POWER CORPORATION
OF CANADA

Annual Management's Discussion and Analysis

March 17, 2022

Consolidated Financial Statements and Notes

For the year ended December 31, 2021

Power Corporation of Canada

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This document contains management's discussion and analysis of the financial condition, financial performance and cash flows of Power Corporation of Canada (the Corporation) for the twelve-month and three-month periods ended December 31, 2021 and the audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2021. This document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada and is available under the Corporation's profile on SEDAR at www.sedar.com.

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Power Corporation of Canada

PART A

Management's Discussion and Analysis

MARCH 17, 2022

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

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

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

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

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

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

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

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

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

Organization of the Annual MD&A

The following abbreviations are used throughout this report:

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

Overview

POWER CORPORATION OF CANADA

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

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

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

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

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

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

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

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

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

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

2021 HIGHLIGHTS

2020 Reorganization

On February 13, 2020, the Corporation and Power Financial successfully completed a reorganization transaction (Reorganization), pursuant to which each common share of Power Financial held by holders of common shares of Power Financial other than the Corporation and its wholly owned subsidiaries (PFC Minority Shareholders), were exchanged for 1.05 subordinate voting shares of the Corporation and $0.01 in cash. The Corporation acquired 238,693,580 common shares of Power Financial and issued 250,628,173 of its subordinate voting shares to PFC Minority Shareholders. Since then, the Corporation has held 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX. Power Financial remains a reporting issuer in all of the provinces and territories of Canada, as Power Financial's First Preferred Shares and its 6.9% debentures due March 11, 2033 remain outstanding.

OPERATING EXPENSE REDUCTION

As part of the Reorganization, the Corporation announced that it anticipated significant near-term cost reductions of approximately $50 million per year within two years of the Reorganization by eliminating duplicative public company-related expenses and rationalizing other general and administrative expenses. At December 31, 2021, the Corporation had implemented actions to achieve its targeted reduction, including the reorganization of the Corporation's asset management activities, restructuring of the Group's research and advisory services model, the reorganization of travel services, rationalization of its real estate business, reduction of certain public company expenses of Power Financial and other restructuring activities, as well as a decrease in the cost of the senior management group following the retirement of the former Co-CEOs. The Corporation measures its cost reduction efforts on a constant-dollar basis and by normalizing operating expenses and depreciation for comparability. Operating expenses are normalized to reflect charges related to long-term incentive plans based on target performance and to exclude certain one-time items. The Corporation continues to examine and undertake initiatives to improve the efficiency of its oversight and operations while adapting to the development of the Group's business.

FINANCING EXPENSE REDUCTION

The Corporation also announced at that time an intention to reduce its annual financing expenses by approximately $15 million through the redemption of an aggregate of $350 million of the Corporation's and Power Financial's First Preferred Shares with available cash within two years from the date of the Reorganization.

On October 15, 2021, the Corporation and Power Financial announced the closing of Power Financial's offering of 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 priced at $25.00 per share for gross proceeds of $200 million. On November 22, 2021, Power Financial completed the redemption of all of its outstanding $200 million 6.00% Non-Cumulative First Preferred Shares, Series I. The completion of these two capital transactions resulted in a $3 million reduction of annual financing expenses.

The Corporation continues to review opportunities in an effort to further optimize its capital structure. The Corporation has resumed normal course share buybacks under its normal course issuer bid and currently sees greater opportunity for shareholder value creation in the purchase of participating shares.

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

A number of strategic transactions were completed throughout 2021, including:

- Prudential Financial, Inc.'s (Prudential) full-service retirement business: On July 21, 2021, Empower (formerly Empower Retirement) announced a definitive agreement to acquire Prudential's full-service retirement business. The acquisition will add significant scale and capabilities and further solidify Empower's position as the second-largest retirement plan service provider in the United States and is expected to strengthen Empower's overall offering for participants and sponsors through additional expertise, an expanded product offering and new technology from Prudential. It also is expected to increase the synergy potential of Empower's 2020 acquisition of hybrid wealth manager, Personal Capital, across a larger combined business. The total transaction value of US$3.55 billion includes purchase price consideration of US$1.12 billion, reinsurance ceding commission of US$0.33 billion and US$2.1 billion of required capital to support the business. Lifeco issued $1.5 billion (US$1.19 billion) of Limited Recourse Capital Notes (LRCN Series 1) on August 16, 2021 and intends to fund the remaining purchase price with up to US$1.0 billion short-term debt and existing internal resources. Lifeco expects the transaction to close in the first half of 2022, subject to regulatory approval and other customary closing conditions.

  Lifeco anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's record-keeping platform. Estimated run-rate cost synergies are expected to be US$180 million and are expected to be phased in over 24 months. Revenue synergies of US$20 million are expected by Lifeco on a run-rate basis by the end of 2023 and Lifeco expects them to grow to US$50 million by 2025. Lifeco expects to incur one-time integration and restructuring expenses of US$170 million pre-tax and transaction costs of approximately US$55 million pre-tax, of which US$7 million pre-tax have been incurred as of December 31, 2021. Lifeco expects the integration to be completed 24 months following closing.

- ClaimSecure Inc. (ClaimSecure): On September 1, 2021, Canada Life completed the acquisition of ClaimSecure, an industry-leading healthcare management firm that provides health and dental claim management services to private and public businesses in Canada. The acquisition increases the number of plan members served by Canada Life by 1.25 million individuals, with annual claim payments of more than $1.2 billion.

- Ark Life Assurance Company dac (Ark Life): On November 1, 2021, Irish Life completed the acquisition of Ark Life from Phoenix Group Holdings plc for a total cash consideration of €230 million. Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market. The acquisition adds scale to Irish Life's retail division and enhances Irish Life's ability to provide customers with market-leading wealth and insurance solutions.

- EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest): On October 7, 2021, Lifeco announced it had agreed to enter into a long-term strategic relationship with Sagard, which includes the sale of Lifeco's United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management. On November 19, 2021, Lifeco and Sagard completed the transaction. EverWest is a real estate investment management firm based in Denver, Colorado, and is an integrated real estate platform, from acquisition, repositioning and development, to management and exit. The Corporation currently consolidates EverWest, and therefore the transaction does not have a significant impact on the consolidated statements of earnings and balance sheets.

  The acquisition of EverWest also marks Sagard's establishment of a real estate investment platform and increased presence in the U.S. market. As part of the strategic relationship with Sagard, Lifeco has committed to investing approximately US$2.0 billion (including amounts committed prior to the transaction date) in EverWest investment vehicles to support EverWest's future growth. In addition, the relationship includes further capital commitments of approximately US$500 million by Lifeco into certain Sagard managed funds (incremental to its current commitments to certain existing Sagard funds). The strategic relationship with Sagard is intended to advance Lifeco's strategy to further broaden its access to alternative investment options.

- Wealthsimple financing round: On May 3, 2021, Wealthsimple announced that it had signed a $750 million equity offering, consisting of a $250 million primary offering by Wealthsimple, as well as a $500 million secondary offering by the Corporation, IGM and Lifeco (Power Group) pro rata to their respective ownership interests. The investment was led by Meritech Capital and Greylock Partners, and included participation from a large group of investors. The transaction closed on May 12, 2021.

  At the completion of the transaction, the Power Group held a combined equity interest of 42.6%, on a fully diluted basis, representing 60.3% of the voting rights, of which a 3.8% voting interest is held through a co-investment vehicle managed by Sagard. As a result of the secondary offering, the Power Group received proceeds of $500 million and retained an interest valued at $2.1 billion. The Corporation's share of proceeds from the secondary offering was $187 million ($164 million after tax, before the consideration of existing tax attributes) and it has retained a 15.9% equity interest, including its indirect interest held through Portage I, in Wealthsimple, on a fully diluted basis, valued at $796 million.

  In the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability of certain of the non-controlling interests and option holders in Wealthsimple to fair value and carried interest payable. The Corporation's share of the charge on the remeasurement of the put right liability was $208 million and is included as an Adjustment, of which $108 million was reflected as an Adjustment to Lifeco and IGM's contribution to net earnings based on their respective interests. The Corporation's share of the net charge on the carried interest payable was $41 million comprised of:

  - Asset management activities: a net carried interest (refer to the section "Other Measures") earned by Sagard of $61 million which includes an amount of $20 million of related employee costs to be expensed over the vesting period; and
  - Investing activities: an increase in the carried interest payable of the Corporation of $102 million of which $53 million was reflected in Lifeco and IGM's contribution to adjusted net earnings based on their respective interests.

  At close of the transaction, the existing put rights held by non-controlling interests and option holders of Wealthsimple were extinguished. In the second quarter of 2021, following the close of the primary and secondary offerings and the extinguishment of the put rights, the Corporation recorded an increase in participating shareholders' equity of $757 million ($712 million post-tax) recognized through the statement of changes in equity.

