U.K., and individual insurance offered in Ireland and Germany.

DEVELOPMENTS

- Subsequent to the end of the quarter, Irish Life Assurance plc (ILA), an indirect subsidiary of the Company, completed the portfolio transfer of segregated funds with a carrying value of approximately €2 billion ($2.9 billion) to Saol Assurance dac (AIB Life), a related party to the Company through a 50/50 joint venture between Canada Life Irish Holding Company Limited and Allied Irish Banks, p.l.c., on November 1, 2023. The Company expects to recognize a gain related to this transaction in the fourth quarter of 2023.
- During the third quarter of 2023, Canada Life U.K. wrote over £1 billion of offshore bond sales via offshore businesses in Dublin and the Isle of Man.
- In September 2023, Canada Life U.K. was awarded U.K. Stewardship Code 2020 status for the first time. The Financial Reporting Council’s U.K. Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of U.K. savers and pensioners, and those that support them. This achievement demonstrates Canada Life U.K.'s credentials in ensuring customers’ assets and the systems depended upon are well looked after.
- On September 18, 2023, Canada Life U.K. went live with the first phases of utilizing robotic automation in the annuity new business process which is expected to result in faster process and cycle times which will ultimately enhance the customer journey.
- During the third quarter of 2023, Irish Life completed onboarding a €80 million bulk annuity transaction; the largest bulk annuity transaction to take place in the Irish market in 2023 to date.
- During the nine months ended September 30, 2023, Canada Life U.K. wrote four large bulk annuity sales, aggregating to £390 million. The U.K. bulk purchase annuities market has been buoyant as trustees seek to de-risk.

SELECTED FINANCIAL INFORMATION - EUROPE

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1]					
Workplace Solutions	**$ 53**	$ 56	$ 70	**$ 171**	$ 202
Individual Wealth & Asset Management	**59**	23	65	**118**	192
Insurance & Annuities	**93**	116	68	**305**	193
Corporate	**1**	(15)	—	**(30)**	2
Base earnings (loss)[1]	**$ 206**	$ 180	$ 203	**$ 564**	$ 589
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ (128)**	$ 84	$ 252	**$ (183)**	$ 694
Realized OCI gain / (losses) from asset rebalancing	**—**	(121)	—	**(121)**	—
Assumption changes and management actions[2]	**(37)**	(1)	(14)	**(33)**	(32)
Acquisition and divestiture costs	**(2)**	(36)	(5)	**(38)**	(15)
Restructuring costs	**(9)**	—	—	**(9)**	—
Amortization of acquisition-related finite life intangibles	**(5)**	(4)	(3)	**(13)**	(9)
Net earnings - common shareholders	**$ 25**	$ 102	$ 433	**$ 167**	$ 1,227
Sales[2]					
Workplace Solutions	**$ 568**	$ 740	$ 407	**$ 1,747**	$ 1,596
Individual Wealth & Asset Management	**5,270**	6,473	5,251	**18,687**	16,310
Insurance & Annuities	**1,421**	791	924	**2,635**	2,936
Net cash flows[2,4]					
Workplace Solutions	**$ 510**	$ 530	$ 359	**$ 1,197**	$ 1,399
Individual Wealth & Asset Management	**363**	885	455	**4,494**	2,575
Insurance & Annuities	**21**	20	23	**63**	72
Net cash flows[2,4]	**$ 894**	$ 1,435	$ 837	**$ 5,754**	$ 4,046
Fee and other income					
Workplace Solutions	**$ 38**	$ 64	$ 44	**$ 153**	$ 149
Individual Wealth & Asset Management	**153**	134	120	**422**	400
Insurance & Annuities and Corporate	**(1)**	2	(1)	**1**	(3)
Fee and other income	**$ 190**	$ 200	$ 163	**$ 576**	$ 546
Group Life & Health book premiums[2]	**$ 2,348**	$ 2,306	$ 1,990		
Total assets	**$ 182,742**	$ 184,354			
Other assets under management[2]	**56,300**	58,228			
Total assets under management[1]	**239,042**	242,582			
Other assets under administration[2,3]	**11,579**	11,555			
Total assets under administration[1]	**$ 250,621**	$ 254,137			
Contractual service margin					
Insurance & Annuities - Non-Participating	**$ 3,104**	$ 2,943	$ 2,584		
Individual Wealth & Asset Management - Segregated Funds	**1,323**	1,390	1,215		
Contractual service margin	**$ 4,427**	$ 4,333	$ 3,799		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 At September 30, 2023, other assets under administration excludes $11.3 billion of assets managed for other business units within the Lifeco group of companies ($11.3 billion at June 30, 2023 and $10.0 billion at September 30, 2022).
4 Following internal reviews, the mapping of certain business units to Value Drivers has been modified and comparative periods have been restated, as applicable.

Base and net earnings
In the third quarter of 2023, the Europe segment's net earnings of $25 million decreased by $408 million compared to the same quarter last year. Base earnings of $206 million increased by $3 million compared to the same quarter last year. The increase was primarily due to improved morbidity experience, the favourable impact of changes to certain tax estimates in Germany and a positive $20 million impact of currency movement. These items were partially offset by lower impacts of trading activity in Insurance & Annuities.

Items excluded from base earnings for the third quarter of 2023 were negative $181 million compared to positive $230 million for the same quarter last year. The decrease was primarily due to negative market experience relative to expectations driven by reductions in commercial property values in-quarter compared to a positive impact from higher risk-free rates and positive contributions from inflation impacts in the prior year.

In conjunction with the transition to IFRS 17, the Company made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings from continuing operations driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management’s expectations. For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of this document.

For the nine months ended September 30, 2023, net earnings decreased by $1,060 million to $167 million compared to the same period last year. Base earnings of $564 million decreased by $25 million compared to the same period last year, primarily due to less favourable health and disability claims experience in Workplace Solutions and lower investment earnings in Insurance & Annuities. The decrease was partially offset by improved morbidity experience in Insurance & Annuities and a positive $29 million impact of currency movement.

For the nine months ended September 30, 2023, items excluded from base earnings decreased by $1,035 million to negative $397 million. The decrease was primarily due to the same reasons discussed for the in-quarter results and realized OCI losses related to asset rebalancing to shorter duration assets in the surplus account in the second quarter of 2023.

Sales
Insurance & Annuities sales for the third quarter of 2023 of $1,421 million increased by $497 million compared to the same quarter last year, primarily due to strong bulk and individual annuity sales in the U.K. and the impact of currency movement, partially offset by lower equity release mortgage sales in the U.K. Workplace Solutions sales for the third quarter of 2023 of $568 million increased by $161 million compared to the same quarter last year, primarily due to pension sales growth in Ireland and the impact of currency movement. Wealth & Asset Management sales for the third quarter of 2023 of $5,270 million increased by $19 million compared to the same quarter last year, primarily due to the impact of currency movement.

Wealth & Asset Management sales for the nine months ended September 30, 2023 of $18,687 million increased by $2,377 million compared to the same period last year, primarily due to higher wealth fund management sales in Ireland and the impact of currency movement, partially offset by a large U.K. offshore bond sale in 2022 that did not re-occur. Insurance & Annuities sales for the nine months ended September 30, 2023 of $2,635 million decreased by $301 million compared to the same period last year, primarily due to lower equity release mortgage sales in the U.K., partially offset by bulk and individual annuity sales growth in the U.K. and the impact of currency movement. Workplace Solutions sales for the nine months ended September 30, 2023 of $1,747 million increased by $151 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Group Life & Health book premiums
Group Life & Health book premiums at September 30, 2023 were $2.3 billion, an increase of $42 million compared to June 30, 2023, primarily due to organic growth of in-force business.

Net cash flows
In the third quarter of 2023, net cash inflows were $0.9 billion and were comparable to the same quarter last year.

For the nine months ended September 30, 2023, net cash inflows were $5.8 billion compared to net cash inflows of $4.0 billion for the same period last year. The increase was primarily due to the higher wealth fund management sales in Ireland.

Fee and other income
Fee and other income for the third quarter of 2023 increased by $27 million to $190 million compared to the same quarter last year, primarily due to higher management fees in Individual Wealth & Asset Management and the impact of currency movement.

Fee and other income for the nine months ended September 30, 2023 were $30 million higher compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Contractual service margin
Contractual service margin at September 30, 2023 was $4,427 million, an increase of $94 million compared to June 30, 2023, primarily due to strong contributions of CSM from new business for non-participating products and positive actuarial assumption changes. These were partially offset by lower market impacts from increases in interest rates and a reduction in fund prices.

CAPITAL AND RISK SOLUTIONS

The Capital and Risk Solutions segment includes Lifeco's reinsurance business which operates primarily in the U.S., Barbados, Bermuda and Ireland, and includes an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions also includes the results for the segment's legacy international businesses.

At Lifeco, the Capital and Risk Solutions offerings are generally included as Insurance and Risk Solutions value driver. The segment's surplus earnings and an allocation of corporate capital are included in Corporate.

DEVELOPMENTS

- The Company offers property catastrophe coverage to reinsurance companies and as a result, the Company is exposed to potential claims arising from major weather events and other catastrophic events, primarily hurricanes, windstorms and earthquakes. Current preliminary estimates of industry losses arising from catastrophe events in the third quarter of 2023 do not reach the level where any claims would be anticipated. As any precautionary claim notifications are unlikely to be received for some period of time, the Company will continue to monitor events and will update any estimates as required. In addition, the Company continues to monitor potential impacts of recent geopolitical conflicts, which are not expected to have a material effect on results.

SELECTED FINANCIAL INFORMATION - CAPITAL AND RISK SOLUTIONS

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1]					
Reinsurance	**$ 195**	$ 198	$ 65	**$ 546**	$ 428
Corporate	**3**	5	(9)	**12**	(11)
Base earnings (loss)[1]	**$ 198**	$ 203	$ 56	**$ 558**	$ 417
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ 112**	$ (30)	$ 96	**$ 109**	$ 152
Assumption changes and management actions[2]	**(45)**	(4)	(26)	**(49)**	(30)
Net earnings - common shareholders	**$ 265**	$ 169	$ 126	**$ 618**	$ 539
Total assets[3]	**$ 8,483**	$ 8,687			
Contractual service margin					
Reinsurance - Non-Participating	**$ 1,735**	$ 1,740	$ 1,720		
Reinsurance - Participating	**24**	24	24		
Contractual service margin	**$ 1,759**	$ 1,764	$ 1,744		

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

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

3 The Capital and Risk Solutions segment does not have assets under management or other assets under administration.

Base and net earnings

In the third quarter of 2023, the Capital and Risk Solutions segment's net earnings of $265 million increased by $139 million compared to the same quarter last year. Base earnings of $198 million increased by $142 million compared to the same quarter last year, primarily due to business growth, the impact of higher interest rates and a provision for estimated claims related to Hurricane Ian of $128 million in 2022 that did not re-occur, partially offset by unfavourable experience in the U.S. life business.

Items excluded from base earnings were $67 million compared to $70 million for the same quarter last year. Items excluded from base earnings for the third quarter of 2023 reflect interest rate and spread in-period movements relative to expectations, partially offset by the net impact of annuity and life business assumption updates.

For the nine months ended September 30, 2023, net earnings increased by $79 million to $618 million compared to the same period last year. Base earnings of $558 million increased by $141 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results as well as the positive impact of $17 million of currency movements.

For the nine months ended September 30, 2023, items excluded from base earnings were $60 million, a decrease of $62 million compared to the same period last year. Year-to-date items excluded from base in 2023 primarily reflect the same items discussed for the in-quarter results.

Contractual service margin

Contractual service margin at September 30, 2023 was $1,759 million, a decrease of $5 million compared to June 30, 2023, primarily due to run-off and experience being offset by new business and assumption changes.

LIFECO CORPORATE

The Lifeco Corporate segment includes operating results for activities of Lifeco that are not associated with the major business units of the Company.

SELECTED FINANCIAL INFORMATION - LIFECO CORPORATE

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)[1]	**$ (12)**	$ (11)	$ (4)	**$ (28)**	$ (8)
Items excluded from base earnings					
Market experience relative to expectations[2]	**—**	—	3	**(8)**	17
Net earnings (loss) - common shareholders	**$ (12)**	$ (11)	$ (1)	**$ (36)**	$ 9

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

In the third quarter of 2023, Lifeco Corporate had a net loss of $12 million compared to net loss of $1 million for the same period last year. Base loss of $12 million increased by $8 million compared to the same quarter last year, primarily due to lower net investment income and higher operating expenses.

Items excluded from base earnings for the third quarter of 2023 were nil compared to positive $3 million for the same quarter last year, due to positive market experience relative to expectations in the third quarter of 2022.

For the nine months ended September 30, 2023, Lifeco Corporate's net loss was $36 million compared to net earnings of $9 million for the same period last year. The base loss of $28 million increased by $20 million compared to the same period last year due to the same reasons discussed for the in-quarter results.

For the nine months ended September 30, 2023, items excluded from the base loss were negative $8 million compared to positive $17 million for the same period last year due to the same reason discussed for the in-quarter results.

CONSOLIDATED FINANCIAL POSITION
ASSETS

Assets under administration[1]

	As at September 30, 2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 84,431**	**$ 86,144**	**$ 38,413**	**$ 8,209**	**$ 217,197**
Goodwill and intangible assets	**5,946**	**6,339**	**3,070**	**—**	**15,355**
Insurance contract assets	**431**	**322**	**336**	**112**	**1,201**
Reinsurance contract held assets	**1,121**	**11,819**	**3,440**	**127**	**16,507**
Other assets	**4,679**	**14,974**	**3,645**	**35**	**23,333**
Assets held for sale[3]	**—**	**4,133**	**—**	**—**	**4,133**
Investments on account of segregated fund policyholders	**95,229**	**173,217**	**133,838**	**—**	**402,284**
Total assets	**191,837**	**296,948**	**182,742**	**8,483**	**680,010**
Other assets under management[2]	**7,460**	**289,087**	**56,300**	**—**	**352,847**
Total assets under management[1]	**199,297**	**586,035**	**239,042**	**8,483**	**1,032,857**
Other assets under administration[2]	**27,759**	**1,556,169**	**11,579**	**—**	**1,595,507**
Total assets under administration[1]	**$ 227,056**	**$ 2,142,204**	**$ 250,621**	**$ 8,483**	**$ 2,628,364**

	As at December 31, 2022 (Restated)				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 85,343	$ 90,655	$ 38,652	$ 8,573	$ 223,223
Goodwill and intangible assets	5,789	7,973	3,079	—	16,841
Insurance contract assets	408	245	322	165	1,140
Reinsurance contract held assets	1,211	12,624	3,639	97	17,571
Other assets	3,682	18,430	3,297	140	25,549
Investments on account of segregated fund policyholders	93,816	166,274	127,792	—	387,882
Total assets	190,249	296,201	176,781	8,975	672,206
Other assets under management[2]	4,057	277,138	50,539	—	331,734
Total assets under management[1]	194,306	573,339	227,320	8,975	1,003,940
Other assets under administration[2]	26,344	1,426,834	11,345	—	1,464,523
Total assets under administration[1]	$ 220,650	$ 2,000,173	$ 238,665	$ 8,975	$ 2,468,463

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions. Beginning Q2 2023, the related assets have been classified as assets held for sale.

Total assets under administration (AUA) at September 30, 2023 increased by $159.9 billion to $2.6 trillion compared to December 31, 2022, primarily due to the impact of market and currency movements during the period.

INVESTED ASSETS

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

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $150.0 billion or 69% of invested assets at September 30, 2023 compared to $156.1 billion or 70% at December 31, 2022. The decrease in the bond portfolio was primarily due to a decline in fair values resulting from an increase in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 71% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to September 30, 2023. Management continues to closely monitor bond rating agency activity and general market conditions.

Bond portfolio quality

	As at Sept. 30, 2023		As at December 31, 2022 (Restated)	
AAA	**$ 24,159**	**16 %**	$ 25,397	16 %
AA	**29,508**	**20**	31,614	20
A	**52,097**	**35**	53,864	35
BBB	**42,556**	**28**	43,482	28
BB or lower	**1,722**	**1**	1,734	1
Total	**$ 150,042**	**100 %**	$ 156,091	100 %

At September 30, 2023, non-investment grade bonds of $1.7 billion or 1.1% of the bond portfolio was comparable to the bond portfolio at December 31, 2022.