- Power Sustainable Energy Infrastructure Partnership (PSEIP): On January 1, 2021, Power Sustainable launched PSEIP, an investment platform with an initial $1 billion of committed capital dedicated to the renewable energy sector, including a commitment of $400 million from Power Sustainable and $150 million from Lifeco. Through Potentia Renewables and Nautilus Solar Energy, wholly owned subsidiaries of Power Sustainable and leading integrated owner-operators of high-quality renewable energy assets, PSEIP invests in the development, construction, financing and operation of renewable energy assets across North America.

- GP Strategies Corporation (NYSE: GPX): On July 15, 2021, GP Strategies announced it had entered into a definitive agreement to be acquired by Learning Technologies Group (AIM: LTG.L), a provider of services and technologies for digital learning and talent management, for US$20.85 per GP Strategies share in cash, in a transaction valued at approximately US$394 million. In the second quarter, Sagard recorded a reversal of a previously recognized impairment of $33 million (US$27 million) on its investment in GP Strategies which was accounted for using the equity method. On October 15, 2021, the transaction was completed and Sagard disposed of its 21.0% equity interest and received proceeds of US$76 million. GP Strategies was previously included in Standalone businesses.

SUBSEQUENT EVENT

- China Asset Management Company, Ltd. (ChinaAMC): On January 5, 2022, subsequent to year-end, the Corporation announced that it had entered into an agreement under which the Power Group's current combined 27.8% equity ownership stake in ChinaAMC will be consolidated at IGM. Under the agreement, the Corporation will sell its 13.9% interest to Mackenzie, a wholly owned subsidiary of IGM, for aggregate consideration of $1.15 billion in cash. The Corporation's shareholders will continue to participate in ChinaAMC through the Corporation's interest in IGM.

  To partially fund the transaction, IGM has agreed to sell 15,200,662 Lifeco common shares to Power Financial, for aggregate consideration of $575 million, representing a price of $37.83 per share which is equivalent to the 5-day volume-weighted average price of the Lifeco common shares as at the close of business on January 5, 2022 (Lifeco Share Transfer).

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

  On closing of the Lifeco Share Transfer, Power Financial will acquire an additional interest of approximately 1.6%, increasing its total interest to approximately 68.3%. The Lifeco Share Transfer will not impact Power Financial's aggregate beneficial ownership of Lifeco common shares, which will remain at 70.7% of the issued and outstanding Lifeco common shares (including indirect beneficial ownership through its controlling interest in IGM). Power Financial's economic interest will increase to 69.8%. Power Financial and its subsidiaries will continue to own, in the aggregate, voting securities representing approximately 65% of the votes attached to all voting securities of Lifeco.

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

COVID-19

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

Refer to the section "Risk Management" in this MD&A for a summary of how the Corporation is managing the risks related to COVID-19 and to the section "Summary of Critical Accounting Estimates and Judgments" in this MD&A, as well as to Note 2 of the 2021 Consolidated Financial Statements for additional disclosure of the impact on the Corporation's significant judgments, estimates and assumptions. Refer to Parts B and C of this MD&A for a further discussion of the potential consequences due to COVID-19 as well as a further discussion on risk management, measurement uncertainty and the potential exposures at Lifeco and IGM.

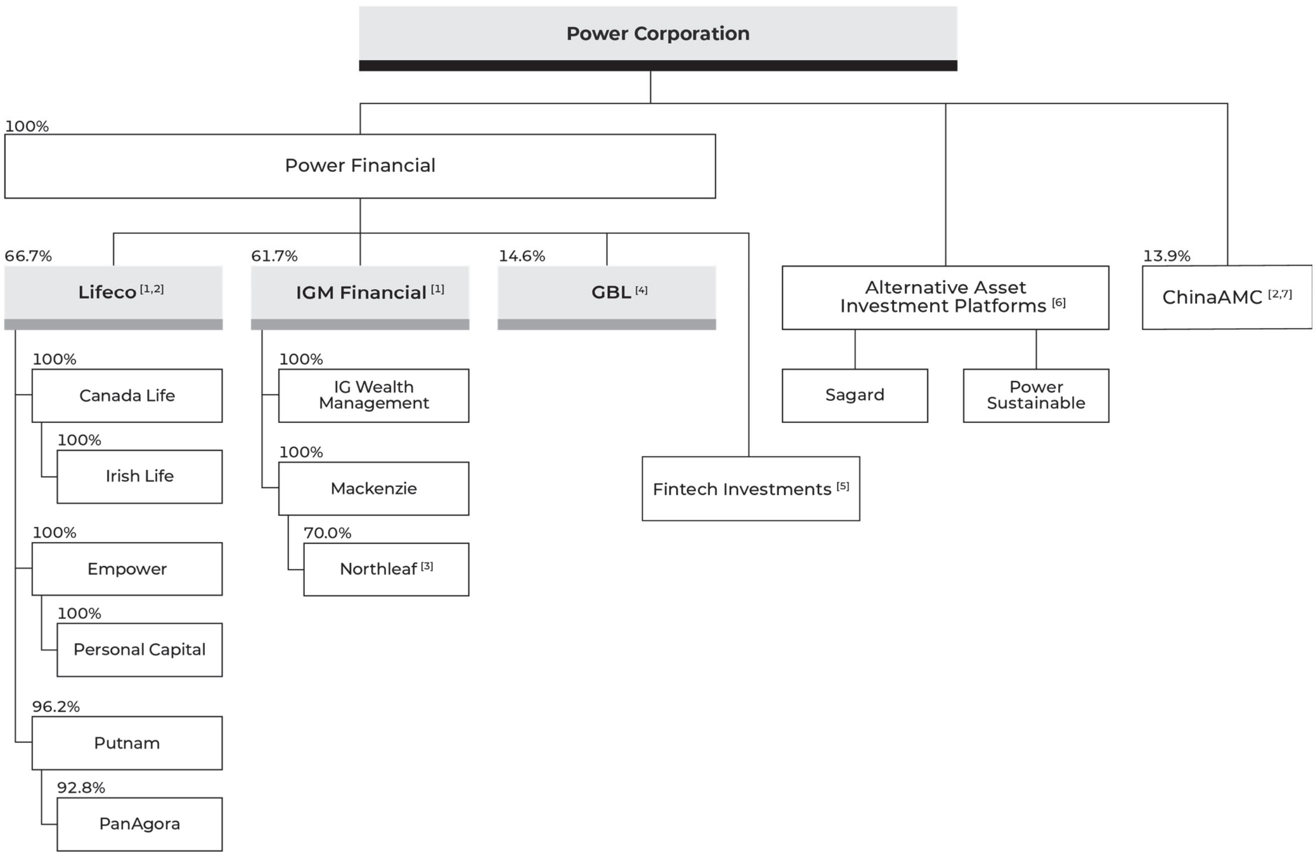
ORGANIZATION OF THE MD&A

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

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

Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. GBL is a public company listed on the Brussels Stock Exchange (EBR: GBLB). Market capitalizations reported in the following sections are at December 31, 2021 (refer to the section "Other Measures").

The following chart reflects the economic interests held by the Corporation at December 31, 2021, which include the operating subsidiaries (Lifeco and IGM) and its interest in GBL, held through Power Financial, interests held through the Corporation's alternative asset investment platforms, and an interest in ChinaAMC.



In bold: Publicly listed holdings

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

[2] Subsequent to year-end, the Corporation and IGM entered into an agreement under which the interest in ChinaAMC will be consolidated at IGM. In a separate agreement, IGM will sell approximately 1.6% of IGM's 4.0% interest in Lifeco to Power Financial. Refer to the section "China Asset Management Company, Ltd. (ChinaAMC)" in the section "2021 Highlights".

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

[4] Held through Parjointco, a jointly controlled corporation (50%). Parjointco has a 44.2% voting interest in GBL. Refer to the section "GBL" for a list of investments.

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

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

[7] IGM also holds a 13.9% interest in ChinaAMC.

PUBLICLY TRADED OPERATING COMPANIES

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

Lifeco

Great-West Lifeco Inc. (TSX: GWO), market capitalization of $35.3 billion at December 31, 2021, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States and Europe under the brands Canada Life, Empower, Putnam Investments and Irish Life. For reporting purposes, Lifeco has five reportable segments: Canada, the United States, Europe, Capital and Risk Solutions, and Corporate, which reflect geographic lines as well as the management and corporate structure of the companies.

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

The United States segment operates two primary business units, Financial Services and Asset Management. The Financial Services business unit, and specifically the Empower brand, is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors that offers employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management as well as investment and advisory services. This includes the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual) acquired on December 31, 2020. The Financial Services business unit also includes the results of Personal Capital, a hybrid wealth manager that provides financial tools and advice to individuals, following the completion of its acquisition in the third quarter of 2020. Financial Services also includes a retained block of life insurance, predominately participating policies, which are now administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance. Empower's products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. The Asset Management unit, and specifically the Putnam brand, provides investment management services and related administrative functions and distribution services through a broad range of investment products, including the Putnam funds, its own family of mutual funds which are offered to individual and institutional investors. PanAgora, a Putnam subsidiary, offers a broad range of investment solutions using sophisticated quantitative techniques.