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. The majority of the mortgages held in the Europe segment are classified as amortized cost and therefore there are no fair value movements recorded on these holdings. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in the Canada, Europe and Capital and Risk Solutions segments. Equity release mortgages are loans provided to people who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

	As at September 30, 2023				As at December 31, 2022 (Restated)	
Mortgage loans by type	**Insured[1]**	**Non-insured**	**Total**		Total	
Single family residential	**$ 342**	**$ 1,228**	**$ 1,570**	**4 %**	$ 1,738	5 %
Multi-family residential	**2,552**	**6,745**	**9,297**	**25**	9,628	26
Equity release	**—**	**3,657**	**3,657**	**10**	3,371	9
Commercial	**—**	**22,752**	**22,752**	**61**	22,460	60
Total	**$ 2,894**	**$ 34,382**	**$ 37,276**	**100 %**	$ 37,197	100 %

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

The total mortgage portfolio was $37.3 billion or 17% of invested assets at September 30, 2023, compared to $37.2 billion or 17% of invested assets at December 31, 2022. At September 30, 2023, total insured loans were $2.9 billion or 8% of the mortgage portfolio, compared to $3.0 billion or 8% at December 31, 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

During the third quarter of 2023, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company’s derivative transactions are generally governed by the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company’s ISDA Master Agreement may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At September 30, 2023, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $1,354 million ($1,348 million at December 31, 2022) and pledged on derivative liabilities was $1,153 million ($754 million at December 31, 2022). Collateral received on derivatives assets increased in 2023, primarily due to initial margin requirements. Collateral pledged on derivatives liabilities increased in 2023, primarily driven by the impact of the U.S. dollar strengthening against Canadian dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the nine-month period ended September 30, 2023, the outstanding notional amount of derivative contracts increased by $5.5 billion to $52.1 billion, primarily due to regular hedging activities.

The Company’s exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $1,980 million at September 30, 2023 from $2,314 million at December 31, 2022. The decrease was primarily driven by the impact of the U.S. dollar strengthening against Canadian dollar on cross-currency swaps that pay U.S. and receive Canadian dollars. There were no changes to derivative counterparty ratings during the third quarter of 2023 and all had investment grade ratings as of September 30, 2023.

LIABILITIES

Total liabilities

	As at September 30, 2023	As at Dec. 31, 2022 (Restated)
Insurance contract liabilities	**$ 133,724**	$ 135,438
Reinsurance contract held liabilities	**601**	537
Investment contract liabilities	**88,960**	94,810
Other general fund liabilities	**22,889**	24,744
Liabilities held for sale[1]	**2,023**	—
Insurance contracts on account of segregated fund policyholders	**57,265**	57,841
Investment contracts on account of segregated fund policyholders	**345,019**	330,041
Total	**$ 650,481**	$ 643,411

[1] On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions. Beginning Q2 2023, the related liabilities have been classified as liabilities held for sale.

Total liabilities increased by $7.1 billion to $650.5 billion at September 30, 2023 from December 31, 2022.

Insurance contract liabilities decreased by $1.7 billion. The decrease was primarily due to normal business movements.

Investment contract liabilities decreased by $5.9 billion. The decrease was primarily due to normal business movements.

Other general fund liabilities decreased by 1.9 billion. The decrease was primarily due to the repayment of €500 million senior bonds in the second quarter of 2023 and US$400 million of payments made against a short-term credit facility used to finance the Prudential acquisition including US$100 million in the third quarter of 2023. In addition, $2.0 billion of Putnam Investments other liabilities were reclassified to liabilities held for sale.

Investment and insurance contracts on account of segregated fund policyholders increased by $14.4 billion, primarily due to the combined impact of market value gains and investment income of $17.1 billion, partially offset by net withdrawals of 2.7 billion.

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

Insurance Contract Liabilities

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contract liabilities in accordance with IFRS 17. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 and the "Risk Management" section of the Company's 2022 annual Management's Discussion and Analysis for a discussion of insurance risk.

Contracts with coverage periods of one year or less and those that are relatively stable and have low variability in fulfillment cashflows are measured under the more simplified premium allocation approach (PAA). Low variability in fulfillment cash flows indicates that no significant difference in measurement exists when compared to the general measurement model (GMM). All other contracts are measured under the GMM or for those with direct participating features, the variable fee approach (VFA). Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 for a discussion of IFRS 17 measurement models.

For contracts not measured under the PAA, the Company measures a group of insurance contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and the contractual service margin. Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 for a discussion of initial and subsequent measurement of insurance contract liabilities.

Insurance contract liabilities and assets[1]

	As at September 30, 2023					
	Insurance contracts not under PAA method					
	Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual service margin**	**Total**	**Contracts under PAA method**	**Total net insurance contract liabilities**
Canada	**$ 88,434**	**$ 1,711**	**$ 6,331**	**$ 96,476**	**$ 8,785**	**$ 105,261**
United States	**17,417**	**141**	**537**	**18,095**	**1**	**18,096**
Europe	**36,590**	**1,020**	**4,427**	**42,037**	**3,439**	**45,476**
Capital and Risk Solutions	**1,212**	**1,833**	**1,759**	**4,804**	**245**	**5,049**
Total	**$ 143,653**	**$ 4,705**	**$ 13,054**	**$ 161,412**	**$ 12,470**	**$ 173,882**

	As at December 31, 2022					
	Insurance contracts not under PAA method					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total	Contracts under PAA method	Total net insurance contract liabilities
Canada	$ 89,107	$ 1,824	$ 6,518	$ 97,449	$ 8,689	$ 106,138
United States	17,626	151	622	18,399	—	18,399
Europe	36,078	1,076	4,162	41,316	3,493	44,809
Capital and Risk Solutions	1,706	2,009	1,821	5,536	223	5,759
Total	$ 144,517	$ 5,060	$ 13,123	$ 162,700	$ 12,405	$ 175,105

[1] Insurance contract liabilities and assets presented in the above tables also include insurance contracts on account of segregated fund policyholders and reinsurance held assets and liabilities.

At September 30, 2023, total net insurance contract liabilities were $173.9 billion, a decrease of $1.2 billion from December 31, 2022. The decrease in net insurance contract liabilities was primarily due to normal business movements, partially offset by market movements.

Contractual Service Margin (CSM)

The CSM of a group of insurance contracts represents the unearned profit that the Company expects to recognize in the future as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfilment cash flows, any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net inflow, then the group is classified as non-onerous. For non-onerous contracts, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group of insurance contracts is onerous. In this case, the net outflow is recognized as a loss in the current period. A loss component is created to depict any losses recognized in the current period, which determines the amounts that are subsequently recognized in future periods as reversals on onerous groups.

Contractual service margin (CSM) continuity[1]

	Non-Participating (excluding Segregated Funds)							
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**	**Seg Funds**	**Par**	**Total**
CSM beginning of period, December 31, 2022	**$ 1,264**	**$ 41**	**$ 2,771**	**$ 1,796**	**$ 5,872**	**$ 3,557**	**$ 3,694**	**$ 13,123**
Impact of new insurance business	29	—	203	38	**270**	130	80	**480**
Expected movements from asset returns & locked-in rates	28	—	33	28	**89**	199	151	**439**
CSM recognized for services provided	(109)	(3)	(172)	(116)	**(400)**	(326)	(120)	**(846)**
Insurance experience gains/losses	(36)	(10)	35	(44)	**(55)**	(91)	—	**(146)**
Organic CSM movement	**$ (88)**	**$ (13)**	**$ 99**	**$ (94)**	**$ (96)**	**$ (88)**	**$ 111**	**$ (73)**
Impact of markets	—	—	—	—	**—**	(15)	(143)	**(158)**
Impact of change in assumptions	(27)	—	225	41	**239**	(73)	—	**166**
Currency impact	—	—	9	(8)	**1**	(7)	2	**(4)**
Total CSM movement	**$ (115)**	**$ (13)**	**$ 333**	**$ (61)**	**$ 144**	**$ (183)**	**$ (30)**	**$ (69)**
CSM end of period, September 30, 2023	**$ 1,149**	**$ 28**	**$ 3,104**	**$ 1,735**	**$ 6,016**	**$ 3,374**	**$ 3,664**	**$ 13,054**

[1] The CSM shown in the above table is presented net of reinsurance held and includes CSM attributed to insurance contract assets and insurance contract liabilities.

At September 30, 2023, total contractual service margin on non-participating business excluding segregated funds was $6.0 billion, an increase of $144 million from December 31, 2022. The increase was mainly driven by the impact of assumption changes, partly offset by organic CSM movement. The impact of assumption changes of $239 million includes a $73 million reclassification of CSM between segregated funds and non-participating products excluding segregated funds. There is no change in overall CSM from this reclassification.

At September 30, 2023, total contractual service margin was $13.1 billion, a decrease of $69 million from December 31, 2022. The decrease was mainly driven by the impacts of markets and organic CSM movement, partially offset by assumption changes.

Segregated Fund and Variable Annuity Guarantees

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

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company in the U.S. and Germany, and previously offered in Canada and Ireland, provide the policyholder with a guaranteed minimum level of annual income for life. The Company has a hedging program in place to manage a portion of the market and interest rate risk associated with options embedded in its GMWB products. At September 30, 2023, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $7,008 million ($7,033 million at December 31, 2022).

Segregated fund and variable annuity guarantee exposure

		September 30, 2023			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 31,803	$ 1	$ 17	$ 315	$ 315
United States	20,830	546	—	8	554
Europe	10,872	24	—	1,454	1,454
Capital and Risk Solutions[2]	658	128	—	—	128
Total	**$ 64,163**	**$ 699**	**$ 17**	**$ 1,777**	**$ 2,451**

1 A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 2023.

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

Investment deficiency at September 30, 2023 decreased by $242 million to $2,451 million compared to December 31, 2022. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on September 30, 2023 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $4 million in-quarter ($5 million for the third quarter of 2022), with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

LIFECO CAPITAL STRUCTURE

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

Debentures and Other Debt Instruments

At September 30, 2023, debentures and other debt instruments decreased by $1,302 million to $9,207 million compared to December 31, 2022. The Company's leverage ratio has decreased to 31% from 33% at December 31, 2022. This reduction in leverage aligns with Management's expectation and is a result of the repayment of a temporary increase in short-term debt financing to fund the acquisition of the retirement services business of Prudential, as described below, as well as the issuance of €500 million senior 4.7% euro bond on November 16, 2022. On April 18, 2023, the Company repaid the principal amount of its maturing 2.50% €500 million senior bonds, together with accrued interest.

Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments on its non-revolving credit facility of US$150 million on March 31, 2023, US$150 million on June 30, 2023 and US$100 million on September 29, 2023. The remaining drawn balance was US$100 million as at September 30, 2023.

Share Capital and Surplus

Share capital outstanding at September 30, 2023 was $10,178 million, which comprises $5,958 million of common shares and $2,720 million of preferred shares and $1,500 million Limited Recourse Capital Notes (LRCN Series 1). Preferred shares included $2,470 million of non-cumulative First Preferred Shares and $250 million of non-cumulative 5-year rate reset First Preferred Shares.

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2023 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. Effective March 1, 2023, the Company entered into an automatic share purchase plan (ASPP). The ASPP is intended to facilitate repurchases of common shares under the NCIB, including at times when the Company would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. All purchases of common shares made under the ASPP are included in determining the number of common shares purchased under the NCIB. Any common shares purchased by the Corporation pursuant to the NCIB will be cancelled.

During the nine months ended September 30, 2023, the Company repurchased and subsequently cancelled 4,476,293 common shares under the current NCIB at an average cost per share of $38.32.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

Liquidity risk is assessed and mitigated through prudent product design and contract terms; and by maintaining a high quality, diversified investment portfolio with sufficient liquidity to meet policyholder and financing obligations under normal and stress conditions.

Total Liquid Assets

	As at September 30, 2023		
	On-balance sheet assets	**Non-liquid/ Pledged**	**Net liquid assets**
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	**$ 6,978**	**$ 38**	**$ 6,940**
Short-term bonds[2]	**5,571**	**—**	**5,571**
Sub-total	**$ 12,549**	**$ 38**	**$ 12,511**
Other assets and marketable securities			
Government bonds[2]	**$ 36,597**	**$ 10,361**	**$ 26,236**
Corporate bonds[2]	**107,874**	**51,678**	**56,196**
Stocks[1]	**14,831**	**3,990**	**10,841**
Mortgage loans[1]	**37,276**	**34,382**	**2,894**
Sub-total	**$ 196,578**	**$ 100,411**	**$ 96,167**
Total	**$ 209,127**	**$ 100,449**	**$ 108,678**

	As at December 31, 2022 (Restated)		
	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	$ 7,290	$ 83	$ 7,207
Short-term bonds[2]	4,241	30	4,211
Sub-total	$ 11,531	$ 113	$ 11,418
Other assets and marketable securities			
Government bonds[2]	$ 40,152	$ 10,607	$ 29,545
Corporate bonds[2]	111,698	52,969	58,729
Stocks[1]	14,301	2,921	11,380
Mortgage loans[1]	37,197	34,210	2,987
Sub-total	$ 203,348	$ 100,707	$ 102,641
Total	$ 214,879	$ 100,820	$ 114,059

[1] Refer to the consolidated balance sheet in the Company's December 31, 2022 annual consolidated financial statements for on-balance sheet amounts.

[2] Total short-term bonds, government bonds and corporate bonds as at September 30, 2023 was $150 billion ($156 billion at December 31, 2022). Refer to the consolidated balance sheet in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 for on-balance sheet bonds amounts.

The Company’s liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2023, the Company and its operating subsidiaries held liquid cash, cash equivalents and short-term bonds of $12.5 billion ($11.4 billion at December 31, 2022) and other liquid assets and marketable securities of $96.2 billion ($102.6 billion at December 31, 2022). Included in the cash, cash equivalents and short-term bonds at September 30, 2023 was $0.5 billion ($1.0 billion at December 31, 2022) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs, if required.

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

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

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022 (Restated)	**2023**	2022 (Restated)
Cash flows relating to the following activities:				
Earnings after-tax	**$ 1,014**	$ 1,092	**$ 1,987**	$ 3,500
Fair value changes and other	**(544)**	475	**(1,924)**	1,931
Operations	**470**	1,567	**63**	5,431
Financing	**(692)**	(660)	**(2,952)**	(655)
Investment	**17**	(523)	**2,891**	(2,483)
	(205)	384	**2**	2,293
Effects of changes in exchange rates on cash and cash equivalents	**102**	328	**34**	268
Increase (decrease) in cash and cash equivalents in the period	**(103)**	712	**36**	2,561
Cash and cash equivalents, beginning of period	**7,429**	7,924	**7,290**	6,075
Cash and cash equivalents from continuing and discontinued operations, end of period	**$ 7,326**	$ 8,636	**$ 7,326**	$ 8,636
Cash and cash equivalents from discontinued operations, end of period[1]	**348**	—	**348**	—
Cash and cash equivalents from continuing operations, end of period	**$ 6,978**	$ 8,636	**$ 6,978**	$ 8,636

[1] On May 31, 2023, Lifeco agreed to sell Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions. Beginning Q2 2023, the cash flows related to the discontinued operations have been presented separately.

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including insurance revenue, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. The operations category on the statement of cash flows also includes transfers and withdrawals by clients that are funded in part by the sale of assets for cash reflected in the investments category. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments and associated dividends and interest payments.

In the third quarter of 2023, cash and cash equivalents decreased by $103 million from June 30, 2023. Cash flows provided by operations during the third quarter of 2023 were $470 million, a decrease of $1,097 million compared to the third quarter of 2022, primarily due to unfavourable fair value changes. Cash flows used by financing activities of $692 million were primarily used for repayment of a line of credit of a subsidiary as well as payment of dividends to common and preferred shareholders. Cash inflows from investment activities were $17 million.

For the nine months ended September 30, 2023, cash and cash equivalents increased by $36 million from December 31, 2022. Cash flows provided by operations were $63 million, a decrease of $5,368 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results. Cash flows used by financing activities of $2,952 million were primarily used for the repayment of the principal amount of the Company's maturing 2.5% €500 million senior bonds and the same reasons discussed for the in-quarter results. Cash inflows from investment activities were $2,891 million.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2022.

CAPITAL MANAGEMENT AND ADEQUACY

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

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT Ratio is calculated in accordance with the 2023 OSFI Guideline - Life Insurance Capital Adequacy Test.

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

OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Minimum Total Ratio of 90%. Lifeco's major Canadian operating subsidiary, Canada Life, is operating well above these supervisory ratios.

Canada Life's consolidated LICAT Ratio at September 30, 2023 was 128%. The LICAT Ratio does not take into account any impact from $0.5 billion of liquidity at the Lifeco holding company level at September 30, 2023 ($0.5 billion at June 30, 2023).

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

LICAT Ratio	Sept. 30 2023	June 30 2023	Dec. 31 2022 (Restated)
Tier 1 Capital	**$ 18,520**	$ 18,028	
Tier 2 Capital	**5,292**	5,433	
Total Available Capital	**23,812**	23,461	
Surplus Allowance & Eligible Deposits	**4,793**	5,176	
Total Capital Resources	**$ 28,605**	$ 28,637	
Required Capital	**$ 22,364**	$ 22,791	
Total Ratio (OSFI Supervisory Target = 100%)[1]	**128 %**	126 %	
Proforma IFRS 17 Total Ratio (OSFI Supervisory Target = 100%)[1,2]			130 %

1 Total Ratio (%) = (Total Capital Resources / Required Capital).
2 Proforma estimates of the Canada Life consolidated LICAT ratio are estimated based on the retrospective application of the 2023 LICAT Guideline to 2022 financial results which have been restated to reflect the adoption of IFRS 17 and IFRS 9. Proforma LICAT ratios are intended only to provide an estimate of the direction and magnitude of the impact of adopting the 2023 LICAT Guideline under IFRS 17. Refer to the Cautionary Notes at the beginning of this document for additional information on the use of proforma estimates.