As a result of the acquisition of Personal Capital, Lifeco expects to incur total integration expenses of US$57 million pre-tax, of which US$26 million pre-tax have been incurred as of December 31, 2021. The integration remains on track to be completed in the first half of 2022.

As of December 31, 2021, US$80 million of pre-tax run-rate cost synergies have been achieved related to Lifeco's acquisition of MassMutual's retirement services business. Lifeco remains on track to achieve run-rate cost synergies of US$160 million pre-tax at the end of integration in 2022 and to achieve run-rate revenue synergies of US$30 million in 2022 and continue to grow beyond 2022.

Lifeco expects to incur restructuring and integration expenses of US$125 million pre-tax related to the MassMutual transaction, of which US$74 million pre-tax have been incurred as of December 31, 2021. Lifeco expects that the integration will be completed in the second half of 2022.

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

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

At December 31, 2021, Power Financial and IGM held interests of 66.7% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%. On January 5, 2022, subsequent to year-end, the Corporation and IGM entered into an agreement under which approximately 1.6% of IGM's 4.0% interest in Lifeco will be sold to Power Financial. Refer to the "ChinaAMC" section of the "2021 Highlights" section.

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

IGM Financial

IGM Financial Inc. (TSX: IGM), market capitalization of $10.9 billion at December 31, 2021, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments and IGM also holds a number of strategic investments that provide benefits to the operating subsidiaries while furthering IGM's growth prospects. IGM has three reportable segments: Wealth Management, Asset Management, and Strategic Investments and Other.

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

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

On December 31, 2020, Mackenzie acquired GLC, a Canadian investment management firm with $37 billion in assets under management, from Lifeco. Separately, Canada Life acquired the fund management contracts relating to the private label Quadrus Group of Funds (QGOF). Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

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

On January 5, 2022, subsequent to year-end, IGM entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of $1.15 billion from the Corporation, which will increase IGM's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM will sell 15,200,662 common shares of Lifeco to the Corporation for cash consideration of $575 million, which will reduce IGM's equity interest in Lifeco from 4.0% to 2.4%. Refer to the "ChinaAMC" section of the "2021 Highlights" section.

On October 28, 2020, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf, a global private equity, private credit and infrastructure fund manager, headquartered in Toronto. Mackenzie and Lifeco executed the transaction through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco. The acquisition vehicle acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf for cash consideration of $241 million and up to an additional $245 million in consideration at the end of five years from the acquisition date, subject to the business achieving exceptional growth in certain performance measures over the period. Northleaf's assets under management, including unfunded commitments, were $19.5 billion at December 31, 2021 ($14.6 billion at December 31, 2020). IGM has determined that the acquisition vehicle has significant influence over Northleaf, and has classified its investment in Northleaf as an associate using the equity method.

At December 31, 2021, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 61.7% and 3.9%, respectively, in IGM's common shares.

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

GBL

Power Financial Europe SA, a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. At December 31, 2021, Parjointco held a 29.1% indirect (44.2% of the voting rights) controlling interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

GBL (EBR: GBLB), market capitalization of €15.3 billion at December 31, 2021, is one of the largest listed holding companies in Europe. Focused on long-term value creation, GBL relies on a stable and supportive family shareholder base. GBL strives to maintain a diversified high-quality portfolio composed of global industrial and services companies, leaders in their sectors, in which GBL can contribute to value creation by being an active professional investor.

At December 31, 2021, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

- Imerys (EPA: NK) – mineral-based specialty solutions for industry
- SGS (SIX: SGSN) – inspection, verification, testing and certification solutions
- adidas (XETR: ADS) – design, development, production and distribution of sporting goods
- Pernod Ricard (EPA: RI) – wines and spirits
- Holcim (SIX: HOLN and EPA: HOLN) – construction materials and solutions including cement, aggregates and concrete
- Umicore (EBR: UMI) – materials technology and recycling of precious metals
- GEA (XETR: G1A) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors
- Ontex (EBR: ONTEX) – disposable hygiene products
- MOWI (OSE: MOWI) – producer of Atlantic salmon

PRIVATELY HELD

- Webhelp – provider of customer experience and business process outsourcing
- Canyon – direct-to-consumer manufacturer of premium bicycles
- Voodoo – developer and publisher of mobile games
- Parques Reunidos – operation of regional leisure parks

In addition, through its subsidiary Sienna Investment Managers (formerly Sienna Capital), GBL is developing a portfolio of private equity, debt and thematic funds and is expanding its activities into asset management. During the third quarter of 2021, Sienna Investment Managers acquired L'Etoile Properties (Sienna Real Estate), a pan-European real estate investment manager with €7.0 billion in assets under management, marking the launch of Sienna Investment Managers third party asset management platform. On October 5, 2021, Sienna Investment Managers and Malakoff Humanis announced that they have entered into exclusive negotiations with a view of building a long-term strategic partnership in the retirement and employee savings sector in France, through an investment in Malakoff Humanis and a distribution contract. The partnership, including Sienna's acquisition of a majority interest, was completed on March 16, 2022, subsequent to year-end. Furthermore, on November 16, 2021, Sienna Investment Managers announced its intention to acquire Acofi, an expert in corporate, real estate and renewable energy private debt funds.

On March 9, 2021, GBL invested €357 million and acquired a majority stake in Canyon Bicycles GmbH (Canyon). Canyon is a leading and fast-growing German manufacturer of premium conventional and electric bikes with global reach and a leader in direct-to-consumer distribution. GBL controls the acquisition vehicle, and held 60% of the capital jointly with co-investors at the closing of the acquisition.

During 2021, GBL reduced its exposure in certain of its investments generating total proceeds of approximately €2.6 billion, including:

- Holcim: GBL entered into forward sales contracts maturing during the first and second quarters, and related to a portion of its holding in Holcim (formerly LafargeHolcim), decreasing its ownership in Holcim from 7.57% at the end of 2020 to 2.14% at December 31, 2021. These sales generated a gain for GBL of €397 million.
- Umicore: GBL reduced its holding in Umicore from 18.02% of the capital at the end of 2020 to 15.92% at December 31, 2021. These sales generated a gain for GBL of €152 million.
- GEA: GBL reduced its holdings in GEA from 8.51% at the end of 2020 to 6.29% at December 31, 2021. These sales generated a net gain for GBL of €3 million.

On August 9, 2021, GBL acquired a minority stake in Voodoo, a leading global developer and publisher of mobile games, in order to support the company's future development, including through acquisitions. GBL invested €268 million, mostly through newly issued preferred shares at an equity value (post-money) of €1.7 billion, representing a 15.9% stake for GBL. According to GBL, Voodoo is positioned at the crossroads of multiple structural trends aligned with GBL's strategic priorities, including digital, consumer experience and entertainment.

In 2021, GBL repurchased €407 million of its own capital:

- In 2020, GBL's Board of Directors approved a third €250 million allocation for share buybacks. Under this authorization, GBL acquired in 2020 and 2021, directly and through its subsidiaries, 2,685,736 GBL shares representing 1.72% of GBL's capital issued for a total of €264 million at December 31, 2021.
- In 2021, GBL's Board of Directors approved a fourth allocation of €500 million, which was executed at 34.6% at December 31, 2021 with 1,746,238 shares bought back, representing 1.12% of GBL's capital for a total of €171 million.

GBL reported a net asset value (refer to the section "Other Measures") at December 31, 2021 of €22,501 million, compared with €20,498 million at December 31, 2020.

GBL's financial results and other disclosures are derived from publicly disclosed information, as issued by GBL in its 2021 year-end press release. Further information on GBL's results is available on its website (www.gbl.be).

ALTERNATIVE ASSET INVESTMENT PLATFORMS

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

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

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

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

Sagard

Sagard was founded in 2005 as a complement to the Corporation's global investment activities. Today, Sagard is a multi-strategy alternative asset manager with professionals principally located in Canada, the U.S. and Europe. Sagard seeks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard develops long-term partnerships and empowers the growth of its investments through a unique global network of portfolio companies, limited partners, advisors and other valued relationships.

On March 26, 2021, the Corporation completed a reorganization to consolidate the alternative investment management business of Sagard under a newly formed entity, Sagard Holdings Management Inc. (SHMI). In the first quarter, the Corporation invested US$20 million in SHMI and management of Sagard acquired an interest of 4.5% in SHMI. SHMI also created a long-term incentive program pursuant to which certain key management received, or will receive in the future, compensation in the form of equity of SHMI vesting over a 6-year period.