The LICAT Ratio increased by two points in the quarter from 126% at June 30, 2023 to 128% at September 30, 2023. The two point increase can mostly be attributed to lower capital requirements in the quarter.

LICAT Interest Rate Scenario Shift

There was no new shift in the interest rate scenario applied in the LICAT calculation this quarter.

LICAT Sensitivities

Caution Related to Sensitivities

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

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

For these reasons, the sensitivities should be viewed as directional estimates only of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

LICAT sensitivities are rounded to the nearest point and have been prepared on an IFRS 17 basis under the LICAT 2023 OSFI Guideline.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain changes in publicly traded common stock values as at September 30, 2023. These sensitivity estimates assume instantaneous shocks. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	September 30, 2023			
	20% increase	10% increase	10% decrease	20% decrease
Potential change to LICAT Ratio	0 point	0 point	(1 point)	(3 points)

Interest Rates

Canada Life's consolidated LICAT Ratio will generally reduce in an environment of rising interest rates and benefit from declining rates. Higher interest rates will decrease the value of the Company's surplus assets and the value of the provision for non-financial risk included in the Surplus Allowance. These reductions will be partially offset by increased earnings that result from higher interest rates. While the value of capital resources reduce as interest rates rise, the LICAT Guideline uses static interest rates for the calculation of insurance risk capital requirements, and hence these capital requirements do not change with interest rate movements. This means that while rising interest rates are generally favourable for the Company, they will lead to a decrease in the calculated LICAT ratio.

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

Immediate parallel shift in yield curve	September 30, 2023	
	50 bps increase	50 bps decrease
Potential change to LICAT Ratio	< 1 pt decrease	< 1 pt increase

OSFI Regulatory Capital Initiatives

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

RETURN ON EQUITY (ROE)[1]

Base Return on Equity[2,3]	**Sept. 30 2023**	June 30 2023	Dec. 31 2022 (Restated)
Canada	**16.5 %**	17.6 %	17.3 %
United States[3]	**11.4 %**	11.4 %	9.5 %
Europe	**17.3 %**	17.5 %	17.3 %
Capital and Risk Solutions	**44.7 %**	37.1 %	42.9 %
Total Lifeco Base Earnings Basis[2,3]	**16.4 %**	15.9 %	15.8 %

Return on Equity[1]	**Sept. 30 2023**	June 30 2023	Dec. 31 2022 (Restated)
Canada	**16.9 %**	15.3 %	21.2 %
United States	**7.1 %**	6.7 %	5.5 %
Europe	**3.0 %**	11.8 %	24.6 %
Capital and Risk Solutions	**37.5 %**	30.0 %	38.9 %
Total Lifeco Net Earnings Basis[1]	**11.2 %**	11.7 %	17.2 %

1 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
2 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
3 Comparative results are restated to exclude the net earnings (losses) from discontinued operations related to Putnam Investments.

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

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings[5] are intended to provide investors with an independent measure of the credit quality of a corporation and securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation.

In the third quarter of 2023, the existing credit ratings for Lifeco and its major operating subsidiaries were unchanged. The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and strong capitalization.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company’s leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in the third quarter of 2023.

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

RISK MANAGEMENT AND CONTROL PRACTICES

The Company’s Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to potential losses and risk. The Company’s Risk Function is responsible for developing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company’s operations. The Board of Directors is ultimately accountable and responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives.

During the nine months ended September 30, 2023, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2022 Annual MD&A for a detailed description of the Company's risk management and control practices.

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

ACCOUNTING POLICIES

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange and prevailing health and mortality experience. The fair value of portfolio investments, the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect management's judgement based on current expectations but could be impacted in the future depending on current market developments.

Updated significant accounting estimates reflecting the implementation of IFRS 17 and IFRS 9 are referenced below. For additional detail, refer to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 and the Company's 2022 annual MD&A which was prepared in accordance with IFRS 4 and IAS 39.

Fair Value Measurement

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

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

Refer to note 7 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023 for disclosure of the Company's financial instruments fair value measurement by hierarchy level as at September 30, 2023.

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

Bonds - FVTPL and FVOCI

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

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

Mortgages - FVTPL and FVOCI

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

Equity Release Mortgages - FVTPL

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

Stocks - FVTPL

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

Hedge Accounting

The Company elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. Refer to note 2 in the Company’s consolidated annual audited financial statements for the year ended December 31, 2022 for disclosure of the Company's policy for hedge accounting.

Expected credit losses (ECL)

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

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

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

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

Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets.

Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets.

Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance.

Insurance, reinsurance held and investment contract liabilities

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a risk adjustment for non-financial risk. This risk adjustment for non-financial risk is necessary to provide for possibilities of mis-estimation and/or future deterioration in the best-estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Risk adjustments for non-financial risk are reviewed periodically for continued appropriateness.

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

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

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

Updated Annual Assumptions and Sensitivities Disclosures

The assumptions and sensitivities below have historically been updated in the Company's Annual MD&A. However, with the adoption of IFRS 17 and IFRS 9, the sensitivities as at December 31, 2022 have been restated to include the impact on the Company's net earnings and CSM balances. These assumptions and sensitivities will be included in all 2023 interim MD&As as shown below and will be updated in the Company's 2023 Annual MD&A.

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

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

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

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

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

Updated Interim Disclosures

With the adoption of IFRS 17 and IFRS 9, the sensitivities below now include the impact on the Company's net earnings. These assumptions and sensitivities will be updated quarterly.

***Investment return*s** – Interest rate risk is managed by investing in assets that are suitable for the products sold. The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.

The impact to net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9. The Company’s asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings. Further, the classification of financial assets under IFRS 9, for example, mortgage assets which are valued at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in net earnings.

A way of measuring the interest rate risk is to determine the net effect on the value of assets relative to insurance and investment contract liabilities that impact the shareholders' net earnings of the Company from immediate change in interest rates.

In addition to interest rates, the Company is also exposed to movements in equity markets.

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

The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values. Under current market conditions, there are no earnings impacts to the Company on segregated fund business that it does not hedge, as changes in the cost of guarantees are fully offset within the CSM. For segregated fund business that the Company hedges, there is a limited earnings impact with respect to the change in liability compared to the change in hedge assets.

For a further description of the Company's sensitivity to equity market, interest rate and other fluctuations, refer to "Financial Instruments Risk Management" note 6 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023.

Risk adjustment

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

Discount rates

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

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

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

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

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

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

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

EXPOSURES AND SENSITIVITIES

Insurance and Investment Contract Liabilities

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

The earnings and CSM sensitivities illustrated in the table below, which are rounded to the nearest $25 million, represent impacts as at December 31, 2022 under the Company's current accounting policies as at September 30, 2023, including accounting for insurance contracts under IFRS 17 and financial instruments under IFRS 9. A description of the methodologies used to calculate the Company's insurance risk sensitivities is included in the "Summary of Critical Accounting Estimates" section of this document. The Company's insurance risk sensitivities at September 30, 2023 have not changed significantly from the amounts disclosed in the table below.

Non-Financial Exposures and Sensitivities

	Increase (decrease) in net earnings	Increase (decrease) in CSM
	Dec. 31 2022 (Restated)	Dec. 31 2022
2% Life mortality increase	$ 25	$ (325)
2% Annuity mortality decrease	200	(650)
5% Morbidity adverse change	(100)	(125)
5% Expense increase	—	(175)
10% Adverse change in policy termination and renewal	150	(1,100)

The following table illustrates the approximate impact, rounded to the nearest $25 million, to the Company's net earnings that would arise as a result of changes to management's best estimate of certain assumptions. A description of the methodologies used to calculate the Company's financial risk sensitivities is included in the "Summary of Critical Accounting Estimates" section of this document. For changes in asset-related assumptions, the sensitivity is shown net of the corresponding impact on earnings of the change in the value of the assets supporting liabilities.

Financial Exposures and Sensitivities	Increase (decrease) in net earnings	
	Sept. 30 2023	Dec. 31 2022 (Restated)
Investment returns:		
Change in valuation curves (market yield curves)		
50 basis points increase	**$ 50**	$ 75
50 basis points decrease	**(75)**	(125)
Change in publicly traded common stock values		
20% increase	**$ 225**	$ 200
10% increase	**100**	100
10% decrease	**(125)**	(125)
20% decrease	**(225)**	(225)
Change in other non-fixed income asset values		
10% increase	**$ 400**	$ 400
5% increase	**200**	200
5% decrease	**(200)**	(200)
10% decrease	**(425)**	(425)

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

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

Refer to the "Accounting Policies - Summary of Critical Accounting Estimates" section of this document for additional information on earnings sensitivities.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2023, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

Other Changes in Accounting Policies

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

The Company adopted the amendments to IFRS for IAS 12, Income Taxes effective May, 2023 and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

For additional detail, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023.

Transition to IFRS 17 and IFRS 9

The Company has adopted IFRS 17, *Insurance Contracts* (IFRS 17) replacing IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured at the estimate of the present value of fulfilment cash flows, adjusted for an explicit risk adjustment for non-financial risk and the Contractual Service Margin (CSM). While the new standard changes the measurement and timing of recognition of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements, it does not have a material impact on the Company or change the Company's underlying business strategy.

The impacts of the adoption of IFRS 17 include:

- January 1, 2022 shareholders' equity decreased by approximately 12% on the adoption of IFRS 17 on January 1, 2023 in line with original expectations, primarily due to the establishment of the contractual service margin (CSM), partially offset by the removal of provisions no longer required under IFRS 17.
- The CSM established for in-force contracts as at January 1, 2022 was $5.9 billion associated with the shareholders' account and $2.6 billion associated with the participating account. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital or opening equity.
- 1.8% decrease in base earnings[6] as a result of transition with no material change to the pattern of base earnings and approximately 70% of business experienced limited or no impacts; however, there is an expected increase in net earnings volatility driven by the removal of the direct link between asset and liability measurement that existed under the Canadian Asset Liability Matching (CALM) process under IFRS 4. In addition, changes to the base earnings definition to exclude the amortization of acquisition-related finite life intangible assets, accounted for a 4.0% increase in base earnings for an overall net increase of 2.2%.
- Medium-term financial objectives for base EPS[7] growth and base dividend payout ratio remain unchanged, while medium-term financial objective for base ROE[6] is increased by 2% to 16-17% reflecting the change in shareholders' equity.
- Financial strength has been maintained with a positive impact of approximately 10 points to the December 31, 2022 proforma Canada Life consolidated LICAT Ratio as a result of the adoption of IFRS 17 and IFRS 9. Tier 1 available capital under the 2023 LICAT Guideline includes the CSM, other than the CSM associated with segregated fund guarantees.

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

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

The Company has also adopted IFRS 9, *Financial Instruments* (IFRS 9) replacing IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. IFRS 9 provides changes to financial instruments accounting for the following: classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment based on an expected loss model; and hedge accounting that incorporates the risk management practices of an entity. The adoption of IFRS 9 has not resulted in a material change in assets, liabilities and earnings.

The Company elected to present comparative information for its financial assets as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period (IFRS 9 overlay), as permitted by the amendment to IFRS 17 published by the IASB in December 2021. Differences in asset classification under IAS 39 at December 31, 2022 and IFRS 9 at January 1, 2023 are outlined below.

Transition to IFRS 9

	Classification	
	IAS 39	**IFRS 9**
Financial Assets		
Bonds		
	FVTPL (designated)	FVTPL (designated)
	FVTPL (designated)	FVOCI[1]
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI[1]
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI[1]
	L&R	Amortized Cost[1]
Mortgage loans		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	L&R	FVTPL (designated)
	L&R	FVOCI[1]
	L&R	Amortized Cost[1]
Stocks		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	AFS, at cost	FVTPL (mandatory)

[1] Under IFRS 9, allowances for expected credit loss (ECL) are recognized on all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI.

The transition from IAS 39 to IFRS 9 results in a significantly larger portion of the Company's bond and mortgage portfolios being measured at fair value under IFRS 9. Based on January 1, 2023 balances, the transition to IFRS 9 leads to 100% of the bond portfolio and 89% of the mortgage portfolio being measured at fair value, compared to 79% and 9%, respectively, under IAS 39 which is expected to result in greater net earnings volatility.

Transitional Impact on Equity

The resulting changes in accounting policies from the adoption of IFRS 17 and IFRS 9 had an impact on the Company's opening equity balances.

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

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

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

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of $6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of $5.9 billion associated with the shareholders' account and $2.6 billion associated with the participating account, partially offset by the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by $3.4 billion, split $3.1 billion for the shareholders' account accumulated surplus, $0.2 billion for the participating account surplus, and $0.1 billion for accumulated other comprehensive income.

Shareholders’ account accumulated surplus decreased by $3.1 billion primarily due to the establishment of the CSM of $6.3 billion and the adjustment for differences in the discount rate of $1.9 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion and the impact of the initial application of the IFRS 9 overlay of $2.2 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications totaled an increase of $0.9 billion.

The participating account surplus decrease of $0.2 billion was due to the impact of the initial application of IFRS 17 of $0.7 billion offset by the impact of the application of the IFRS 9 overlay of $0.5 billion.

Accumulated other comprehensive income decreased by $0.1 billion due to the impact of the application of the IFRS 9 overlay.

Observations from 2022 Restated Comparative Results

The adoption of IFRS 17 led to a 1.8% decrease in base earnings with approximately 70% of business experiencing limited or no change in earnings. For businesses more impacted by IFRS 17, the main drivers of the change in earnings relate to the introduction of the contractual service margin (CSM) and the removal of the direct link between assets and liabilities.

The CSM leads to more stable insurance results as gains on new business, certain non-financial experience (e.g., longevity) and non-financial assumption changes are recognized in the CSM, to the extent possible, and then recognized into earnings as services are provided over the life of the insurance contract. However, certain non-financial experience (e.g., mortality impact on life insurance contracts) is immediately recognized in base earnings. This can lead to a difference in the base earnings recognition while not impacting Canada Life's regulatory capital (LICAT) position. Canada Life's diverse portfolio continues to minimize the impact on capital from changes in mortality as the increased CSM balances on the longevity blocks provide an increase to Tier 1 available capital for LICAT which mitigates the immediate earnings recognition on the mortality blocks. This capital treatment is more reflective that the underlying economics of these blocks of business have not changed, rather only the timing of how experience is reflected in earnings has changed.

The removal of the direct link between assets and liabilities led to a modest decrease in base earnings as the impact of trading activity on certain lines of business is deferred rather than immediately reflected into earnings. The Company elected to use a top-down, own assets reference portfolio approach to set liability discount rates for fulfillment cashflows for most portfolios of business. For other lines of business, as the Company rebalances fixed income investments within the reference portfolio, this can change the top-down discount rates used to measure insurance contract liabilities which leads to trading activity being recognized in earnings immediately.

There is also greater net earnings volatility under IFRS 17 due to the removal of the direct link between assets and liabilities resulting in differences in the change in liabilities compared to the change in supporting assets. The Company reviewed its asset liability management and accounting policy decisions with the transition to IFRS 17, with the focus of maintaining Canada Life's regulatory capital (LICAT) stability.

- For example, in instances where investment strategy uses equities or other non-fixed income (NFI) assets, or mortgage assets which are valued at amortized cost, as a component of general fund assets supporting liabilities, interest rate exposure arises in the net earnings under IFRS 17. However, this additional net earnings volatility offsets other LICAT impacts leading to greater LICAT stability.
- As equity and real estate markets move up or down, the change in the asset carrying values (marked-to-market movements) are now recognized in earnings as opposed to being offset in the CALM process under IFRS 4. However, this additional net earnings volatility leads to a limited LICAT impact due to the limited use of NFI assets.

Over the 2022 comparative period, the Company observed the following key items:

- A 1.8% decrease in base earnings with approximately 70% of business experience limited or no change in earnings. This decrease was driven by deferral of new business gains and certain trading activity, partially offset by higher in-force earnings driven by the CSM amortization and deferral of certain non-financial experience.
- An increase in net earnings volatility due to market experience that was a result of the heightened market volatility within 2022; however, the Company’s financial strength and the Canada Life proforma LICAT ratio was stable over 2022.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2023.

OTHER INFORMATION

NON-GAAP FINANCIAL MEASURES AND RATIOS

Non-GAAP Financial Measures

The Company uses several non-GAAP financial measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles (GAAP) used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-GAAP financial measures do not have a standardized meaning under GAAP and may not be comparable to similar financial measures presented by other issuers. Investors may find these financial measures useful in understanding how management views the underlying business performance of the Company.

Base earnings (loss)

Base earnings (loss) reflect management’s view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

Base earnings (loss) exclude the following items from IFRS reported net earnings:

- Market-related impacts, where actual market returns in the current period are different than longer-term expected returns on assets and liabilities;
- Assumption changes and management actions that impact the measurement of assets and liabilities;
- Acquisition and divestiture costs;
- Restructuring and integration costs;
- Material legal settlements, material impairment charges related to goodwill and intangible assets, impacts of income tax rate changes and other tax impairments, net gains, losses or costs related to the disposition or acquisition of a business; net earnings (loss) from discontinued operations and
- Other items that, when removed, assist in explaining the Company's underlying business performance.