In November 2021, Sagard completed the acquisition of EverWest from Lifeco. EverWest is a real estate investment management firm based in Denver, Colorado, covering platform activities from acquisition, repositioning and development, to management and exit. In exchange, Lifeco acquired a minority equity stake in SHMI which may increase as a result of the attainment of certain financial objectives up until December 31, 2026. Refer to the section "EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest)" in the section "2021 Highlights".

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

ASSET MANAGEMENT ACTIVITIES

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

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

(In billions of U.S. dollars)	December 31, 2021
Funds	9.4
Separately managed agreements and co-investments vehicles	0.4
Real estate – separate accounts	3.0
Other [1]	1.0
	13.8

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

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

December 31, 2021				Interest held			Manager compensation		
(in millions; except as otherwise noted)	Currency	Vintage	Capital commitment	Power Corporation	Associated companies [1]	Third parties	Fees [2]		Carried interest
			($)	(%)	(%)	(%)	(%)		(%)
Private Credit									
Sagard Credit I	US$	2017	557	18.0	1.0	81.0	1.50	Invested capital	15.0
Sagard Credit II [3]	US$	2020	1,070	4.7	3.7	91.6	1.50	Invested capital	20.0
Healthcare Royalties									
Sagard Healthcare Royalty Partners	US$	2019	726	10.3	0.5	89.2	1.75	Committed capital	20.0
Venture Capital									
Portage I [4, 5]	C$	2016	403	37.9	62.1	–	2.00	Invested capital	10.0
Portage II [4, 6]	C$	2018	427	12.4	16.8	70.8	2.00	Invested capital	20.0
Portage III [3]	US$	2021	577	2.8	15.9	81.3	2.25	Committed capital	20.0
Private Equity									
Sagard Europe II	€	2006	728	22.4	18.5	59.1	1.75	Invested capital	20.0
Sagard Europe 3 [7]	€	2013	729	0.2	26.4	73.4	2.00	Invested capital	20.0
Sagard Europe 4 [3]	€	2020	677	22.3	22.2	55.5	1.75	Committed capital	20.0
Sagard NewGen [3]	€	2020	117	51.6	47.8	0.6	2.00	Committed capital	20.0
Sagard Private Equity Canada [3]	C$	2021	200	7.5	25.0	67.5	2.00	Committed capital	20.0
Real Estate									
USPF [8]	US$	2002	956	–	22.9	77.1	0.98	Net asset value	–

[1] Associated companies includes commitments from management as well as commitments from Lifeco (US$50 million in Sagard Credit Partners II, $33 million in Portage II, US$59 million in Portage III, $50 million in SPEC and US$218 million in USPF), IGM ($33 million in Portage II and US$26 million in Portage III), Pargesa (€33 million in Sagard Europe II), and GBL (€102 million in Sagard Europe II, €192 million in Sagard Europe 3, €150 million in Sagard Europe 4 and €50 million in Sagard NewGen). Lifeco and IGM have invested $23 million and $227 million, respectively, in Portage I.

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

[3] Fundraising activities continue for Sagard Credit Partners II, Portage III, Sagard Europe 4, Sagard NewGen and SPEC.

[4] Includes an interest in Portage I and Portage II of 37.9% and 7.7%, respectively, held through Power Financial.

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

[6] Prior to April 1, 2021, management fees were based on committed capital. As of April 1, 2021, management fees are based on invested capital, which includes a reserve for follow-on investments as the fund has closed its investment period.

[7] The total initial commitment was reduced in the fourth quarter from €808 million to €729 million following a decision by the fund manager in accordance with the fund's governing documents. As a result, the remaining undrawn commitment was also reduced from €151 million to €72 million. During the third quarter of 2021, the Corporation completed the sale of its 37% limited partner (LP) interest in Sagard Europe 3 in a secondary transaction; the Corporation retained its interest held in the carried interest units.

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

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

December 31, 2021		Commitment				
(in millions; except as otherwise noted)	Currency	Total funded	Unfunded	Unfunded	Distributions to date [1]	NAV [2]
		($)	($)	(%)	($)	($)
Private Credit						
Sagard Credit I [3]	US$	509	320	57.5	272	335
Sagard Credit II	US$	–	1,070	100.0	–	–
Healthcare Royalties						
Sagard Healthcare Royalty Partners [3]	US$	91	635	87.5	2	75
Venture Capital						
Portage I [4]	C$	403	–	–	455	2,362
Portage II	C$	331	96	22.4	8	855
Portage III	US$	111	466	80.7	–	97
Private Equity						
Sagard Europe II	€	722	6	0.9	995	192
Sagard Europe 3	€	657	72	9.9	462	948
Sagard Europe 4	€	195	482	71.2	–	194
Sagard NewGen	€	90	27	22.7	–	97
Sagard Private Equity Canada	C$	26	174	86.8	–	24

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

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

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

[4] Includes investments held by Portage I, Power Financial and IGM, through limited partnerships controlled by Power Financial, in Wealthsimple, which represents a fair value of $2.1 billion.

Private Credit

- Sagard Credit Partners had assets under management of US$1.9 billion, including unfunded commitments, at December 31, 2021.
- Sagard Credit I, a fund launched in 2017, provides credit capital directly to public and private middle-market companies across the U.S. and Canada. Sagard Credit I has total capital commitments of US$557 million, of which Sagard has committed US$100 million. Sagard Credit I closed its investment period in December 2021.

  In the third quarter of 2021, the Corporation reassessed its control assessment for Sagard Credit I and determined that its exposure to the variable returns supports that Sagard is acting as an agent. The Corporation no longer controls Sagard Credit I and has derecognized the assets and liabilities of Sagard Credit I.
- In October 2020, Sagard launched Sagard Credit II, its second credit fund, which will primarily invest in secured private credit, which the fund's investment manager believes to be an underserved segment in the non-sponsor-backed middle market in Canada and the U.S. At December 31, 2021, Sagard Credit II had commitments totalling US$1,070 million, of which Sagard has committed US$50 million and Lifeco has committed up to US$50 million, of which US$31 million has been accepted at December 31, 2021.

  Sagard also has a separately managed agreement with Lifeco to invest up to an additional US$200 million alongside Sagard Credit II.
- On October 20, 2021, Sagard Credit Partners announced the launch of a new senior loans fund, Sagard Senior Loan Partners, which will focus on first-lien lending to non-sponsor-owned North American companies with $50 million or less in EBITDA. Sagard expects external fundraising efforts to begin in the first half of 2022.

Healthcare Royalties

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

Venture Capital (Fintech Investments)

- Portage Ventures, the venture capital arm of Sagard, had assets under management of US$3.3 billion (C$4.2 billion) at December 31, 2021, including unfunded commitments and an investment in Wealthsimple, a consolidated subsidiary. The Corporation, through investments held by Power Financial, together with Lifeco, IGM and Sagard, are anchor investors in the Portage I, Portage II and Portage III funds. Portage Ventures is a global fintech investor that aims to support the world's most innovative financial technology companies through their growth evolution. Its global focus enables the leveraging of market insights from one region to another. Through its funds, Portage Ventures has invested in more than 80 fintech companies and investment funds.
- Portage I held investments of $164 million at December 31, 2021 ($101 million at December 31, 2020), excluding the investment in Wealthsimple, a consolidated subsidiary discussed below.
- Portage II had total capital commitments of $427 million at December 31, 2021, of which Sagard has committed $20 million and Power Financial, Lifeco and IGM have each committed $33 million, for a total of $119 million. At December 31, 2021, the fair value of Portage II's investment portfolio was $874 million ($369 million at December 31, 2020).
- In the first quarter of 2021, Portage Ventures launched Portage Ventures III LP, its third fintech venture fund, focused on early-stage investments in the global financial technology sector. At December 31, 2021, total capital commitments amounted to US$577 million, of which Sagard committed US$16 million and Lifeco and IGM have committed US$59 million and US$26 million, respectively. Portage Ventures will continue fundraising through the first half of 2022. At December 31, 2021, the fair value of Portage III's investment portfolio was $137 million (US$108 million), (nil at December 31, 2020).

  On February 9, 2022, subsequent to year-end, Portage III completed an additional closing of US$39 million, increasing total commitments to US$616 million.

Private Equity

SAGARD EUROPE

- Sagard, through its subsidiary Sagard SAS, a French management company headquartered in Paris, had assets under management of US$2.3 billion (€2.0 billion), including unfunded commitments, at December 31, 2021. Sagard SAS manages investment funds dedicated to investing in small and middle market opportunities focused on transformational growth companies in Europe. Sagard SAS currently has four private equity funds including Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen.
- Sagard Europe 3, a fund launched in 2013, had a total of €729 million of committed capital at December 31, 2021. During the third quarter, the Corporation completed the sale of its 37% LP interest in the fund in a secondary transaction.
- Sagard Europe 4, a fund launched in 2020, had total committed capital of €677 million at December 31, 2021. The Corporation has committed an amount of €150 million, which may be increased to €200 million under certain circumstances.