The definition of base earnings (loss) has been refined (in 2023 and applied to 2022 comparative results) to also exclude the following impacts that are included in IFRS reported net earnings for an improved representation of the Company's underlying business performance, as well as for consistency and comparability with financial services industry peers:

- Realized gains (losses) on the sale of assets measured at fair value through other comprehensive income (FVOCI);
- The direct equity and interest rate impacts on the measurement of surplus assets and liabilities; and
- Amortization of acquisition related finite life intangible assets.

Lifeco

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings	**$ 950**	$ 920	$ 809	**$ 2,696**	$ 2,424
Items excluded from Lifeco base earnings					
Market experience relative to expectations (pre-tax)	**$ 191**	$ (92)	$ 228	**$ (110)**	$ 1,244
Income tax (expense) benefit	**(38)**	13	(77)	**16**	(328)
Realized OCI gains / (losses) from asset rebalancing (pre-tax)	**—**	(158)	—	**(158)**	—
Income tax (expense) benefit	**—**	37	—	**37**	—
Assumption changes and management actions (pre-tax)	**(125)**	(5)	96	**(121)**	60
Income tax (expense) benefit	**19**	1	(11)	**18**	(8)
Acquisition and divestiture costs (pre-tax)[1]	**(3)**	(116)	16	**(119)**	(63)
Income tax (expense) benefit[1]	**—**	25	4	**25**	19
Restructuring and integration costs (pre-tax)	**(30)**	(28)	(58)	**(84)**	(135)
Income tax (expense) benefit	**8**	8	15	**23**	36
Amortization of acquisition-related finite life intangibles (pre-tax)	**(48)**	(49)	(47)	**(140)**	(131)
Income tax (expense) benefit	**12**	13	11	**36**	32
Total pre-tax items excluded from base earnings[1]	**$ (15)**	$ (448)	$ 235	**$ (732)**	$ 975
Impact of items excluded from base earnings on income taxes[1]	**1**	97	(58)	**155**	(249)
Net earnings from continuing operations	**$ 936**	$ 569	$ 986	**$ 2,119**	$ 3,150
Net earnings (loss) from discontinued operations (post-tax)[1]	**(31)**	(71)	1	**(121)**	(6)
Net earnings - common shareholders	**$ 905**	$ 498	$ 987	**$ 1,998**	$ 3,144

[1] Comparative results are restated to reclassify divestiture costs related to the sale of Putnam Investments to net earnings (loss) from discontinued operations (post-tax).

Canada

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings	**$ 296**	$ 283	$ 340	**$ 857**	$ 904
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ 204**	$ (179)	$ (200)	**$ (35)**	$ 163
Income tax (expense) benefit	**(57)**	50	14	**10**	(88)
Assumption changes and management actions (pre-tax)	**(34)**	1	135	**(30)**	122
Income tax (expense) benefit	**10**	—	(10)	**9**	(8)
Amortization of acquisition-related finite life intangibles (pre-tax)	**(6)**	(6)	(7)	**(18)**	(19)
Income tax (expense) benefit	**2**	1	2	**5**	5
Acquisition and divestiture costs (pre-tax)	**(1)**	(3)	—	**(4)**	—
Income tax (expense) benefit	**—**	1	—	**1**	—
Net earnings - common shareholders	**$ 414**	$ 148	$ 274	**$ 795**	$ 1,079

United States

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings	**$ 262**	$ 265	$ 214	**$ 745**	$ 522
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ 27**	$ (4)	$ (18)	**$ 18**	$ (25)
Income tax (expense) benefit	**(5)**	—	4	**(5)**	3
Restructuring and integration costs (pre-tax)	**(18)**	(28)	(58)	**(72)**	(135)
Income tax (expense) benefit	**5**	8	15	**20**	36
Amortization of acquisition-related finite life intangibles (pre-tax)	**(36)**	(37)	(37)	**(105)**	(101)
Income tax (expense) benefit	**9**	10	9	**27**	25
Acquisition and divestiture costs (pre-tax)[1]	**—**	(67)	21	**(67)**	(48)
Income tax (expense) benefit[1]	**—**	14	4	**14**	19
Net earnings from continuing operations	**$ 244**	$ 161	$ 154	**$ 575**	$ 296
Net earnings (loss) from discontinued operations (post-tax)[1]	**(31)**	(71)	1	**(121)**	(6)
Net earnings - common shareholders	**$ 213**	$ 90	$ 155	**$ 454**	$ 290

[1] Comparative results are restated to reclassify divestiture costs related to the sale of Putnam Investments to net earnings (loss) from discontinued operations (post-tax).

Europe

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings	**$ 206**	$ 180	$ 203	**$ 564**	$ 589
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ (152)**	$ 100	$ 295	**$ (207)**	$ 828
Income tax (expense) benefit	**24**	(16)	(43)	**24**	(134)
Realized OCI gains / (losses) from asset rebalancing (pre-tax)	**—**	(158)	—	**(158)**	—
Income tax (expense) benefit	**—**	37	—	**37**	—
Assumption changes and management actions (pre-tax)	**(45)**	(1)	(8)	**(40)**	(27)
Income tax (expense) benefit	**8**	—	(6)	**7**	(5)
Amortization of acquisition-related finite life intangibles (pre-tax)	**(6)**	(6)	(3)	**(17)**	(11)
Income tax (expense) benefit	**1**	2	—	**4**	2
Acquisition and divestiture costs (pre-tax)	**(2)**	(46)	(5)	**(48)**	(15)
Income tax (expense) benefit	**—**	10	—	**10**	—
Restructuring costs	**(12)**	—	—	**(12)**	—
Income tax (expense) benefit	**3**	—	—	**3**	—
Net earnings - common shareholders	**$ 25**	$ 102	$ 433	**$ 167**	$ 1,227

Capital and Risk Solutions

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings	**$ 198**	$ 203	$ 56	**$ 558**	$ 417
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ 112**	$ (9)	$ 147	**$ 125**	$ 255
Income tax (expense) benefit	**—**	(21)	(51)	**(16)**	(103)
Assumption changes and management actions (pre-tax)	**(46)**	(5)	(31)	**(51)**	(35)
Income tax (expense) benefit	**1**	1	5	**2**	5
Net earnings - common shareholders	**$ 265**	$ 169	$ 126	**$ 618**	$ 539

Lifeco Corporate

	For the three months ended			For the nine months ended	
	Sept. 30 2023	June 30 2023	Sept. 30 2022 (Restated)	**Sept. 30 2023**	Sept. 30 2022 (Restated)
Base earnings (loss)	**$ (12)**	$ (11)	$ (4)	**$ (28)**	$ (8)
Items excluded from base earnings (loss)					
Market experience relative to expectations (pre-tax)	**$ —**	$ —	$ 4	**$ (11)**	$ 23
Income tax (expense) benefit	**—**	—	(1)	**3**	(6)
Net earnings (loss) - common shareholders	**$ (12)**	$ (11)	$ (1)	**$ (36)**	$ 9

Base earnings - insurance service result - Represents the profit earned from providing insurance coverage and comprises the expected insurance earnings, impacts of new insurance business written and insurance experience gains and losses for the Company's insurance businesses. This metric is presented on a common shareholders' basis by removing the participating account results.

Base earnings - net investment result - Represents the difference between management's expected return on assets backing insurance contract liabilities and the unwinding of discount rates used to measure corresponding insurance contract liabilities. Includes the release of credit provisions into profit and the impact of credit experience for the period as well as the impact of certain trading activity on fixed income assets and non-directly attributable investment expenses. Additionally, includes expected investment income on surplus assets net of associated investment expenses. This metric is presented on a common shareholders' basis by removing the participating account results. This measure removes spread income earned on certain investment products which represents the difference between earned rates and rates credited to clients.

Assets under management (AUM) and assets under administration (AUA)

Assets under management and assets under administration are non-GAAP measures that provide an indicator of the size and volume of the Company's overall business. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional assets and other assets under administration.

Lifeco

	Sept. 30 2023	June 30 2023
Total assets per financial statements[1]	**$ 680,010**	$ 690,003
Other AUM[1]	**352,847**	352,370
Total AUM[1]	**$ 1,032,857**	$ 1,042,373
Other AUA	**1,595,507**	1,601,005
Total AUA[1]	**$ 2,628,364**	$ 2,643,378

[1] Figures include assets held for sale and other AUM related to the discontinued operations of Putnam Investments.

Canada

	Sept. 30 2023	June 30 2023
Canada wealth fee business AUA		
Segregated fund assets	**$ 95,229**	$ 98,216
Other AUM	**7,460**	3,971
Wealth fee business other AUA	**25,559**	25,141
Total Canada wealth fee business AUA	**$ 128,248**	$ 127,328
Add: Other balance sheet assets	**$ 96,608**	$ 98,457
Add: Other AUA	**2,200**	2,221
Consolidated Canada balance sheet assets	**$ 191,837**	$ 196,673
Consolidated Canada other AUM	**7,460**	3,971
Consolidated Canada other AUA	**27,759**	27,362
Total Canada AUA	**$ 227,056**	$ 228,006

United States

	Sept. 30 2023	June 30 2023
Empower AUA		
General account	**$ 92,440**	$ 91,817
Segregated funds	**167,055**	170,566
Other AUM	**94,171**	92,860
Other AUA	**1,556,169**	1,562,088
Empower AUA	**$ 1,909,835**	$ 1,917,331
Putnam other AUM	**$ 226,318**	$ 228,206
Subtotal	**$ 2,136,153**	$ 2,145,537
Add: Other AUM consolidated adjustment	**$ (31,402)**	$ (30,895)
Add: Other balance sheet assets	**37,453**	37,906
Consolidated United States balance sheet assets	**$ 296,948**	$ 300,289
Consolidated United States other AUM	**289,087**	290,171
Consolidated United States other AUA	**1,556,169**	1,562,088
Total United States AUA	**$ 2,142,204**	$ 2,152,548

Europe

	Sept. 30 2023	June 30 2023
Europe wealth and investment only AUA		
Segregated fund assets	**$ 133,838**	$ 135,542
Other AUM	**56,300**	58,228
Other AUA	**11,579**	11,555
Total Europe wealth and investment only AUA	**$ 201,717**	$ 205,325
Add: Other balance sheet assets	**$ 48,904**	$ 48,812
Consolidated Europe balance sheet assets	**$ 182,742**	$ 184,354
Consolidated Europe other AUM	**56,300**	58,228
Consolidated Europe other AUA	**11,579**	11,555
Total Europe AUA	**$ 250,621**	$ 254,137

Non-GAAP Ratios

A non-GAAP ratio is a financial measure in the form of a ratio, fraction, percentage or similar representation that is not disclosed in the financial statements of the Company and has a non-GAAP financial measure as one or more of its components. These financial measures do not have a standardized definition under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

The non-GAAP ratios disclosed by the Company each use base earnings (loss) as the non-GAAP component. Base earnings (loss) reflect management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

- **Base dividend payout ratio** - Dividends paid to common shareholders are divided by base earnings (loss).
- **Base earnings per share** - Base earnings (loss) for the period is divided by the number of average common shares outstanding for the period.
- **Base earnings per share (diluted)** - Base earnings (loss) for the period is divided by the number of average common shares outstanding on a diluted basis for the period.
- **Base return on equity** - Base earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Cost of management ratio** - Compares the amount paid by the Company to compensate its Named Executive Officers (NEOs) relative to the Company's base earnings for the same period. Calculated by dividing total annual compensation paid to NEOs (as disclosed in the Executive Compensation section of the Company's management proxy circular) by base earnings for the year.
- **Effective income tax rate - base earnings - common shareholders** - Calculated by adjusting the Company's reported income taxes and net earnings before income taxes attributable to common shareholders to remove the impact of items excluded from base earnings, to calculate the effective tax rates for common shareholders.

GLOSSARY

- **Assumption changes and management actions** - The net earnings impact of: (i) revisions to the methodologies and assumptions used in the measurement of the Company's assets, insurance contract liabilities and investment contract liabilities, and (ii) actions taken by management in the current reporting period which include, but are not limited to, changes in in-force product features (including prices), and new or revised reinsurance deals on in-force business. Assumption changes and management actions are excluded from base earnings.
- **Book value per common share** - Measure is calculated by dividing Lifeco's common shareholder's equity by the number of common shares outstanding at the end of the period.
- **Common shareholder's equity** - A financial measure comprised of the following items from Lifeco's balance sheet: share capital - common shares, accumulated surplus, accumulated other comprehensive income and contributed surplus.
- **Dividend payout ratio** - Dividends paid to common shareholders are divided by net earnings - common shareholders.
- **Drivers of earnings (DOE)** - Drivers of earnings analysis provides additional detail on the primary sources of Lifeco's earnings and is a consistent presentation across Canadian insurance industry peers. The DOE view presents net earnings attributable to common shareholders, comprising base earnings on a DOE basis and items excluded from base earnings. For base insurance service result, the DOE view provides detail on expected insurance earnings, the impact of new business and experience gains and losses. For base net investment result, the DOE view provides detail on expected investment earnings and earnings on surplus. Base other income and expenses are presented separately in the DOE view with additional detail on fee and other income, non-directly attributable and other expenses, income taxes on base earnings, non-controlling interests, preferred dividends and other items.
- **Financial leverage ratio** - Defined as debt, hybrid securities, and preferred shares divided by total consolidated capitalization. The denominator also includes the after-tax non-participating CSM balance in the denominator, other than CSM associated with segregated fund guarantees. This reflects that the CSM represents future profit and is considered available capital under LICAT.
- **Group Life & Health book premiums** - For group life & health insurance, this measure represents the value of in-force premiums at the end of the reporting period.
- **Impact of currency movement (constant currency basis) -** Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average rates, as shown below, in effect at the date of the comparative period. These measures provide useful information as it facilitates the comparability of results between periods.

	Period ended	
	September 30, 2023	September 30, 2022
United States dollar	**1.34**	1.31
British pound	**1.70**	1.54
Euro	**1.46**	1.31

- **Market experience relative to expectations** - The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
    - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;

- the impact on segregated fund guarantee liabilities not hedged;
- the market-related impacts that are different than the Company's expectations on surplus assets, general account assets and the insurance and investment contract liabilities they support;
- other market impacts on general account assets and the insurance and investment contract liabilities they support that cannot be attributed to expectations within the period.

- **Net cash flows and net flows** - Indicator of the Company's ability to attract and retain business. Net cash flows and net asset flows are measured by the following:
  - Canada wealth management net cash flows include cash inflows and outflows related to segregated fund assets and proprietary and non-proprietary mutual funds.
  - Europe wealth and investment only net cash flows include cash inflows and outflows related to segregated fund assets, proprietary mutual funds and institutional assets as well as other assets under administration.
  - Empower net cash flows include cash inflows and outflows related to segregated fund assets, general fund assets, proprietary and non-proprietary mutual funds as well as other assets under management.
  - PanAgora net flows include institutional sales and redemptions.
- **Net earnings from continuing operations** - Defined as net earnings - common shareholders less net earnings (loss) from discontinued operations. The discontinued operations represent the results of Putnam Investments, which the Company has reached an agreement to sell to Franklin Resources, Inc. The transaction is expected to close in the fourth quarter of 2023, subject to customary closing conditions including regulatory approvals.
- **Office of the Superintendent of Financial Institutions Canada (OSFI)** - Is an independent Canadian federal government agency that regulates and supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting their requirements.
- **Other assets under administration** - Includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.
- **Other assets under management** - Includes external client funds where the Company has oversight of the investment policies. Services provided in respect of proprietary mutual funds and institutional assets include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.
- **Price/book value ratio** - The Company's closing share price divided by its book value per share.
- **Price/earnings ratio** - The Company's closing share price divided by its net earnings per share on a trailing four quarter basis.
- **Return on common shareholder's equity (ROE)** - Net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Sales** - Sales are measured according to product type:
  - For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
  - Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.

    - For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
    - For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.
- **Segmented common shareholder's equity** - The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada, Europe and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for Empower and Putnam, it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

  The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes during the three month period ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

On April 3, 2023, the Company announced that Canada Life had reached an agreement to acquire Investment Planning Counsel Inc., a leading independent wealth management firm, from IGM Financial Inc. (IGM) for total cash consideration of $575 million, subject to adjustments. IGM is an affiliated company and a member of the Power Corporation group of companies. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

On July 6, 2023, Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation, announced that the relationship between the Company and Sagard had expanded, both in terms of the Company's minority interest in Sagard and commitments into certain Sagard strategies. The increase in the minority interest in Sagard is immaterial to the Company and commitment to certain Sagard strategies has increased to approximately U.S. $700 million.