  On December 31, 2021, subsequent to an amendment of the Limited Partners Agreement, the Corporation reassessed its control assessment for Sagard Europe 4 and determined that its exposure to variable returns supports that Sagard is acting as an agent. The Corporation no longer controls Sagard Europe 4 and derecognized the assets and liabilities of the fund, including an investment in a controlled subsidiary, at December 31, 2021.
- Sagard NewGen, a fund launched in 2020, is a European small cap fund focused on the healthcare and technology sectors; it will invest in majority and minority holdings with deal sizes typically between €10 million and €50 million. Sagard NewGen will seek to invest in companies aiming to become leaders in their respective market that share a commitment to innovation and sustainability. At December 31, 2021, Sagard NewGen had total committed capital of €117 million, of which the Corporation has committed an amount of €60 million. At December 31, 2021, the fair value of Sagard NewGen's investment portfolio was $139 million (€97 million), ($15 million and €10 million, respectively, at December 31, 2020).

  Sagard SAS continues its fundraising activities for Sagard Europe 4 and Sagard NewGen.

CANADIAN PRIVATE EQUITY

- In January 2021, Sagard announced the launch of its Canadian Private Equity platform, SPEC, a strategy focused on Canadian mid-market opportunities to help companies and their management teams accelerate their growth trajectory. On September 8, 2021, SPEC announced its first investment with the acquisition of a non-controlling interest in Groupe LOU-TEC Inc., a leading heavy machinery and equipment rental company operating mainly in the province of Québec. In the fourth quarter of 2021, Sagard completed the initial close of SPEC for a total committed capital of $200 million, of which Sagard and Lifeco have committed $15 million and $50 million, respectively.

  On February 2, 2022, subsequent to year-end, SPEC completed an additional closing of $97 million, increasing total commitments to $297 million.

Real Estate

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

  EverWest offers a variety of investment strategies including separate accounts and funds. EverWest manages, through its separate account segment, real estate assets with a fair value at December 31, 2021 of US$2.9 billion, which includes over US$800 million of assets managed on behalf of Lifeco. EverWest's flagship fund, USPF, is a core open-end real estate investment fund, and is included in the Open-End Diversified Core Equity Index. At December 31, 2021, USPF managed assets with a fair value of US$1.4 billion.

Wealth Management

- Sagard holds a 64.2% controlling interest in Grayhawk. In April 2021, Sagard invested a further $11 million in Grayhawk. Grayhawk, a registered portfolio manager, investment manager and exempt market dealer, had $1.3 billion in assets under management at December 31, 2021 for high-net-worth Canadian families.

Portage Fintech Acquisition Corporation

- In the second quarter of 2021, Sagard launched Portage Fintech Acquisition Corporation (PFTA), a newly organized U.S. "blank check company" sponsored by PFTA I LP, an affiliate of Sagard. On July 21, 2021, PFTA successfully completed an initial public offering of 25,911,379 units at a price of US$10.00 per unit, raising gross proceeds of US$259 million, including the exercise of the over-allotment option granted to underwriters of the offering. On July 21, 2021, the units were listed on the Nasdaq exchange and trade under the ticker symbol "PFTAU". Each unit consists of one Class A ordinary share of PFTA and one-third of one redeemable warrant. The offering closed on July 23, 2021 and the over-allotment was completed on August 5, 2021.

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

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

INVESTING ACTIVITIES

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

December 31, 2021 (in millions of Canadian dollars)	Investments to date [1]	Share of distributions to date [1]	Fair value of the investment
Private Credit			
Sagard Credit I	157	100	79
Healthcare Royalties			
Sagard Healthcare Royalty Partners	54	43	10
Venture Capital			
Portage I [2]	158	159	854
Portage II	50	10	93
Portage III	4	–	3
Private Equity			
Sagard Europe II	221	289	49
Sagard Europe 3	525	762	46
Sagard Europe 4	163	102	63
Sagard NewGen	72	3	71
Sagard Canadian Private Equity	2	–	2

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

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

During the third quarter, the Corporation completed the sale of its 37% LP interest in Sagard Europe 3 in a secondary transaction. The Corporation received gross proceeds of $334 million (€225 million) and realized a gain of $66 million in net earnings in the third quarter. The Corporation retained its interest held in the carried interest units.

Fintech Investments

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

WEALTHSIMPLE

At December 31, 2021, Portage I, Power Financial and IGM collectively held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 54.8% (74.9% at December 31, 2020), representing a voting interest of 56.5% and a fully diluted equity interest of 42.5%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple continues to scale its presence in the marketplace and expand its suite of investment and savings products, which include Wealthsimple Cash, Wealthsimple Crypto, Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade and Wealthsimple Work. At December 31, 2021, Wealthsimple had 1.6 million clients, excluding tax clients, across the Canadian and United Kingdom markets with assets under administration of $18.8 billion, compared with $9.5 billion (excluding the assets under administration of U.S. clients and Wealthsimple for Advisors) at December 31, 2020, representing a year-over-year growth of 97%.

On March 4, 2021, Wealthsimple announced that it had sold its U.S. book of business. This disposal supports Wealthsimple's strategy to focus on the Canadian market. During the second quarter, Wealthsimple closed this transaction and completed the transfer of the U.S.-based customer accounts.

At December 31, 2021, the Group had invested $315 million in Wealthsimple (same at December 31, 2020).

KOHO FINANCIAL

At December 31, 2021, Portage I and Portage II, Power Financial, Lifeco and IGM, through a limited partnership controlled by Power Financial, held a 33.8% fully-diluted equity interest in Koho (36.9% at December 31, 2020). At December 31, 2021, the cost of the Group's investment in Koho was $47 million. Koho is a Canada-based digital platform offering a suite of financial services to provide consumers an experience that is an alternative to traditional banks.

On February 1, 2022, subsequent to year-end, Koho announced that it completed a $210 million Series D financing round which includes $150 million in primary capital, $10 million in secondary capital for early shareholders and members of the Koho team, and a $50 million debt facility. The round was led by U.S.-based holding company Eldridge, with follow-on funding from past investors including Drive Capital, TTV Capital, and Portage Ventures. The Corporation, Lifeco and IGM participated in a secondary offering pro rata to their respective ownership interests and sold 16.7% of their ownership interest in Koho to a special purpose co-investment vehicle managed by Sagard. The Power Group will receive proceeds of $32 million and will retain a 22.3% fully-diluted equity interest in Koho through Portage I and Portage II. In the fourth quarter of 2021, due to the fair value increase in Koho, the Corporation recognized its share of the unrealized gain of $35 million, of which $18 million was reflected in Lifeco and IGM's contribution to adjusted net earnings based on their respective interest.

Power Sustainable

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

ASSET MANAGEMENT ACTIVITIES

At December 31, 2021, Power Sustainable had $4.2 billion of assets under management, including unfunded commitments, of which $1.3 billion relates to equity interests in standalone businesses (refer to the section "Standalone businesses"), across two asset classes: sustainable equity and sustainable energy infrastructure. Assets under management reflects the fair value of assets, net of liabilities and project debt, and includes unfunded commitments.

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

December 31, 2021			Commitments		Interest held			
(in millions; except as otherwise noted)	Currency	Vintage	Total Commitments	Total funded	Power Corporation	Associated companies [1]	Third parties	NAV
			($)	($)	(%)	(%)	(%)	($)
Sustainable Equity								
Power Sustainable China [2]	C$	2005	1,356	n.a.	70.9	–	29.1	1,356
Sustainable Energy Infrastructure								
Energy Infrastructure Partnership [3, 4]	C$	2021	1,000	416	40.0	15.0	45.0	548

[1] Associated companies includes commitments from Lifeco of $150 million in PSEIP.

[2] Power Sustainable China manages open-end funds and assets on behalf of clients through separate investment management agreements; as such, the capital commitment is representative of the NAV. Includes NAV of $1.2 billion, which is managed through separate investment management agreements on behalf of the Corporation and third parties.

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

[4] Excludes direct investments in energy assets, which have a net asset value of $460 million.

Power Sustainable China

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

Power Sustainable China manages China-based equity investment funds and holds a Private Fund Manager (PFM) licence for domestic Chinese investors. At December 31, 2021, Power Sustainable China had $1.4 billion of assets under management, of which $394 million of assets under management are on behalf of third-party investors. Power Sustainable China continues fundraising activities across all investment vehicles. Power Sustainable China also manages the Corporation's capital which is invested in mainland China's public equity markets through a Qualified Foreign Institutional Investor (QFII) licence as well as through the Hong Kong Stock Connect program.

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

Power Sustainable Energy Infrastructure

At December 31, 2021, Power Sustainable Energy Infrastructure (Power Sustainable Energy) had $1.6 billion of assets under management, including unfunded commitments and direct energy infrastructure investments, and operated a leading North American-focused renewable energy platform with 1.6 GW of utility-scale and distributed energy assets, including 531 MW of assets under construction, and 534 MW of assets in advanced development projects. Through its wholly owned operating companies, Nautilus Solar and Potentia Renewables, Power Sustainable Energy has a dedicated team of over 100 in-house professionals to oversee the development, construction, financing and operation of renewable energy assets across North America.

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

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

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP

At December 31, 2021, PSEIP had $1.1 billion of assets under management, including unfunded commitments, throughout North America. PSEIP is a partnership with committed capital of $1 billion dedicated to the renewable energy sector and includes a commitment of $400 million from Power Sustainable and $150 million from Lifeco.

In 2021, PSEIP invested $416 million in multiple solar and wind portfolios and distributed $5 million. At December 31, 2021, the NAV of PSEIP was $548 million.

The Corporation controls PSEIP and consolidates the activities of the fund. Equity interests held by third parties have redemption features, subject to certain restrictions, and have been classified as a financial liability. On January 1, 2021, certain existing operating assets and projects under development and the related project debt, in the amount of $255 million, were transferred to PSEIP from Potentia Renewables and Nautilus in exchange for consideration in cash of $154 million and a 40% interest in PSEIP. In the first quarter of 2021, as a result of the investment by third parties in equity interests of the fund, the Corporation recognized a reduction of retained earnings of $45 million in the statements of changes in equity, primarily related to the initial measurement of non-controlling interests.

Following the initial transfer, PSEIP invested an additional $161 million in multiple renewable energy portfolios. Potentia transferred its 75% interest in a wind energy operating asset, and the related project debt, in the amount of $22 million to PSEIP, in exchange for consideration in cash and units in the fund.

DIRECT ENERGY INFRASTRUCTURE INVESTMENTS

Power Sustainable Energy had $461 million of assets under management through direct investments in projects under development and in operation in North America and the Caribbean, at December 31, 2021. These direct investments have a combined 825 MW of solar and wind energy assets, which includes 210 MW of assets under construction, and 425 MW of assets in advanced development projects.

At December 31, 2021, the total assets on a consolidated basis of PSEIP and direct investments were $2.5 billion.

INVESTING ACTIVITIES

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

Asset Class	Sustainable Equity	Sustainable Energy Infrastructure	
December 31, 2021 (in millions; except as otherwise noted)	Power Sustainable China [1]	PSEIP [2]	Direct Investments [3]
Investments to date	366	167	834
Share of distributions to date	318	2	310
Fair value of the investment at December 31, 2021	962	211	460

[1] The fair value of the investments at December 31, 2021 includes $227 million held in cash and the portfolio has unrealized gains of $57 million, as well, the fair value of the investments excludes the Corporation's performance fee payable of $38 million. In 2021, the Corporation received distributions of $141 million of which $72 million was received in the first quarter, $25 million in each of the second and third quarters and $19 million in the fourth quarter.

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

[3] Includes the direct energy infrastructure investments at fair value.

Standalone Businesses

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

SAGARD

- Peak: Sagard held a 42.6% equity interest and a 50% voting interest in Peak at December 31, 2021. Peak designs, develops and commercializes sports equipment and apparel for ice hockey and lacrosse under iconic brands including Bauer. The Corporation's investment is accounted for using the equity method.

  In the fourth quarter of 2021, Sagard received a distribution of $17 million from Peak.

  In the fourth quarter of 2020, Easton Diamond Sports, LLC (Easton), a wholly owned subsidiary of Peak, and Rawlings Sporting Goods, Inc. (Rawlings), completed the previously announced acquisition by Rawlings of Easton. As part of the transaction the existing shareholders of Peak continue to participate as minority owners in the combined organization. Peak's investment in the combined organization is accounted for using the equity method.

POWER SUSTAINABLE

- LMPG: Power Sustainable, through Power Sustainable Energy, held a controlling interest of 54.4% at December 31, 2021 in LMPG (formerly Lumenpulse Group Inc.), an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments. In the fourth quarter of 2021, LMPG completed an equity financing of $75 million, in which the Corporation's interest decreased from 60.5% to 54.4%.

- Lion Electric: Power Sustainable, through Power Sustainable Energy, held a 35.4% equity interest at December 31, 2021 (44.1% at December 31, 2020) in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion Electric creates, designs and manufactures all-electric Class 5 to Class 8 commercial urban trucks and all-electric buses and minibuses for the school, paratransit and mass transit segments. Lion is a North American leader in electric transportation and designs, builds and assembles many of its vehicles' components, including chassis, battery packs, truck cabins and bus bodies.

  On May 6, 2021, a wholly owned subsidiary of Lion merged with Northern Genesis Acquisition Corp. (Northern Genesis), a publicly traded special purpose acquisition company, and as a result Lion became publicly listed on the TSX and the New York Stock Exchange. A US$200 million committed private placement of common shares of Lion was completed, in which Power Sustainable invested an additional US$17 million (C$20 million). At the close of the transaction, Power Sustainable held an equity interest of 31.0%; the effect of the change in ownership resulted in a gain of $62 million, net of accumulated losses which had not been recognized by the Corporation, recognized in earnings in the second quarter of 2021.

  Power Sustainable also held call rights to acquire up to 13,212,480 shares from certain existing shareholders of Lion. During the second quarter, Power Sustainable exercised a portion of its outstanding call rights and acquired an additional 8,891,812 shares, on a cashless net settlement basis, increasing Power Sustainable's interest to 35.7% and resulting in an increase in the carrying value of the investment in Lion of $222 million. The fair value of the remaining call rights was estimated to be $8 million at December 31, 2021 ($102 million at December 31, 2020). In 2021, the Corporation recognized a loss on revaluation of the call rights of $14 million and $5 million, respectively, in the third and fourth quarters and a gain on the revaluation of the call rights of $147 million in the second quarter, recorded in net investment income on the consolidated statement of earnings.

CHINAAMC

Founded in 1998 as one of the first fund management companies in China, ChinaAMC has developed and maintained its position among the market leaders in China's asset management industry. ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,662 billion (C$331 billion) at December 31, 2021.

The Corporation and IGM each hold interests of 13.9% in ChinaAMC, representing a combined 27.8% interest. Together they have significant influence and account for their respective interests as an associate using the equity method. Subsequent to year-end, the Corporation announced its intention to consolidate the group's interest in ChinaAMC under IGM. Refer to the "ChinaAMC" section of the "2021 Highlights" section.

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

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The 2021 Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS and are presented in Canadian dollars.

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

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

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

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

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

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

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

At December 31, 2021, the Corporation's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Publicly traded operating companies [1]			
Lifeco [2]	66.7	Controlling interest	Consolidation
IGM [3]	61.7	Controlling interest	Consolidation
GBL [4]	14.6	Joint control	Equity method
ChinaAMC [5]	13.9	Significant influence	Equity method
Alternative asset investment platforms			
Sagard	100.0	Controlling interest	Consolidation
SHMI [6]	86.3	Controlling interest	Consolidation
Wealthsimple [1, 7]	13.7	Controlling interest	Consolidation
Portage I [1, 8]	63.0	Controlling interest	Consolidation
Portage II [1, 9]	12.4	Controlling interest	Consolidation
Portage III [10]	2.8	Controlling interest	Consolidation
Sagard Credit I	18.0	Investment	Fair value through profit or loss
Sagard Credit II [11]	4.7	Investment	Fair value through profit or loss
Sagard Healthcare Royalty	10.3	Investment	Fair value through profit or loss
Sagard Canadian Private Equity [12]	7.5	Controlling interest	Consolidation
Sagard Europe II	22.4	Investment	Available for sale
Sagard Europe 4	22.3	Investment	Available for sale
Sagard NewGen	51.6	Controlling interest	Consolidation
Power Sustainable	100.0	Controlling interest	Consolidation
Power Sustainable Investment Management Inc.	100.0	Controlling interest	Consolidation
Investments	< 5.0	Investment	Available for sale
Power Sustainable Energy Infrastructure Partnership [13]	40.0	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Standalone businesses			
Peak	42.6	Joint control	Equity method
LMPG	54.4	Controlling interest	Consolidation
Lion	35.4	Significant influence	Equity method

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

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

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

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

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

[6] Lifeco also holds a 6.6% interest in SHMI.

[7] Portage I and IGM also hold interests of 10.9% and 30.2%, respectively, in Wealthsimple (see also the section "Wealthsimple").

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

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

[10] Lifeco and IGM also hold interests of 10.2% and 4.6%, respectively, in Portage III.

[11] Lifeco also holds a 2.8% interest in Sagard Credit II.

[12] Lifeco also holds a 25.0% interest in Sagard Canadian Private Equity.