Otherwise, related party transactions have not changed materially from December 31, 2022.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information
(in $ millions, except per share amounts)

	IFRS 17/IFRS 9 Presentation							IFRS 4/ IAS 39 Presentation
	2023			2022 (Restated)				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue[1]	**$ 3,374**	$ 5,940	$ 12,110	$ 10,250	$ 556	$ (5,581)	$ (3,841)	$ 18,122
Net earnings from continuing operations[2]								
Total	**$ 936**	$ 569	$ 614	$ 478	$ 986	$ 830	$ 1,334	$ 765
Basic - per share	**1.01**	0.61	0.66	0.51	1.06	0.89	1.43	0.82
Diluted - per share	**1.00**	0.61	0.66	0.51	1.06	0.89	1.43	0.82
Net earnings - Common Shareholders								
Total	**$ 905**	$ 498	$ 595	$ 452	$ 987	$ 823	$ 1,334	$ 765
Basic - per share	**0.97**	0.53	0.64	0.48	1.06	0.88	1.43	0.82
Diluted - per share	**0.97**	0.53	0.64	0.48	1.06	0.88	1.43	0.82

1 Comparative results for the period reported under IFRS 17/IFRS 9 Presentation are restated to exclude discontinued operations related to Putnam Investments.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Lifeco's net earnings from continuing operations were $936 million for the third quarter of 2023 compared to $986 million for the same quarter last year. On a per share basis, this represents $1.01 per common share ($1.00 diluted) for the third quarter of 2023 compared to $1.06 per common share ($1.06 diluted) a year ago.

Total revenue for the third quarter of 2023 was $3,374 million and comprises insurance revenue of $5,110 million ($4,648 million for the same quarter last year), net investment income of $2,271 million ($2,027 million for the same quarter last year), a change in fair value through profit or loss on investment assets of negative $5,457 million (change of negative $7,399 million for the same quarter last year) and fee and other income of $1,450 million ($1,280 million for the same quarter last year).

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency **Period ended**	**Sept. 30 2023**	June 30 2023	Mar. 31 2023	Dec. 31 2022	Sept. 30 2022	June 30 2022	Mar. 31 2022
United States dollar							
Balance sheet	**$ 1.36**	$ 1.32	$ 1.35	$ 1.35	$ 1.38	$ 1.29	$ 1.25
Income and expenses	**$ 1.34**	$ 1.34	$ 1.35	$ 1.36	$ 1.31	$ 1.28	$ 1.27
British pound							
Balance sheet	**$ 1.66**	$ 1.68	$ 1.67	$ 1.64	$ 1.54	$ 1.57	$ 1.64
Income and expenses	**$ 1.70**	$ 1.68	$ 1.64	$ 1.59	$ 1.54	$ 1.60	$ 1.70
Euro							
Balance sheet	**$ 1.44**	$ 1.45	$ 1.47	$ 1.45	$ 1.35	$ 1.35	$ 1.38
Income and expenses	**$ 1.46**	$ 1.46	$ 1.45	$ 1.39	$ 1.31	$ 1.36	$ 1.42

ADDITIONAL INFORMATION

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedarplus.com.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
		(Restated)		(Restated)
Insurance service result				
Insurance revenue (note 8)	**$ 5,110**	$ 4,648	**$ 15,228**	$ 14,190
Insurance service expenses (note 9)	**(3,921)**	(3,622)	**(11,879)**	(10,904)
Net expense from reinsurance contracts	**(401)**	(374)	**(1,158)**	(1,155)
	788	652	**2,191**	2,131
Net investment result (note 5)				
Net investment income	**2,271**	2,027	**6,433**	5,509
Changes in fair value on fair value through profit or loss assets	**(5,457)**	(7,399)	**(4,553)**	(32,351)
	(3,186)	(5,372)	**1,880**	(26,842)
Net finance income (expenses) from insurance contracts	**3,287**	3,180	**348**	20,420
Net finance income (expenses) from reinsurance contracts	**(212)**	(160)	**(125)**	(1,157)
Changes in investment contract liabilities	**761**	3,157	**(835)**	10,122
	650	805	**1,268**	2,543
Net investment result - insurance contracts on account of segregated fund policyholders				
Net investment income (loss)	**(1,039)**	(521)	**1,596**	(5,970)
Net finance income (expenses) from insurance contracts	**1,039**	521	**(1,596)**	5,970
	—	—	**—**	—
Other income and expenses				
Fee and other income	**1,450**	1,280	**4,316**	3,786
Operating and administrative expenses (note 9)	**(1,522)**	(1,336)	**(4,622)**	(4,043)
Amortization of finite life intangible assets	**(100)**	(96)	**(287)**	(265)
Financing costs	**(103)**	(97)	**(322)**	(280)
Restructuring and integration expenses	**(38)**	(58)	**(83)**	(135)
Earnings before income taxes	**1,125**	1,150	**2,461**	3,737
Income taxes (note 17)	**137**	119	**223**	449
Net earnings from continuing operations before non-controlling interests	**988**	1,031	**2,238**	3,288
Net earnings (loss) from discontinued operations (note 4)	**(31)**	1	**(121)**	(6)
Net earnings before non-controlling interests	**957**	1,032	**2,117**	3,282
Attributable to non-controlling interests	**20**	13	**22**	41
Net earnings	**937**	1,019	**2,095**	3,241
Preferred share dividends (note 14)	**32**	32	**97**	97
Net earnings - common shareholders	**$ 905**	$ 987	**$ 1,998**	$ 3,144
Earnings per common share from continuing operations (note 14)				
Basic	**$ 1.01**	$ 1.06	**$ 2.28**	$ 3.38
Diluted	**$ 1.00**	$ 1.06	**$ 2.27**	$ 3.38
Earnings per common share (note 14)				
Basic	**$ 0.97**	$ 1.06	**$ 2.15**	$ 3.38
Diluted	**$ 0.97**	$ 1.06	**$ 2.14**	$ 3.37

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022 (Restated)	**2023**	2022 (Restated)
Net earnings	**$ 937**	$ 1,019	**$ 2,095**	$ 3,241
Other comprehensive income (loss)				
Items that may be reclassified subsequently to Consolidated Statements of Earnings				
Unrealized foreign exchange gains (losses) on translation of foreign operations (note 4)	**288**	579	**135**	11
Unrealized gains (losses) on hedges of the net investment in foreign operations	**(92)**	156	**(82)**	377
Income tax (expense) benefit	**8**	23	**—**	16
Unrealized gains (losses) on bonds and mortgages at fair value through other comprehensive income	**(80)**	(412)	**(92)**	(1,301)
Income tax (expense) benefit	**21**	65	**(19)**	240
Realized (gains) losses on bonds and mortgages at fair value through other comprehensive income	**17**	17	**231**	42
Income tax expense (benefit)	**(2)**	(2)	**(14)**	(4)
Unrealized gains (losses) on cash flow hedges	**16**	(9)	**86**	(60)
Income tax (expense) benefit	**(5)**	3	**(24)**	16
Realized (gains) losses on cash flow hedges	**(13)**	4	**(60)**	10
Income tax expense (benefit)	**3**	(1)	**16**	(3)
Non-controlling interests	**49**	(5)	**9**	275
Income tax (expense) benefit	**(15)**	(2)	**(3)**	(75)
Total items that may be reclassified	**195**	416	**183**	(456)
Items that will not be reclassified to Consolidated Statements of Earnings				
Re-measurements on defined benefit pension and other post-employment benefit plans (note 16)	**92**	(102)	**26**	460
Income tax (expense) benefit	**(25)**	26	**(6)**	(117)
Non-controlling interests	**(8)**	12	**(3)**	(33)
Income tax (expense) benefit	**2**	(3)	**1**	9
Total items that will not be reclassified	**61**	(67)	**18**	319
Total other comprehensive income (loss)	**256**	349	**201**	(137)
Comprehensive income	**$ 1,193**	$ 1,368	**$ 2,296**	$ 3,104

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	September 30 2023	December 31 2022 (Restated)	January 1 2022 (Restated)
Assets			
Cash and cash equivalents	**$ 6,978**	$ 7,290	$ 6,075
Bonds (note 5)	**150,042**	156,091	142,655
Mortgage loans (note 5)	**37,276**	37,197	29,357
Stocks (note 5)	**14,831**	14,301	14,225
Investment properties (note 5)	**8,070**	8,344	7,763
	217,197	223,223	200,075
Insurance contract assets (note 10)	**1,201**	1,140	1,533
Reinsurance contract held assets (note 11)	**16,507**	17,571	21,843
Assets held for sale (note 4)	**4,133**	—	—
Goodwill	**10,747**	10,611	9,107
Intangible assets	**4,608**	6,230	5,514
Derivative financial instruments	**1,980**	2,314	967
Owner occupied properties	**727**	724	736
Fixed assets	**325**	399	422
Accounts and interest receivable	**5,248**	4,355	3,210
Other assets	**13,247**	15,949	14,435
Current income taxes	**228**	338	268
Deferred tax assets	**1,578**	1,470	1,325
Investments on account of segregated fund policyholders (note 12)	**402,284**	387,882	357,419
Total assets	**$ 680,010**	$ 672,206	$ 616,854
Liabilities			
Insurance contract liabilities (note 10)	**$ 133,724**	$ 135,438	$ 157,910
Investment contract liabilities	**88,960**	94,810	53,694
Reinsurance contract held liabilities (note 11)	**601**	537	1,290
Liabilities held for sale (note 4)	**2,023**	—	—
Debentures and other debt instruments	**9,207**	10,509	8,804
Derivative financial instruments	**1,884**	1,639	1,030
Accounts payable	**2,887**	2,758	2,469
Other liabilities	**8,114**	8,913	6,293
Current income taxes	**124**	152	193
Deferred tax liabilities	**673**	773	677
Insurance contracts on account of segregated fund policyholders (note 12)	**57,265**	57,841	65,253
Investment contracts on account of segregated fund policyholders (note 12)	**345,019**	330,041	292,166
Total liabilities	**650,481**	643,411	589,779
Equity			
Non-controlling interests			
Participating account surplus in subsidiaries	**2,752**	2,734	2,984
Non-controlling interests in subsidiaries	**170**	152	129
Shareholders' equity			
Share capital			
Limited recourse capital notes	**1,500**	1,500	1,500
Preferred shares	**2,720**	2,720	2,720
Common shares (note 13)	**5,958**	5,791	5,748
Accumulated surplus	**15,288**	14,976	13,216
Accumulated other comprehensive income	**917**	713	586
Contributed surplus	**224**	209	192
Total equity	**29,529**	28,795	27,075
Total liabilities and equity	**$ 680,010**	$ 672,206	$ 616,854

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	September 30, 2023					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income (loss)**	**Non-controlling interests**	**Total equity**
Balance, beginning of year (Restated)	**$ 10,011**	**$ 209**	**$ 14,976**	**$ 713**	**$ 2,886**	**$ 28,795**
Impact of initial application of IFRS 9 (note 3)	**—**	**—**	**(33)**	**3**	**—**	**(30)**
Revised balance, beginning of year	**10,011**	**209**	**14,943**	**716**	**2,886**	**28,765**
Net earnings	**—**	**—**	**2,095**	**—**	**22**	**2,117**
Other comprehensive income (loss)	**—**	**—**	**—**	**201**	**(4)**	**197**
	10,011	**209**	**17,038**	**917**	**2,904**	**31,079**
Dividends to shareholders						
Preferred shareholders (note 14)	**—**	**—**	**(97)**	**—**	**—**	**(97)**
Common shareholders	**—**	**—**	**(1,453)**	**—**	**—**	**(1,453)**
Issued in business acquisition (note 13)	**89**	**—**	**—**	**—**	**—**	**89**
Shares exercised and issued under share-based payment plans (note 13)	**106**	**(46)**	**—**	**—**	**35**	**95**
Shares purchased and cancelled under normal course issuer bid (note 13)	**(171)**	**—**	**—**	**—**	**—**	**(171)**
Excess of redemption proceeds over stated capital per normal course issuer bid (note 13)	**143**	**—**	**(143)**	**—**	**—**	**—**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(13)**	**(13)**
Share cancelled under Putnam share-based plans	**—**	**3**	**—**	**—**	**2**	**5**
Share-based payment plans expense	**—**	**58**	**—**	**—**	**—**	**58**
Acquisition of non-controlling interest in subsidiary	**—**	**—**	**(27)**	**—**	**(36)**	**(63)**
Dilution loss on non-controlling interests	**—**	**—**	**(30)**	**—**	**30**	**—**
Balance, end of period	**$ 10,178**	**$ 224**	**$ 15,288**	**$ 917**	**$ 2,922**	**$ 29,529**

	September 30, 2022 (Restated)					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,968	$ 192	$ 16,424	$ 632	$ 3,267	$ 30,483
Impact of initial application of IFRS 17 (note 3)	—	—	(4,835)	—	(517)	(5,352)
Impact of application of IFRS 9 overlay (note 3)	—	—	1,627	(46)	363	1,944
Revised balance, beginning of year	9,968	192	13,216	586	3,113	27,075
Net earnings	—	—	3,241	—	41	3,282
Other comprehensive income (loss)	—	—	—	(137)	(176)	(313)
	9,968	192	16,457	449	2,978	30,044
Dividends to shareholders						
Preferred shareholders (note 14)	—	—	(97)	—	—	(97)
Common shareholders	—	—	(1,370)	—	—	(1,370)
Shares exercised and issued under share-based payment plans (note 13)	42	(54)	—	—	50	38
Share-based payment plans expense	—	53	—	—	—	53
Equity settlement of Putnam share-based plans	—	—	—	—	(53)	(53)
Shares cancelled under Putnam share-based plans	—	1	—	—	(1)	—
Preferred share redemption costs	—	—	(3)	—	—	(3)
Dilution loss on non-controlling interests	—	—	(12)	—	12	—
Balance, end of period	$ 10,010	$ 192	$ 14,975	$ 449	$ 2,986	$ 28,612

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2023	2022
Operations		(Restated)
Earnings before income taxes	**$ 2,306**	$ 3,717
Income taxes paid, net of refunds received	**(319)**	(217)
Adjustments:		
Change in insurance contract liabilities	**(1,706)**	(27,268)
Change in investment contract liabilities	**(6,425)**	(8,659)
Change in reinsurance contract held liabilities	**181**	2,029
Change in reinsurance contract held assets	**1,005**	2,340
Change in insurance contract assets	**(522)**	(92)
Changes in fair value through profit or loss	**4,553**	32,351
Other	**990**	1,230
	63	5,431
Financing Activities		
Issue of common shares	**106**	42
Purchased and cancelled common shares	**(171)**	—
Repayment of euro denominated debt	**(735)**	—
Increase in line of credit of subsidiaries	**—**	1,028
Decrease in line of credit of subsidiaries	**(602)**	(260)
Decrease in debentures and other debt instruments	**—**	5
Preferred share redemption costs	**—**	(3)
Dividends paid on common shares	**(1,453)**	(1,370)
Dividends paid on preferred shares	**(97)**	(97)
	(2,952)	(655)
Investment Activities		
Bond sales and maturities	**25,026**	21,078
Mortgage loan repayments	**2,572**	2,457
Stock sales	**3,612**	3,729
Investment property sales	**113**	5
Business acquisitions, net of cash and cash equivalents acquired	**(8)**	(2,149)
Investment in bonds	**(21,332)**	(19,120)
Investment in mortgage loans	**(2,896)**	(4,734)
Investment in stocks	**(4,036)**	(3,264)
Investment in investment properties	**(160)**	(485)
	2,891	(2,483)
Effect of changes in exchange rates on cash and cash equivalents	**34**	268
Increase in cash and cash equivalents	**36**	2,561
Cash and cash equivalents, beginning of year	**7,290**	6,075
Cash and cash equivalents from continuing and discontinued operations, end of period	**$ 7,326**	$ 8,636
Less: Cash and cash equivalents from discontinued operations, end of period (note 4)	**348**	—
Cash and cash equivalents from continuing operations, end of period	**$ 6,978**	$ 8,636
Supplementary cash flow information		
Interest income received	**$ 5,360**	$ 4,059
Interest paid	**286**	265
Dividend income received	**301**	281

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

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

1. Corporate Information

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

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

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and nine months ended September 30, 2023 were approved by the Board of Directors on November 8, 2023.

2. Basis of Presentation and Summary of Material Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2022 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at September 30, 2023 have been prepared in compliance with the requirements of International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2022 except as described below.

<u>Changes in Accounting Policies</u>

The Company adopted International Financial Reporting Standard (IFRS) 17, *Insurance Contracts* (IFRS 17) and IFRS 9, *Financial Instruments* (IFRS 9) on their effective date of January 1, 2023 which replaced IFRS 4, *Insurance Contracts* (IFRS 4) and IAS 39, *Financial Instruments* (IAS 39), respectively.

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

IFRS 9 provides changes to financial instruments accounting for the following: classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment based on an expected loss model; and hedge accounting that incorporates the risk management practices of an entity.

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

Accounting Policies Impacted by IFRS 9

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

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

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

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

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

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

FVOCI investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in the Consolidated Statements of Other Comprehensive Income. Realized gains and losses on FVOCI bond and mortgage investments are reclassified from other comprehensive income and recorded in the Consolidated Statements of Earnings when the investment is sold.

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

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

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

Fair Value Measurement

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

Bonds - FVTPL and FVOCI

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

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

Mortgages - FVTPL and FVOCI

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

Equity Release Mortgages - FVTPL

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

Stocks - FVTPL

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

Hedge Accounting

As permitted under IFRS 9, the Company has elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. The Company’s accounting policy for hedge accounting is disclosed in the notes to the December 31, 2022 consolidated annual audited financial statements.

Expected Credit Losses

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

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

Measurement of Expected Credit Losses

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

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

Stage 1

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

Stage 2

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

Stage 3

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

Presentation of Expected Credit Losses

The ECL allowance for financial assets classified as FVOCI is recognized in the Consolidated Statements of Other Comprehensive Income and does not reduce the carrying value of the asset. Financial assets classified as amortized cost are presented net of the ECL allowance in the Consolidated Balance Sheets.

When there is no expectation of recovery, the Company will partially or fully write off a financial asset against the related allowance for credit loss. Financial assets that are written off could still be subject to enforcement activities. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses and are recognized as net investment income in the Consolidated Statements of Earnings.

Accounting Policies Impacted by IFRS 17

Contract Classification

Insurance Contracts

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

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

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

Reinsurance Contracts Held

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

<u>Separating Components from Insurance and Reinsurance Contracts</u>

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

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

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

<u>Level of Aggregation</u>

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

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

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

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

Initial Recognition

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

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

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

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

Contract Boundaries

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

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

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

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

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

Measurement of Insurance Contracts

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

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

The General Measurement Model

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

Initial Measurement

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

Fulfillment Cash Flows

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

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

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

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

Contractual Service Margin

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

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

Discount Rates

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

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

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

Risk Adjustment

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

Insurance Acquisition Cash Flows

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

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

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

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

Subsequent Measurement

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

- The liability for remaining coverage comprises the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date.
- The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

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

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

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

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

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

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

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

The Variable Fee Approach

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

Recognition

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

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

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

Initial Measurement

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

Subsequent Measurement

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

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

Risk Mitigation

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

Premium Allocation Approach

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

Recognition

Contracts with Coverage Periods of One Year or Less

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

Contracts with Coverage Periods of More than One Year

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

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

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

Measurement

Initial Measurement of the Liability for Remaining Coverage

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

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

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

Subsequent Measurement

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

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

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

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

Measurement of Reinsurance Contracts Held

The General Measurement Model

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

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

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

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

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

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

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

The Premium Allocation Approach

The Company holds reinsurance contracts with the direct insurance contracts it issues. The reinsurance contracts held that are eligible for the PAA and have underlying direct contracts measured under the PAA are also classified and measured under the PAA.

Onerous Underlying Insurance Contracts

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

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

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

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

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

Coverage Units

Amortization of the Contractual Service Margin

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

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

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

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

Insurance Revenue

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

Insurance Finance Income or Expenses

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

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

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

Net Income or Expense from Reinsurance Contracts Held

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

Contract Modifications and Derecognition

Contract Modifications

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

Derecognition of Contracts

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

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

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

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

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

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

Other Changes in Accounting Policies

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

The Company adopted the amendments to IFRS for IAS 12, *Income Taxes* effective May, 2023 and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

Use of Significant Judgments, Estimates and Assumptions - Application of IFRS 17 and IFRS 9

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2022 consolidated annual audited financial statements and notes thereto. Significant judgments, estimates and assumptions that have changed or are new under IFRS 17 and IFRS 9 include:

- Management uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- The actuarial assumptions, such as mortality, longevity, morbidity, expense and policyholder behaviour, used in the valuation of insurance and certain investment contract liabilities require significant judgment and estimation (note 10).
- Management uses judgment in determining the coverage units which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.
- In determining discount rates to apply to most insurance contract liability cash flows, the Company generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, the Company uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment.

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

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

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

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

- When determining the risk adjustment for non-financial risk, the Company applies significant judgment in reflecting diversification and calculating the confidence level.
- The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfillment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to make this assessment. The Company applies judgment in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group.
- For contracts issued more than several years prior to the IFRS 17 effective date, the Company applied significant judgment in determining that obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.
- The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgment, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

Use of Significant Judgments, Estimates and Assumptions - Discontinued Operations and Assets and Liabilities Held for Sale

- Management uses judgment in determining the assets and liabilities to be included in a disposal group, and uses estimates in the determination of the fair value for disposal groups, including contingent consideration and costs to sell (note 4).

Future Accounting Policies

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2022:

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

3. Transition to IFRS 17 and IFRS 9 - Transition Impacts

IFRS 17

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

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

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

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

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

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

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

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

IFRS 9

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

Upon adoption of IFRS 9, the Company elected to present comparative information for its financial assets as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period, as permitted by the amendment to IFRS 17 published by the IASB in December 2021 (classification overlay approach).

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

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

Balance Sheet Condensed View	As Reported IFRS 4 IAS 39 Dec. 31, 2021	Asset / Liability Reclassification	IFRS 9 Overlay Measurement	IFRS 17 Measurement	Income Tax	Restated IFRS 17 & 9 Balance Sheet Jan. 1, 2022
Assets						
Bonds	$ 140,612	$ —	$ 2,043	$ —	$ —	$ 142,655
Mortgage loans	28,852	—	505	—	—	29,357
Stocks	14,183	16	26	—	—	14,225
Insurance contract assets	—	1,533	—	—	—	1,533
Other assets impacted by IFRS 17 & 9	67,677	(18,723)	—	697	269	49,920
Other assets not impacted by IFRS 17 & 9	21,745	—	—	—	—	21,745
Investments on account of segregated fund policyholders	357,419	—	—	—	—	357,419
Total assets	**$ 630,488**	**$ (17,174)**	**$ 2,574**	**$ 697**	**$ 269**	**$ 616,854**
Liabilities						
Insurance contract liabilities	$ 208,378	$ (57,284)	$ —	$ 6,816	$ —	$ 157,910
Investment contract liabilities	12,455	41,239	—	—	—	53,694
Reinsurance contract held liabilities	—	1,290				1,290
Other liabilities impacted by IFRS 17 & 9	11,726	(1,874)	—	—	(413)	9,439
Other liabilities not impacted by IFRS 17 & 9	10,027	—	—	—	—	10,027
Investments and insurance 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	**600,005**	**(16,629)**	**—**	**6,816**	**(413)**	**589,779**
Total equity	**30,483**	**(545)**	**2,574**	**(6,119)**	**682**	**27,075**
Total liabilities and equity	**$ 630,488**	**$ (17,174)**	**$ 2,574**	**$ 697**	**$ 269**	**$ 616,854**

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

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

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

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

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of $6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of $5.9 billion associated with the shareholders' account and $2.6 billion associated with the participating account, partially offset by the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by $3.4 billion, split $3.1 billion for the shareholders' account accumulated surplus, $0.2 billion for the participating account surplus, and $0.1 billion for accumulated other comprehensive income.

Shareholders' account accumulated surplus decreased by $3.1 billion primarily due to the establishment of the CSM of $6.3 billion and the adjustment for differences in the discount rate of $1.9 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion and the impact of the initial application of the IFRS 9 overlay of $2.2 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications totaled an increase of $0.9 billion.

The participating account surplus decrease of $0.2 billion was due to the impact of the initial application of IFRS 17 of $0.7 billion offset by the impact of the application of the IFRS 9 overlay of $0.5 billion.

Accumulated other comprehensive income decreased by $0.1 billion due to the impact of the application of the IFRS 9 overlay.

Reconciliation of consolidated net earnings from IFRS 4 and IAS 39 to IFRS 17 and IFRS 9 overlay

	For the year ended December 31, 2022
Net earnings under IFRS 4 and IAS 39, previously reported	**$ 3,219**
Impact of initial application of IFRS 17 and IFRS 9 overlay:	
Deferral of new business gains within CSM	**(170)**
CSM recognized in the period, net of impact of changes in liabilities for insurance related risks	**157**
Changes in impacts from assumption changes and management actions	**(131)**
Changes in market-related impacts	**653**
Other, including changes in insurance experience impacts	**152**
Tax impacts	**(284)**
Restated net earnings under IFRS 17 and IFRS 9 overlay	**$ 3,596**

CSM movement by measurement component upon transition

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

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

Transition to IFRS 9

Effect of initial application - IFRS 9 Assets

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

	Classification	
	IAS 39	**IFRS 9**
Financial Assets		
Bonds		
	FVTPL (designated)	FVTPL (designated)
	FVTPL (designated)	FVOCI
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI
	L&R	Amortized Cost
Mortgage loans		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	L&R	FVTPL (designated)
	L&R	FVOCI
	L&R	Amortized Cost
Stocks		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	AFS, at cost	FVTPL (mandatory)

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

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

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
FVTPL				
Bonds				
Designated	$ 113,596	$ (544)	$ —	$ 113,052
Reclassified from loans and receivables	—	33,570	(3,480)	30,090
Total - designated	113,596	33,026	(3,480)	143,142
Mandatory	181	—	—	181
Reclassified from available-for-sale	—	67	—	67
Total - mandatory	181	67	—	248
Mortgage loans				
Designated	3,125	(3,125)	—	—
Reclassified from loans and receivables	—	31,310	(2,297)	29,013
Total - designated	3,125	28,185	(2,297)	29,013
Reclassified from designated FVTPL	—	3,125	6	3,131
Reclassified from available-for-sale	—	240	—	240
Total - mandatory	—	3,365	6	3,371
Stocks				
Reclassified from designated FVTPL	13,305	—	16	13,321
Reclassified from available-for-sale	—	325	17	342
Total - mandatory	13,305	325	33	13,663
Total FVTPL	$ 130,207	$ 64,968	$ (5,738)	$ 189,437
FVOCI				
Bonds				
Reclassified from available-for-sale	$ —	$ 11,797	$ —	$ 11,797
Reclassified from designated FVTPL	—	544	—	544
Reclassified from loans and receivables	—	376	(16)	360
	—	12,717	(16)	12,701
Mortgage loans				
Reclassified from loans and receivables	—	662	(41)	621
Total FVOCI	$ —	$ 13,379	$ (57)	$ 13,322

3. Transition to IFRS 17 and IFRS 9 - Transition Impacts (cont'd)

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
Available-for-sale				
Bonds				
Brought forward	$ 11,864	$ —	$ —	
Reclassified to FVTPL	—	(67)	—	
Reclassified to FVOCI	—	(11,797)	—	
	11,864	(11,864)	—	—
Mortgage loans				
Brought forward	240	—	—	
Reclassified to FVTPL	—	(240)	—	
	240	(240)	—	—
Stocks				
Brought forward	325	—	—	
Reclassified to FVTPL	—	(325)	—	
	325	(325)	—	—
Total Available-for-sale	$ 12,429	$ (12,429)	$ —	$ —
Amortized Cost				
Bonds				
Brought forward: Loans and receivables	$ 33,946	$ —	$ —	
Reclassified to FVTPL	—	(33,570)	—	
Reclassified to FVOCI	—	(376)	—	
	33,946	(33,946)	—	—
Mortgage Loans				
Brought forward: Loans and receivables	36,164	—	—	
Reclassified to FVTPL	—	(31,310)	—	
Reclassified to FVOCI	—	(662)	—	
	36,164	(31,972)	—	4,192
Total amortized cost	$ 70,110	$ (65,918)	$ —	$ 4,192

Allowance for credit losses

The majority of the Company’s financial assets are measured at FVTPL and therefore are not subject to the ECL model. The ECL model only applies to FVOCI and amortized cost assets, and the value of ECL allowances upon adoption of IFRS 9 at January 1, 2023 of $36 are not materially different from the allowances that were carried under IAS 39. Of the ECL allowance of $36 at January 1, 2023, $4 was Stage 1 and $32 was Stage 2.

The ECL allowance was $44 at September 30, 2023, of which $4 was Stage 1 and $40 was Stage 2.

4. Business Acquisitions and Other Transactions

(a) Sale of Putnam US Holdings I

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

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

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

The net earnings (loss) and cash flows of Putnam Investments have been classified as discontinued operations within the United States operating segment, and the related assets and liabilities have been classified as held for sale.

Net earnings (loss) from discontinued operations

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
Net investment result	**$ 7**	$ (8)	**$ 26**	$ (30)
Other income and expenses				
Fee and other income	**253**	243	**741**	751
Operating and administrative expenses	**(255)**	(239)	**(772)**	(723)
Acquisition and divestiture costs	**(38)**	—	**(130)**	—
Amortization of finite life intangible assets	**(7)**	(6)	**(20)**	(18)
Loss before income taxes	**(40)**	(10)	**(155)**	(20)
Income tax benefit	**(9)**	(11)	**(34)**	(14)
Net earnings (loss) from discontinued operations	**$ (31)**	$ 1	**$ (121)**	$ (6)

Cash flows from discontinued operations

	For the nine months ended September 30	
	2023	2022
Net cash provided by (used in) operating activities	**$ 160**	$ 238
Net cash provided by (used in) financing activities	**(67)**	(64)
Effect of changes in exchange rates on cash and cash equivalents	**4**	32
Net increase (decrease) in cash and cash equivalents	**$ 97**	$ 206

Assets and liabilities held for sale

	September 30 2023
Assets	
Cash	**$ 348**
Stocks	**43**
Intangible assets	**1,630**
Fixed assets	**59**
Other assets	**2,053**
Total assets classified as held for sale	**$ 4,133**
Liabilities	
Other liabilities	**$ 2,023**
Total liabilities classified as held for sale	**$ 2,023**

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

(b) Acquisition of Investment Planning Counsel

On April 3, 2023, the Company announced that Canada Life had reached an agreement to acquire Investment Planning Counsel Inc., an independent wealth management firm, from IGM Financial Inc. (IGM) for total cash consideration of $575, subject to adjustments. The acquisition extends Canada Life’s wealth management reach and capabilities. IGM is an affiliated company and a member of the Power Corporation group of companies. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

(c) Acquisition of Value Partners

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

(d) U.S. Individual Life and Annuity Business Reinsurance Agreement

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

(e) Debentures and Other Debt Instruments

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

Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments on its non-revolving credit facility of U.S. $150 on March 31, 2023, U.S. $150 on June 30, 2023, and U.S. $100 on September 29, 2023. The remaining drawn balance was $136 (U.S. $100) as at September 30, 2023.

(f) Strategic Relationship with Sagard Holdings

On July 6, 2023, Sagard Holdings Inc. (Sagard), a related party, announced that the relationship between the Company and Sagard had expanded, both in terms of the Company's minority interest in Sagard and commitments into certain Sagard strategies. The increase in the minority interest in Sagard is immaterial to the Company and commitment to certain Sagard strategies has increased to approximately U.S. $700.

Subsequent Event

(g) Transfer of Segregated Funds to Joint Venture

Subsequent to September 30, 2023, Irish Life Assurance plc, an indirect subsidiary of the Company, completed the portfolio transfer of segregated funds with a carrying value of approximately €2 billion ($2.9 billion) to Saol Assurance dac (AIB Life), a related party to the Company through a 50/50 joint venture between Canada Life Irish Holding Company Limited and Allied Irish Banks, p.l.c., on November 1, 2023. The Company expects to recognize a gain related to this transaction in the fourth quarter of 2023.

5. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	September 30, 2023		December 31, 2022 [1]	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
FVTPL - designated	**$ 138,396**	**$ 138,396**	$ 143,142	$ 143,142
FVTPL - mandatory	**276**	**276**	248	248
FVOCI	**11,370**	**11,370**	12,701	12,701
	150,042	**150,042**	156,091	156,091
Mortgage loans				
FVTPL - designated	**28,732**	**28,732**	29,013	29,013
FVTPL - mandatory	**3,657**	**3,657**	3,371	3,371
FVOCI	**578**	**578**	621	621
Amortized cost	**4,309**	**3,569**	4,192	3,577
	37,276	**36,536**	37,197	36,582
Stocks				
FVTPL - mandatory	**14,074**	**14,074**	13,663	13,663
Equity method	**757**	**688**	638	610
	14,831	**14,762**	14,301	14,273
Investment properties	**8,070**	**8,070**	8,344	8,344
Total	**$ 210,219**	**$ 209,410**	$ 215,933	$ 215,290

[1] Represents application of IFRS 9 overlay.