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

At December 31, 2021, Parjointco's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	29.1	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
Pernod Ricard	7.6	Investment	Available for sale
adidas	7.1	Investment	Available for sale
SGS	19.1	Investment	Available for sale
Umicore	15.9	Investment	Available for sale
MOWI	7.0	Investment	Available for sale
Holcim	2.1	Investment	Available for sale
GEA	6.3	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Investment Managers [1]	100.0	Controlling interest	Consolidation
Webhelp	59.2	Controlling interest	Consolidation
Canyon	51.9	Controlling interest	Consolidation
Voodoo	16.2	Investment	Available for sale
Parques Reunidos	23.0	Significant influence	Equity method

[1] Sienna Investment Managers holds a portfolio of investments in alternative investment funds.

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

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

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

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

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

Results of Power Corporation

This section presents:

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

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

PRESENTATION OF HOLDING COMPANY ACTIVITIES

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

The Corporation completed the Reorganization and announced a change in its strategy in early 2020. Subsequent to the Reorganization, the corporate operations of both the Corporation and Power Financial are being managed together and have been presented on a combined basis throughout the "Results of Power Corporation" section. The investment activities of Power Financial, other than those held in publicly traded operating companies, are primarily interests held in fintech investments, all of which are managed by Sagard, and are presented combined with the investing activities of Sagard.

The holding company activities comprise the corporate activities of the Corporation and Power Financial, on a combined basis, and present the investment activities of the Corporation as a holding company. The investment activities of the holding company, including the investments in Lifeco, IGM and controlled entities within the alternative asset investment platforms, are presented using the equity method. The holding company activities also present the corporate assets and liabilities managed, including the cash and non-participating shares. The discussions included in the sections "Financial Position" and "Cash Flows" present the segmented balance sheet and cash flow statement of the holding company; these non-consolidated statements are presented in Note 33 of the Corporation's 2021 Consolidated Financial Statements, and reconciliations of these statements are provided throughout this MD&A.

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

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

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

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the twelve months and three months ended December 31, 2021 are presented below. The Corporation's reportable operating segments are Lifeco, IGM and GBL. These tables reflect the contributions to the net earnings attributable to Power Corporation's participating shareholders from its reportable operating segments and the Corporation's alternative and other investments including its investment platforms, which include controlled and consolidated investment funds and investments, and its investment in ChinaAMC.

Consolidated net earnings – Twelve months ended

	Lifeco	IGM [1]	GBL [2]	Investment Platforms and Other [3]	Holding company [4]	Effect of consolidation [5]	Power Corporation Consolidated net earnings	
							December 31, 2021	December 31, 2020
Revenues								
Total net premiums	52,813	–	–	–	–	(22)	52,791	42,999
Net investment income	4,265	23	–	882	38	38	5,246	12,146
Fee income	7,294	3,565	–	285	–	(189)	10,955	8,942
Other revenues	–	–	–	569	–	–	569	529
Total revenues	64,372	3,588	–	1,736	38	(173)	69,561	64,616
Expenses								
Total paid or credited to policyholders	50,295	–	–	–	–	–	50,295	48,487
Commissions	2,664	1,296	–	–	–	(50)	3,910	3,439
Operating and administrative expenses	7,263	1,106	–	1,763	166	(128)	10,170	8,694
Financing charges	328	114	–	89	54	14	599	555
Total expenses	60,550	2,516	–	1,852	220	(164)	64,974	61,175
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,822	1,072	–	(116)	(182)	(9)	4,587	3,441
Share of earnings of investments in jointly controlled corporations and associates	45	196	172	413	62	(159)	729	170
Earnings before income taxes	3,867	1,268	172	297	(120)	(168)	5,316	3,611
Income taxes	304	287	–	24	26	2	643	77
Net earnings	3,563	981	172	273	(146)	(170)	4,673	3,534
Attributable to								
Non-controlling interests	1,490	507	–	(259)	136	(170)	1,704	1,488
Non-participating shareholders	–	–	–	–	52	–	52	52
Participating shareholders of Power Corporation [5]	2,073	474	172	532	(334)	–	2,917	1,994
	3,563	981	172	273	(146)	(170)	4,673	3,534

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

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

[3] "Investment Platforms and Other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, standalone businesses, as well as the investment activities held through Power Financial including Portage I, Portage II and Wealthsimple. On December 1, 2020, the Corporation determined that it no longer controls Koho and deconsolidated Koho as of the date control was lost. The results of Koho were included in Investment Platforms and Other up to the date of deconsolidation and include a gain recognized on deconsolidation of $90 million (the Corporation's share was $71 million) recognized in the fourth quarter of 2020.

[4] "Holding company" is comprised of the corporate operations of Power Financial and the Corporation, presented on a combined basis.

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

Consolidated net earnings – Three months ended

	Lifeco	IGM [1]	GBL [2]	Investment Platforms and Other [3]	Holding company [4]	Effect of consolidation [5]	Power Corporation Consolidated net earnings December 31, 2021	September 30, 2021	December 31, 2020
Revenues									
Total net premiums	12,989	–	–	–	–	(7)	12,982	14,916	11,742
Net investment income	3,233	15	–	161	11	8	3,428	755	3,763
Fee income	1,885	934	–	92	–	(52)	2,859	2,782	2,365
Other revenues	–	–	–	206	–	–	206	131	84
Total revenues	18,107	949	–	459	11	(51)	19,475	18,584	17,954
Expenses									
Total paid or credited to policyholders	14,592	–	–	–	–	–	14,592	13,796	13,555
Commissions	717	342	–	–	–	(11)	1,048	947	932
Operating and administrative expenses	1,932	279	–	589	35	(24)	2,811	2,303	2,493
Financing charges	89	29	–	24	14	–	156	154	141
Total expenses	17,330	650	–	613	49	(35)	18,607	17,200	17,121
Earnings before investments in jointly controlled corporations and associates, and income taxes	777	299	–	(154)	(38)	(16)	868	1,384	833
Share of earnings of investments in jointly controlled corporations and associates	15	50	(27)	204	17	(40)	219	87	(1)
Earnings before income taxes	792	349	(27)	50	(21)	(56)	1,087	1,471	832
Income taxes	30	80	–	(1)	(2)	–	107	203	(147)
Net earnings	762	269	(27)	51	(19)	(56)	980	1,268	979
Attributable to									
Non-controlling interests	250	87	–	26	34	(56)	341	514	343
Non-participating shareholders	–	–	–	–	13	–	13	13	13
Participating shareholders of Power Corporation [5]	512	182	(27)	25	(66)	–	626	741	623
	762	269	(27)	51	(19)	(56)	980	1,268	979

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

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

[3] "Investment Platforms and Other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, standalone businesses, as well as the investment activities held through Power Financial including Portage I, Portage II and Wealthsimple. On December 1, 2020, the Corporation determined that it no longer controls Koho and deconsolidated Koho as of the date control was lost. The results of Koho were included in Investment Platforms and Other up to the date of deconsolidation and include a gain recognized on deconsolidation of $90 million (the Corporation's share was $71 million) recognized in the fourth quarter of 2020.

[4] "Holding company" is comprised of the corporate operations of Power Financial and the Corporation, presented on a combined basis.

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

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

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Adjusted net earnings [1]					
Lifeco [2]	2,175	1,784	550	580	495
IGM [2]	601	474	161	167	127
GBL [2]	60	89	(3)	(11)	16
Effect of consolidation [3]	68	(44)	(6)	(4)	(34)
	2,904	2,303	702	732	604
Alternative and other investments [4]	685	112	51	103	78
ChinaAMC	62	42	17	17	12
Corporate operating and other expenses	(233)	(164)	(47)	(57)	(20)
Dividends on non-participating and perpetual preferred shares	(188)	(189)	(47)	(47)	(47)
Non-controlling interests of Power Financial	–	(116)	–	–	–
	3,230	1,988	676	748	627
Adjustments [5]					
Lifeco [2]	(87)	183	(39)	1	114
IGM [2]	5	1	5	–	16
GBL [2, 6]	–	(6)	–	–	–
Effect of consolidation	(103)	(165)	(1)	5	(126)
	(185)	13	(35)	6	4
Alternative and other investments	(115)	5	(15)	–	–
Corporate operations	(13)	(8)	–	(13)	(8)
Non-controlling interests of Power Financial	–	(4)	–	–	–
	(313)	6	(50)	(7)	(4)
Net earnings [7]					
Lifeco [2]	2,088	1,967	511	581	609
IGM [2]	606	475	166	167	143
GBL [2]	60	83	(3)	(11)	16
Effect of consolidation	(35)	(209)	(7)	1	(160)
	2,719	2,316	667	738	608
Alternative and other investments [4]	570	117	36	103	78
ChinaAMC	62	42	17	17	12
Corporate operations and other expenses	(246)	(172)	(47)	(70)	(28)
Dividends on non-participating and perpetual preferred shares	(188)	(189)	(47)	(47)	(47)
Non-controlling interests of Power Financial	–	(120)	–	–	–
	2,917	1,994	626	741	623

[1] Adjusted net earnings is a non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures". For a reconciliation of Lifeco, IGM, GBL, and Alternative and other investments' non-IFRS adjusted net earnings to their net earnings, refer to the sections "Lifeco", "IGM Financial", "GBL" and "Alternative and Other Investments" below which detail the contribution to net earnings and adjusted net earnings of each. The comparative figures of Adjusted net earnings and Adjustments shown for 2020 were restated. Refer to the section "Non-IFRS Financial Measures".