(b) Net investment income comprises the following:

For the three months ended September 30, 2023	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	$ 1,651	$ 364	$ 107	$ 126	$ 137	$ 2,385
Net realized losses on sale of FVOCI assets	(17)	—	—	—	—	(17)
Gains from derecognized financial assets at amortized cost	—	—	—	—	—	—
Net expected credit loss recovery (charge)	—	(10)	—	—	—	(10)
Other income and expenses	—	—	—	(45)	(42)	(87)
	1,634	354	107	81	95	2,271
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	(3,859)	(325)	—	—	(805)	(4,989)
Fair value through profit or loss (mandatory)	—	(61)	(254)	—	—	(315)
Recorded at fair value through profit or loss	—	—	—	(153)	—	(153)
	(3,859)	(386)	(254)	(153)	(805)	(5,457)
Total	$ (2,225)	$ (32)	$ (147)	$ (72)	$ (710)	$ (3,186)

For the three months ended September 30, 2022 [1]	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	$ 1,469	$ 330	$ 99	$ 114	$ 138	$ 2,150
Net realized losses on sale of FVOCI assets	(17)	—	—	—	—	(17)
Gains (losses) on sale of amortized cost assets	—	—	—	—	—	—
Net allowances for credit losses	—	(11)	—	—	—	(11)
Other income and expenses	—	—	—	(33)	(62)	(95)
	1,452	319	99	81	76	2,027
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	(7,276)	(635)	—	—	1,211	(6,700)
Fair value through profit or loss (mandatory)	—	(351)	(266)	—	—	(617)
Recorded at fair value through profit or loss	—	—	—	(82)	—	(82)
	(7,276)	(986)	(266)	(82)	1,211	(7,399)
Total	$ (5,824)	$ (667)	$ (167)	$ (1)	$ 1,287	$ (5,372)

1 Represents application of IFRS 9 overlay.

5. Portfolio Investments (cont'd)

For the nine months ended September 30, 2023	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Net investment income:						
Investment income earned	**$ 4,927**	**$ 1,061**	**$ 351**	**$ 377**	**$ 218**	**$ 6,934**
Net realized losses on sale of FVOCI assets	**(231)**	**—**	**—**	**—**	**—**	**(231)**
Gains from derecognized financial assets at amortized cost	**—**	**8**	**—**	**—**	**—**	**8**
Net expected credit loss recovery (charge)	**(1)**	**(8)**	**—**	**—**	**—**	**(9)**
Other income and expenses	**—**	**—**	**—**	**(144)**	**(125)**	**(269)**
	4,695	**1,061**	**351**	**233**	**93**	**6,433**
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	**(3,347)**	**(358)**	**—**	**—**	**(464)**	**(4,169)**
Fair value through profit or loss (mandatory)	**—**	**(161)**	**142**	**—**	**—**	**(19)**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**(365)**	**—**	**(365)**
	(3,347)	**(519)**	**142**	**(365)**	**(464)**	**(4,553)**
Total	**$ 1,348**	**$ 542**	**$ 493**	**$ (132)**	**$ (371)**	**$ 1,880**

For the nine months ended September 30, 2022 [1]	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	$ 3,964	$ 873	$ 289	$ 335	$ 385	$ 5,846
Net realized losses on sale of FVOCI assets	(42)	—	—	—	—	(42)
Gains on sale of amortized cost assets	—	8	—	—	—	8
Net allowances for credit losses	—	(22)	—	—	—	(22)
Other income and expenses	—	—	—	(109)	(172)	(281)
	3,922	859	289	226	213	5,509
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	(28,178)	(2,683)	—	—	159	(30,702)
Fair value through profit or loss (mandatory)	—	(879)	(1,100)	—	—	(1,979)
Recorded at fair value through profit or loss	—	—	—	330	—	330
	(28,178)	(3,562)	(1,100)	330	159	(32,351)
Total	$ (24,256)	$ (2,703)	$ (811)	$ 556	$ 372	$ (26,842)

[1] Represents application of IFRS 9 overlay.

Investment income from bonds and mortgages includes interest income, and premium and discount amortization. Investment income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other investment income includes foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

(c) Net investment result

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
Investment return				
Net investment income	**$ 2,271**	$ 2,027	**$ 6,433**	$ 5,509
Changes in fair value on FVTPL assets	**(5,457)**	(7,399)	**(4,553)**	(32,351)
Total investment return	**$ (3,186)**	$ (5,372)	**$ 1,880**	$ (26,842)
Net finance income (expenses) from insurance contracts				
Changes in fair value of underlying items of direct participating contracts	**$ 907**	$ 221	**$ (612)**	$ 4,404
Effects of risk mitigation option	**87**	30	**127**	214
Interest accreted	**(961)**	(969)	**(2,683)**	(2,227)
Effect of changes in discount rate and other financial assumptions	**3,293**	3,793	**3,540**	17,902
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**(39)**	105	**(24)**	127
Total net finance income (expenses) from insurance contracts	**$ 3,287**	$ 3,180	**$ 348**	$ 20,420
Net finance income (expenses) from reinsurance contracts				
Interest accreted	**$ 64**	$ 145	**$ 147**	$ 343
Other	**(276)**	(305)	**(272)**	(1,500)
Total net finance income (expenses) from reinsurance contracts	**(212)**	(160)	**(125)**	(1,157)
Changes in investment contract liabilities	**761**	3,157	**(835)**	10,122
	$ 650	$ 805	**$ 1,268**	$ 2,543

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's consolidated annual audited financial statements for the year ended December 31, 2022. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2022 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

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

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

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Market Risk

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

Caution Related to Risk Sensitivities

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

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

(i) Currency Risk

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

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

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

(ii) Interest Rate Risk

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

- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- For products with fixed and highly predictable benefit payments, investments are generally made in fixed income assets or investment properties whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of the assets are invested in equities and other non-fixed income assets, while the rest are duration matched.

- Hedging instruments are employed when there is a lack of suitable permanent investments or to manage the level of loss exposure to interest rate changes.
- To the extent asset and liability cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or in equities and other non-fixed income assets.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

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

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

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

Change in market yield curves

	Net Earnings	
	Increase 50 basis points interest rates	**Decrease 50 basis points interest rates**
September 30, 2023	**$ 50**	**$ (75)**
December 31, 2022	75	(125)

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

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

(iii) Equity Risk

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

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

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

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

Change in publicly traded common stock values

	Net Earnings			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**
September 30, 2023	**$ 225**	**$ 100**	**$ (125)**	**$ (225)**
December 31, 2022	200	100	(125)	(225)

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

Change in other non-fixed income asset values

	Net Earnings			
	10% increase	**5% increase**	**5% decrease**	**10% decrease**
September 30, 2023	**$ 400**	**$ 200**	**$ (200)**	**$ (425)**
December 31, 2022	400	200	(200)	(425)

7. Fair Value Measurement

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

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

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and investment funds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

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

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

	September 30, 2023			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 6,978	$ —	$ —	$ 6,978
Financial assets at fair value through profit or loss				
Bonds	—	138,424	248	138,672
Mortgage loans	—	28,732	3,657	32,389
Stocks	10,116	275	3,683	14,074
Total financial assets at fair value through profit or loss	10,116	167,431	7,588	185,135
Financial assets at fair value through other comprehensive income				
Bonds	—	11,370	—	11,370
Mortgage loans	—	578	—	578
Total financial assets at fair value through other comprehensive income	—	11,948	—	11,948
Investment properties	—	—	8,070	8,070
Derivatives [1]	6	1,974	—	1,980
Assets held for sale [2]	542	623	889	2,054
Other assets:				
Trading account assets	252	2,208	—	2,460
Other [3]	—	279	—	279
Total assets measured at fair value	$ 17,894	$ 184,463	$ 16,547	$ 218,904
Liabilities measured at fair value				
Derivatives [4]	$ 2	$ 1,882	$ —	$ 1,884
Investment contract liabilities	—	88,960	—	88,960
Other liabilities	—	279	—	279
Total liabilities measured at fair value	$ 2	$ 91,121	$ —	$ 91,123

1 Excludes collateral received from counterparties of $1,077.
2 Assets held for sale measured at fair value includes cash of $348, stocks of $43 and trading account assets of $1,663.
3 Includes collateral received under securities lending arrangements.
4 Excludes collateral pledged to counterparties of $692.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

	December 31, 2022 [1]			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,290	$ —	$ —	$ 7,290
Financial assets at fair value through profit or loss				
Bonds [2]	—	143,195	195	143,390
Mortgage loans	—	29,013	3,371	32,384
Stocks	10,548	86	3,029	13,663
Total financial assets at fair value through profit or loss	10,548	172,294	6,595	189,437
Financial assets at fair value through other comprehensive income				
Bonds [2]	—	12,701	—	12,701
Mortgage loans	—	621	—	621
Total financial assets at fair value through other comprehensive income	—	13,322	—	13,322
Investment properties	—	—	8,344	8,344
Derivatives [2]	13	2,301	—	2,314
Other assets:				
Trading account assets	309	1,723	940	2,972
Other [3]	11	180	—	191
Total assets measured at fair value	$ 18,171	$ 189,820	$ 15,879	$ 223,870
Liabilities measured at fair value				
Derivatives [4]	$ —	$ 1,639	$ —	$ 1,639
Investment contract liabilities	—	94,810	—	94,810
Other liabilities	11	180	—	191
Total liabilities measured at fair value	$ 11	$ 96,629	$ —	$ 96,640

1 Represents application of IFRS 9 overlay.
2 Excludes collateral received from counterparties of $1,348.
3 Includes collateral received under securities lending arrangements.
4 Excludes collateral pledged to counterparties of $532.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the year.

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

	September 30, 2023						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks [4]	Investment properties	Trading account assets	Assets held for sale	Total Level 3 assets
Balance, beginning of year	$ 195	$ 3,371	$ 3,029	$ 8,344	$ 940	$ —	$ 15,879
Total gains (losses)							
Included in net earnings	3	(110)	165	(365)	(12)	—	(319)
Included in other comprehensive income [1]	—	18	6	44	—	7	75
Purchases	58	—	762	160	23	—	1,003
Issues	—	480	—	—	—	—	480
Sales	(8)	—	(279)	(113)	—	(69)	(469)
Settlements	—	(102)	—	—	—	—	(102)
Other [2]	—	—	—	—	(951)	951	—
Transfers into Level 3 [3]	—	—	—	—	—	—	—
Transfers out of Level 3 [3]	—	—	—	—	—	—	—
Balance, end of period	$ 248	$ 3,657	$ 3,683	$ 8,070	$ —	$ 889	$ 16,547
Total gains (losses) for the period included in net investment income	$ 3	$ (110)	$ 165	$ (365)	$ (12)	$ —	$ (319)
Change in unrealized gains (losses) for the period included in earnings for assets held at September 30, 2023	$ 3	$ (107)	$ 162	$ (364)	$ —	$ —	$ (306)

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

2 Represents amounts reclassified to assets held for sale as a result of the agreement to sell Putnam Investments (note 4).

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

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

7. Fair Value Measurement (cont'd)

	December 31, 2022						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks [3]	Available for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	$ 100	$ 2,609	$ 1,680	$ 204	$ 7,763	$ 531	$ 12,887
Impact of application of IFRS 9 overlay	45	6	349	(204)	—	—	196
Revised balance, beginning of year	145	2,615	2,029	—	7,763	531	13,083
Total gains (losses)							
Included in net earnings	(12)	(644)	225	—	(41)	(125)	(597)
Included in other comprehensive income [1]	—	(70)	(7)	—	(42)	30	(89)
Purchases	82	—	924	—	710	710	2,426
Issues	—	1,631	—	—	—	—	1,631
Sales	(20)	—	(142)	—	(55)	(168)	(385)
Settlements	—	(161)	—	—	—	—	(161)
Other	—	—	—	—	9	—	9
Transfers into Level 3 [2]	—	—	—	—	—	12	12
Transfers out of Level 3 [2]	—	—	—	—	—	(50)	(50)
Balance, end of year	$ 195	$ 3,371	$ 3,029	$ —	$ 8,344	$ 940	$ 15,879
Total gains (losses) for the year included in net investment income	$ (12)	$ (644)	$ 225	$ —	$ (41)	$ (125)	$ (597)
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2022	$ (12)	$ (642)	$ 199	$ —	$ (34)	$ (126)	$ (615)

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

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

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

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

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

8. Insurance Revenue

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

9. Insurance Service and Other Operating and Administrative Expenses

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
Claims and benefits incurred	**$ 3,495**	$ 2,980	**$ 10,418**	$ 9,264
Allocation of premium directly to recovery of insurance acquisition cash flows	**177**	158	**525**	487
Adjustments to the liability for incurred claims	**(187)**	80	**(377)**	(156)
Losses and reversal of losses on onerous insurance contracts	**41**	8	**65**	30
Salaries and other employee benefits	**1,134**	1,048	**3,338**	3,035
General and administrative	**377**	204	**1,255**	929
Interest expense on leases	**3**	2	**8**	8
Depreciation of fixed assets	**21**	28	**63**	78
Depreciation of right-of-use assets	**12**	14	**39**	42
Commissions	**370**	436	**1,167**	1,230
Total expenses	**$ 5,443**	$ 4,958	**$ 16,501**	$ 14,947
Represented by:				
Insurance service expenses	**$ 3,921**	$ 3,622	**$ 11,879**	$ 10,904
Other operating and administrative expenses	**1,522**	1,336	**4,622**	4,043
Total expenses	**$ 5,443**	$ 4,958	**$ 16,501**	$ 14,947

10. Insurance Contracts

(a) Analysis by remaining coverage and incurred claims

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

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

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

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

10. Insurance Contracts (cont'd)

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

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

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

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

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

(b) Analysis by measurement component for insurance contracts not measured under PAA

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

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

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

10. Insurance Contracts (cont'd)

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

1. Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.
2. Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.
3. On April 1, 2022, the Company completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The contributions of the acquired business to the Company's overall results have been presented separately for the comparative period.

(c) Effect on measurement components of contracts initially recognized in the period

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

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

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

(d) Expected remaining CSM recognition

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

(e) Expected derecognition of the asset for insurance acquisition cash flows

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

(f) Insurance risk

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

	Net earnings	CSM
2% Life mortality increase	**$ 25**	**$ (325)**
2% Annuity mortality decrease	**200**	**(650)**
5% Morbidity adverse change	**(100)**	**(125)**
5% Expense increase	**—**	**(175)**
10% Adverse change in policy termination and renewal	**150**	**(1,100)**

These sensitivities reflect the impact on earnings and CSM of an immediate change in assumptions on the value of insurance contract liabilities. The impact on shareholders' equity equals the net earnings impact.

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

The CSM outlined above is presented net of reinsurance held.

11. Reinsurance Contracts Held

(a) Analysis by remaining coverage and incurred claims

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

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

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

3 Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of $1,040.

11. Reinsurance Contracts Held (cont'd)

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

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

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

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

(b) Analysis by measurement component for reinsurance contracts held not measured under PAA

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

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

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

11. Reinsurance Contracts Held (cont'd)

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

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

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

(c) Effect on measurement components of contracts initially recognized in the period

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

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

(d) Expected remaining CSM recognition

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

12. Segregated Funds and Other Structured Entities

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

(a) Investments on account of segregated fund policyholders

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

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

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

(b) Insurance and investment contracts on account of segregated fund policyholders

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

(c) Contracts on account of segregated fund policyholders

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

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

(d) Contracts on account of segregated fund policyholders by fair value hierarchy level

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

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

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

1 Excludes other liabilities, net of other assets of $4,185.
2 The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

During the first nine months of 2023, certain foreign stock holdings valued at $106 have been transferred from Level 1 to Level 2 ($2,301 were transferred from Level 2 to Level 1 at December 31, 2022) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

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

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

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

13. Share Capital

Common Shares

	For the nine months ended September 30			
	2023		2022	
	Number	**Carrying value**	Number	Carrying value
Common shares				
Balance, beginning of year	**931,853,110**	**$ 5,791**	930,620,338	$ 5,748
Issued in business acquisition	**2,278,830**	**89**		
Exercised and issued under stock option plan	**2,910,932**	**106**	1,198,072	42
Purchased and cancelled under normal course issuer bid	**(4,476,293)**	**(171)**	—	—
Excess of redemption proceeds over stated capital per normal course issuer bid	**—**	**143**	—	—
Balance, end of period	**932,566,579**	**$ 5,958**	931,818,410	$ 5,790

During the nine months ended September 30, 2023, 2,910,932 common shares were exercised under the Company's stock option plan with a carrying value of $106, including $11 from contributed surplus transferred upon exercise (1,198,072 with a carrying value of $42, including $4 from contributed surplus transferred upon exercise during the nine months ended September 30, 2022).

On January 25, 2023, the Company announced the renewal of its normal course issuer bid (NCIB) commencing January 27, 2023 and terminating January 26, 2024 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the nine months ended September 30, 2023, the Company repurchased and subsequently cancelled 4,476,293 common shares under the current NCIB at a cost of $171 (nil during the nine months ended September 30, 2022 under the previous NCIB). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value was $143 and was recognized as a reduction to accumulated surplus during the nine months ended September 30, 2023 (nil during the nine months ended September 30, 2022 under the previous NCIB).

14. Earnings Per Common Share

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022 (Restated)	**2023**	2022 (Restated)
Earnings				
Net earnings	**$ 937**	$ 1,019	**$ 2,095**	$ 3,241
Preferred share dividends	**(32)**	(32)	**(97)**	(97)
Net earnings - common shareholders	**$ 905**	$ 987	**$ 1,998**	$ 3,144
Net earnings (loss) from discontinued operations	**(31)**	1	**(121)**	(6)
Net earnings from continuing operations	**$ 936**	$ 986	**$ 2,119**	$ 3,150
Number of common shares				
Average number of common shares outstanding	**931,238,607**	931,799,372	**931,482,357**	931,632,459
Add: Potential exercise of outstanding stock options	**2,222,406**	163,053	**1,645,022**	820,080
Average number of common shares outstanding - diluted basis	**933,461,013**	931,962,425	**933,127,379**	932,452,539
Basic earnings per common share - continuing operations	**$ 1.01**	$ 1.06	**$ 2.28**	$ 3.38
Diluted earnings per common share - continuing operations	**$ 1.00**	$ 1.06	**$ 2.27**	$ 3.38
Basic earnings per common share	**$ 0.97**	$ 1.06	**$ 2.15**	$ 3.38
Diluted earnings per common share	**$ 0.97**	$ 1.06	**$ 2.14**	$ 3.37
Dividends per common share	**$ 0.52**	$ 0.49	**$ 1.56**	$ 1.47

15. Capital Management

(a) Policies and Objectives

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

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

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

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

The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

(b) Regulatory Capital

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

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

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

	September 30 2023
Tier 1 Capital	**$ 18,520**
Tier 2 Capital	**5,292**
Total Available Capital	**23,812**
Surplus Allowance & Eligible Deposits	**4,793**
Total Capital Resources	**$ 28,605**
Required Capital	**$ 22,364**
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	**128 %**

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

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

16. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
Pension plans				
Service costs	**$ 74**	$ 59	**$ 218**	$ 196
Net interest	**(3)**	2	**(8)**	4
Curtailments	**(1)**	—	**—**	(1)
	70	61	**210**	199
Other post-employment benefits				
Service costs	**1**	1	**2**	2
Net interest	**3**	2	**9**	8
	4	3	**11**	10
Pension plans and other post-employment benefits (income) expense - Consolidated Statements of Earnings	**74**	64	**221**	209
Pension plans - re-measurements (gain) loss				
Actuarial (gain) loss	**(476)**	(154)	**(252)**	(2,163)
Return on assets (greater) less than assumed	**395**	218	**296**	1,553
Change in the asset ceiling	**4**	35	**(60)**	227
Pension plans re-measurement (gain) loss	**(77)**	99	**(16)**	(383)
Other post-employment benefits - re-measurements				
Actuarial (gain) loss	**(15)**	3	**(10)**	(77)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**(92)**	102	**(26)**	(460)
Total pension plans and other post-employment benefits (income) expense including re-measurements	**$ (18)**	$ 166	**$ 195**	$ (251)

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	September 30		December 31	
	2023	2022	2022	2021
Weighted average discount rate	**5.4 %**	4.9 %	5.0 %	2.6 %

17. Income Taxes

(a) Income tax expense

Income tax recognized in Consolidated Statements of Earnings:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
Current income taxes	**$ 50**	$ 108	**$ 387**	$ 357
Deferred income taxes	**87**	11	**(164)**	92
Total income tax expense	**$ 137**	$ 119	**$ 223**	$ 449

(b) Effective income tax rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 28.0% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The effective income tax rate for the three months ended September 30, 2023 was 12.2% compared to 10.3% for the three months ended September 30, 2022. The effective income tax rate for the three months ended September 30, 2023 was higher than the effective income tax rate for the three months ended September 30, 2022 primarily due to changes in certain tax estimates and the resolution of outstanding tax issues in 2022, partially offset by jurisdictional mix of earnings.

The effective income tax rate for the nine months ended September 30, 2023 was 9.1% compared to 12.0% for the nine months ended September 30, 2022. The effective income tax rate for the nine months ended September 30, 2023 was lower than the effective income tax rate for the nine months ended September 30, 2022 primarily due to jurisdictional mix of earnings and higher non-taxable investment income, partially offset by the favourable impact of the resolution of outstanding tax issues in Canada in 2022.

The effective income tax rate for the shareholder account for the three months ended September 30, 2023 was 12.8% compared to 11.6% for the three months ended September 30, 2022.

The effective income tax rate for the shareholder account for the nine months ended September 30, 2023 was 10.8% compared to 13.4% for the nine months ended September 30, 2022.

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

In December 2021, the OECD published model rules outlining a structure for a new global 15% minimum tax regime to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. Detailed commentary and guidance on the rules was released by the OECD during 2022 and 2023. At this point, the countries where the Company currently operates, other than the U.S., have all indicated their participation.

The Company is reviewing the relevant legislation and available guidance to assess the full implications of the minimum tax regime. The global minimum tax will apply to Lifeco as part of a larger related group of companies. The determination of the minimum tax impact will require significant interpretation of each country’s new legislation to determine the ultimate tax liability for the group of companies as a whole, which will then be allocated to individual companies within the group.

18. Segmented Information

(a) Consolidated Net Earnings

For the three months ended September 30, 2023

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 2,317	$ 60	$ 1,557	$ 1,176	$ —	$ 5,110
Net investment income [2]	881	992	308	80	10	2,271
Changes in fair value on fair value through profit or loss assets [2]	(3,308)	(1,479)	(387)	(282)	(1)	(5,457)
	(110)	(427)	1,478	974	9	1,924
Fee and other income [3]	328	928	190	4	—	1,450
	218	501	1,668	978	9	3,374
Other insurance results						
Insurance service expenses	(1,559)	(45)	(1,325)	(992)	—	(3,921)
Net income (expenses) from reinsurance contracts	(371)	2	(27)	(5)	—	(401)
	(1,930)	(43)	(1,352)	(997)	—	(4,322)
Other investment results						
Net finance income (expenses) from insurance contracts	2,753	123	124	287	—	3,287
Net finance income (expenses) from reinsurance contracts	(48)	(2)	(160)	(2)	—	(212)
Changes in investment contract liabilities	(2)	742	—	21	—	761
	2,703	863	(36)	306	—	3,836
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	(718)	—	(321)	—	—	(1,039)
Net finance income (expenses) from insurance contracts	718	—	321	—	—	1,039
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(355)	(921)	(224)	(8)	(14)	(1,522)
Amortization of finite life intangible assets	(28)	(53)	(19)	—	—	(100)
Financing costs	(32)	(58)	(10)	(2)	(1)	(103)
Restructuring and integration expenses	—	(17)	(21)	—	—	(38)
Earnings (loss) before income taxes	576	272	6	277	(6)	1,125
Income taxes	136	31	(34)	6	(2)	137
Net earnings (loss) from continuing operations before non-controlling interests	440	241	40	271	(4)	988
Net loss from discontinued operations	—	(31)	—	—	—	(31)
Net earnings (loss) before non-controlling interests	440	210	40	271	(4)	957
Attributable to non-controlling interests	21	(1)	—	—	—	20
Net earnings (loss)	419	211	40	271	(4)	937
Preferred share dividends	28	—	4	—	—	32
Net earnings (loss) before capital allocation	391	211	36	271	(4)	905
Impact of capital allocation	23	2	(11)	(6)	(8)	—
Net earnings (loss) - common shareholders	$ 414	$ 213	$ 25	$ 265	$ (12)	$ 905

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

18. Segmented Information (cont'd)

For the three months ended September 30, 2022

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 2,178	$ 62	$ 1,307	$ 1,101	$ —	$ 4,648
Net investment income [2]	741	847	355	42	42	2,027
Changes in fair value on fair value through profit or loss assets [2]	(99)	(3,927)	(3,428)	83	(28)	(7,399)
	2,820	(3,018)	(1,766)	1,226	14	(724)
Fee and other income [3]	287	830	163	—	—	1,280
	3,107	(2,188)	(1,603)	1,226	14	556
Other insurance results						
Insurance service expenses	(1,447)	(36)	(1,135)	(1,004)	—	(3,622)
Net income (expenses) from reinsurance contracts	(353)	(6)	(7)	(8)	—	(374)
	(1,800)	(42)	(1,142)	(1,012)	—	(3,996)
Other investment results						
Net finance income (expenses) from insurance contracts	(665)	231	3,658	(44)	—	3,180
Net finance income (expenses) from reinsurance contracts	24	(4)	(174)	(6)	—	(160)
Changes in investment contract liabilities	6	3,109	1	41	—	3,157
	(635)	3,336	3,485	(9)	—	6,177
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	(112)	—	(409)	—	—	(521)
Net finance income (expenses) from insurance contracts	112	—	409	—	—	521
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(294)	(795)	(227)	(15)	(5)	(1,336)
Amortization of finite life intangible assets	(29)	(54)	(13)	—	—	(96)
Financing costs	(32)	(59)	(6)	—	—	(97)
Restructuring and integration expenses	—	(58)	—	—	—	(58)
Earnings before income taxes	317	140	494	190	9	1,150
Income taxes	21	(7)	44	59	2	119
Net earnings from continuing operations before non-controlling interests	296	147	450	131	7	1,031
Net loss from discontinued operations	—	1	—	—	—	1
Net earnings before non-controlling interests	296	148	450	131	7	1,032
Attributable to non-controlling interests	17	(5)	2	(1)	—	13
Net earnings	279	153	448	132	7	1,019
Preferred share dividends	28	—	4	—	—	32
Net earnings before capital allocation	251	153	444	132	7	987
Impact of capital allocation	23	2	(11)	(6)	(8)	—
Net earnings (loss) - common shareholders	$ 274	$ 155	$ 433	$ 126	$ (1)	$ 987

1 Included within insurance service result in the Consolidated Statements of Earnings.
2 Included within net investment result in the Consolidated Statements of Earnings.
3 Included within other income and expenses in the Consolidated Statements of Earnings.

18. Segmented Information (cont'd)

For the nine months ended September 30, 2023

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 7,013	$ 177	$ 4,521	$ 3,517	$ —	$ 15,228
Net investment income [2]	2,388	2,940	795	289	21	6,433
Changes in fair value on fair value through profit or loss assets [2]	(2,204)	(1,076)	(1,089)	(178)	(6)	(4,553)
	7,197	2,041	4,227	3,628	15	17,108
Fee and other income [3]	994	2,736	576	10	—	4,316
	8,191	4,777	4,803	3,638	15	21,424
Other insurance results						
Insurance service expenses	(4,890)	(134)	(3,892)	(2,963)	—	(11,879)
Net income (expenses) from reinsurance contracts	(1,041)	6	(110)	(13)	—	(1,158)
	(5,931)	(128)	(4,002)	(2,976)	—	(13,037)
Other investment results						
Net finance income (expenses) from insurance contracts	42	(20)	288	38	—	348
Net finance income (expenses) from reinsurance contracts	(27)	(6)	(95)	3	—	(125)
Changes in investment contract liabilities	(49)	(790)	(2)	6	—	(835)
	(34)	(816)	191	47	—	(612)
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	1,099	—	497	—	—	1,596
Net finance income (expenses) from insurance contracts	(1,099)	—	(497)	—	—	(1,596)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(1,042)	(2,800)	(712)	(34)	(34)	(4,622)
Amortization of finite life intangible assets	(79)	(153)	(53)	(1)	(1)	(287)
Financing costs	(100)	(182)	(35)	(3)	(2)	(322)
Restructuring and integration expenses	—	(71)	(12)	—	—	(83)
Earnings (loss) before income taxes	1,005	627	180	671	(22)	2,461
Income taxes	173	58	(35)	33	(6)	223
Net earnings (loss) from continuing operations before non-controlling interests	832	569	215	638	(16)	2,238
Net loss from discontinued operations	—	(121)	—	—	—	(121)
Net earnings (loss) before non-controlling interests	832	448	215	638	(16)	2,117
Attributable to non-controlling interests	22	—	—	—	—	22
Net earnings (loss)	810	448	215	638	(16)	2,095
Preferred share dividends	84	—	13	—	—	97
Net earnings (loss) before capital allocation	726	448	202	638	(16)	1,998
Impact of capital allocation	69	6	(35)	(20)	(20)	—
Net earnings (loss) - common shareholders	$ 795	$ 454	$ 167	$ 618	$ (36)	$ 1,998

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

18. Segmented Information (cont'd)

For the nine months ended September 30, 2022

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 6,574	$ 163	$ 4,045	$ 3,408	$ —	$ 14,190
Net investment income [2]	2,188	2,042	1,116	106	57	5,509
Changes in fair value on fair value through profit or loss assets [2]	(10,826)	(12,119)	(9,130)	(270)	(6)	(32,351)
	(2,064)	(9,914)	(3,969)	3,244	51	(12,652)
Fee and other income [3]	899	2,338	546	3	—	3,786
	(1,165)	(7,576)	(3,423)	3,247	51	(8,866)
Other insurance results						
Insurance service expenses	(4,443)	(128)	(3,426)	(2,907)	—	(10,904)
Net income (expenses) from reinsurance contracts	(1,058)	1	(89)	(9)	—	(1,155)
	(5,501)	(127)	(3,515)	(2,916)	—	(12,059)
Other investment results						
Net finance income (expenses) from insurance contracts	9,124	895	10,139	262	—	20,420
Net finance income (expenses) from reinsurance contracts	(110)	(7)	(1,012)	(28)	—	(1,157)
Changes in investment contract liabilities	56	9,899	4	163	—	10,122
	9,070	10,787	9,131	397	—	29,385
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	(4,047)	—	(1,923)	—	—	(5,970)
Net finance income (expenses) from insurance contracts	4,047	—	1,923	—	—	5,970
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(880)	(2,414)	(695)	(43)	(11)	(4,043)
Amortization of finite life intangible assets	(85)	(142)	(38)	—	—	(265)
Financing costs	(100)	(159)	(17)	(3)	(1)	(280)
Restructuring and integration expenses	—	(135)	—	—	—	(135)
Earnings before income taxes	1,339	234	1,443	682	39	3,737
Income taxes	197	(48)	167	123	10	449
Net earnings from continuing operations before non-controlling interests	1,142	282	1,276	559	29	3,288
Net loss from discontinued operations	—	(6)	—	—	—	(6)
Net earnings before non-controlling interests	1,142	276	1,276	559	29	3,282
Attributable to non-controlling interests	48	(8)	1	—	—	41
Net earnings	1,094	284	1,275	559	29	3,241
Preferred share dividends	84	—	13	—	—	97
Net earnings before capital allocation	1,010	284	1,262	559	29	3,144
Impact of capital allocation	69	6	(35)	(20)	(20)	—
Net earnings - common shareholders	$ 1,079	$ 290	$ 1,227	$ 539	$ 9	$ 3,144

1 Included within insurance service result in the Consolidated Statements of Earnings.
2 Included within net investment result in the Consolidated Statements of Earnings.
3 Included within other income and expenses in the Consolidated Statements of Earnings.

Income by source currency for Capital and Risk Solutions:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
Income				
United States	**$ 259**	$ 226	**$ 964**	$ 554
United Kingdom	**484**	398	**1,422**	1,273
Japan	**(120)**	5	**47**	(230)
Other	**355**	597	**1,205**	1,650
Total income	**$ 978**	$ 1,226	**$ 3,638**	$ 3,247

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

(b) Consolidated Total Assets and Liabilities

	September 30, 2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 84,431**	**$ 86,144**	**$ 38,413**	**$ 8,209**	**$ 217,197**
Insurance contract assets	**431**	**322**	**336**	**112**	**1,201**
Reinsurance contract held assets	**1,121**	**11,819**	**3,440**	**127**	**16,507**
Assets held for sale	**—**	**4,133**	**—**	**—**	**4,133**
Goodwill and intangible assets	**5,946**	**6,339**	**3,070**	**—**	**15,355**
Other assets	**4,679**	**14,974**	**3,645**	**35**	**23,333**
Investments on account of segregated fund policyholders	**95,229**	**173,217**	**133,838**	**—**	**402,284**
Total	**$ 191,837**	**$ 296,948**	**$ 182,742**	**$ 8,483**	**$ 680,010**
Liabilities					
Insurance contract liabilities	**$ 75,120**	**$ 17,647**	**$ 35,694**	**$ 5,263**	**$ 133,724**
Investment contract liabilities	**3,837**	**84,116**	**341**	**666**	**88,960**
Reinsurance contract held liabilities	**155**	**168**	**254**	**24**	**601**
Liabilities held for sale	**—**	**2,023**	**—**	**—**	**2,023**
Other liabilities	**7,589**	**11,345**	**3,293**	**662**	**22,889**
Insurance contracts on account of segregated fund policyholders	**31,538**	**12,423**	**13,304**	**—**	**57,265**
Investment contracts on account of segregated fund policyholders	**63,691**	**160,794**	**120,534**	**—**	**345,019**
Total	**$ 181,930**	**$ 288,516**	**$ 173,420**	**$ 6,615**	**$ 650,481**

	December 31, 2022				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 85,343	$ 90,655	$ 38,652	$ 8,573	$ 223,223
Insurance contract assets	408	245	322	165	1,140
Reinsurance contract held assets	1,211	12,624	3,639	97	17,571
Goodwill and intangible assets	5,789	7,973	3,079	—	16,841
Other assets	3,682	18,430	3,297	140	25,549
Investments on account of segregated fund policyholders	93,816	166,274	127,792	—	387,882
Total	$ 190,249	$ 296,201	$ 176,781	$ 8,975	$ 672,206
Liabilities					
Insurance contract liabilities	$ 75,058	$ 18,669	$ 35,670	$ 6,041	$ 135,438
Investment contract liabilities	3,635	90,139	323	713	94,810
Reinsurance contract held liabilities	164	167	226	(20)	537
Other liabilities	7,809	13,202	3,089	644	24,744
Insurance contracts on account of segregated fund policyholders	32,535	12,432	12,874	—	57,841
Investment contracts on account of segregated fund policyholders	61,281	153,842	114,918	—	330,041
Total	$ 180,482	$ 288,451	$ 167,100	$ 7,378	$ 643,411

Assets by source currency for Capital and Risk Solutions:

	September 30 2023	December 31 2022
Assets		
United States	**$ 4,207**	$ 4,070
United Kingdom	**1,228**	1,317
Japan	**2,898**	3,279
Other	**150**	309
Total assets	**$ 8,483**	$ 8,975

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