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

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

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

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

[6] Previously reported by Pargesa.

[7] Attributable to participating shareholders.

Contribution to adjusted and net earnings per share

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Adjusted net earnings per share – basic [1]					
Lifeco [2]	3.22	2.65	0.82	0.86	0.73
IGM [2]	0.89	0.71	0.24	0.25	0.19
GBL [2]	0.08	0.14	(0.01)	(0.02)	0.02
Effect of consolidation [3]	0.10	(0.13)	(0.01)	(0.01)	(0.05)
	4.29	3.37	1.04	1.08	0.89
Alternative and other investments [4]	1.01	0.18	0.07	0.15	0.12
ChinaAMC	0.09	0.06	0.02	0.03	0.02
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.62)	(0.54)	(0.13)	(0.16)	(0.10)
	4.77	3.07	1.00	1.10	0.93
Adjustments [5]					
Lifeco	(0.13)	0.28	(0.05)	–	0.16
IGM	–	–	–	–	0.02
GBL	–	(0.01)	–	–	–
Effect of consolidation	(0.14)	(0.25)	–	0.01	(0.18)
	(0.27)	0.02	(0.05)	0.01	–
Alternative and other investments	(0.17)	–	(0.02)	–	–
Corporate operations	(0.02)	(0.01)	–	(0.02)	(0.01)
	(0.46)	0.01	(0.07)	(0.01)	(0.01)
Net earnings per share - basic [6]					
Lifeco [2]	3.09	2.93	0.77	0.86	0.89
IGM [2]	0.89	0.71	0.24	0.25	0.21
GBL [2]	0.08	0.13	(0.01)	(0.02)	0.02
Effect of consolidation	(0.04)	(0.38)	(0.01)	–	(0.23)
	4.02	3.39	0.99	1.09	0.89
Alternative and other investments [4]	0.84	0.18	0.05	0.15	0.12
ChinaAMC	0.09	0.06	0.02	0.03	0.02
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.64)	(0.55)	(0.13)	(0.18)	(0.11)
	4.31	3.08	0.93	1.09	0.92

[1] For a reconciliation of Lifeco, IGM, GBL, and Alternative and other investments' non-IFRS adjusted net earnings to their net earnings, refer to the sections below which detail the contribution to net earnings and adjusted net earnings of each. Adjusted net earnings per share is a non-IFRS ratio, refer to the section "Non-IFRS Financial Measures". The comparative figures of Adjusted net earnings per share and Adjustments per share shown for 2020 were restated. Refer to the section "Non-IFRS Financial Measures".

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

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

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

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

[6] Attributable to participating shareholders.

Effect of consolidation reflects:

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

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Lifeco					
Application of the Corporation's accounting method on investments under common control and other	(13)	10	–	(2)	18
IGM					
Application of the Corporation's accounting method on investments under common control	(43)	(9)	13	(8)	13
Adjustment to include gain on Personal Capital in adjusted net earnings	–	19	–	–	–
Adjustments in accordance with IAS 39 and other	12	(8)	5	1	(4)
	(31)	2	18	(7)	9
GBL					
Adjustments in accordance with IAS 39 and other	112	(56)	(24)	5	(61)
	68	(44)	(6)	(4)	(34)
Non-controlling interests of Power Financial	–	(32)	–	–	–
	68	(76)	(6)	(4)	(34)
Per share	0.10	(0.13)	(0.01)	(0.01)	(0.05)

2021 vs. 2020	Q4 2021 vs. Q4 2020 and Q3 2021
Net earnings	
$2,917 million or $4.31 per share, compared with $1,994 million or $3.08 per share in the corresponding period in 2020, an increase of 39.9% on a per share basis.	$626 million or $0.93 per share, compared with $623 million or $0.92 per share in the corresponding period in 2020, an increase of 1.1% on a per share basis, and $741 million or $1.09 per share in the third quarter of 2021.
Adjusted net earnings	
$3,230 million or $4.77 per share, compared with $1,988 million or $3.07 per share in the corresponding period in 2020, an increase of 55.4% on a per share basis.	$676 million or $1.00 per share, compared with $627 million or $0.93 per share in the corresponding period in 2020, an increase of 7.5% on a per share basis, and $748 million or $1.10 per share in the third quarter of 2021.
Contribution to net earnings and adjusted net earnings from Lifeco, IGM and GBL	
Contribution to net earnings of $2,719 million, compared with $2,316 million in the corresponding period in 2020, an increase of 17.4%. Contribution to adjusted net earnings of $2,904 million, compared with $2,303 million in the corresponding period in 2020, an increase of 26.1%.	Contribution to net earnings of $667 million, compared with $608 million in the corresponding period in 2020, an increase of 9.7%, and $738 million in the third quarter of 2021. Contribution to adjusted net earnings of $702 million, compared with $604 million in the corresponding period in 2020, an increase of 16.2%, and $732 million in the third quarter of 2021.

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

LIFECO

Contribution to Power Corporation

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Contribution to Power Corporation's [1]:					
Adjusted net earnings					
As reported by Lifeco	2,175	1,784	550	580	495
Effect of consolidation [2]	(13)	10	–	(2)	18
	2,162	1,794	550	578	513
Adjustments					
As reported by Lifeco	(87)	183	(39)	1	114
Effect of consolidation [3]	(2)	(109)	1	5	(107)
	(89)	74	(38)	6	7
Non-controlling interests of Power Financial	–	(76)	–	–	–
Net earnings	2,073	1,792	512	584	520

[1] Power Financial's average direct ownership in Lifeco was 66.7% for the year ended December 31, 2021 (66.9% in the corresponding period in 2020). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively.

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

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

Adjusted and net earnings per share as reported by Lifeco

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Adjusted net earnings per share [1, 2]	3.507	2.878	0.887	0.934	0.799
Adjustments [3]	(0.142)	0.295	(0.065)	0.004	0.184
Net earnings per share [1]	3.365	3.173	0.822	0.938	0.983

[1] Attributable to Lifeco common shareholders.

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

[3] See "Adjustments" section below.

Contribution to adjusted and net earnings (loss) by segments as reported by Lifeco

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Adjusted net earnings (loss) [1, 2]					
Canada	1,220	1,206	317	312	348
United States	671	273	156	221	90
Europe	830	688	213	232	195
Capital and Risk Solutions	547	536	145	107	124
Lifeco Corporate	(8)	(34)	(6)	(2)	(16)
	3,260	2,669	825	870	741
Adjustments [3, 4]					
Actuarial assumption changes and other management actions [5]	134	113	23	69	(23)
Market-related impacts on liabilities [5]	24	(127)	20	47	(31)
Transaction costs related to acquisitions	(189)	(78)	(74)	(90)	(47)
Restructuring and integration costs	(66)	(67)	(15)	(24)	(67)
Tax legislative changes impact on liabilities	(21)	–	–	–	–
Net gain/charge on business dispositions	(14)	237	(14)	–	143
Revaluation of a deferred tax asset	–	196	–	–	196
	(132)	274	(60)	2	171
Net earnings (loss) [1]					
Canada	1,187	1,070	307	305	300
United States	499	380	92	168	208
Europe	976	913	239	357	253
Capital and Risk Solutions	532	614	133	102	167
Lifeco Corporate	(66)	(34)	(6)	(60)	(16)
Net earnings [1]	3,128	2,943	765	872	912

[1] Attributable to Lifeco common shareholders.

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

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

[4] See "Adjustments" section below.

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

2021 vs. 2020	Q4 2021 vs. Q4 2020 and Q3 2021
Net earnings	
$3,128 million or $3.365 per share, compared with $2,943 million or $3.173 per share in the corresponding period in 2020, an increase of 6.1% on a per share basis.	$765 million or $0.822 per share, compared with $912 million or $0.983 per share in the corresponding period in 2020, a decrease of 16.4% on a per share basis, and $872 million or $0.938 per share in the third quarter of 2021.
Adjusted net earnings	
$3,260 million or $3.507 per share, compared with $2,669 million or $2.878 per share in the corresponding period in 2020, an increase of 21.9% on a per share basis.	$825 million or $0.887 per share, compared with $741 million or $0.799 per share in the corresponding period in 2020, an increase of 11.0% on a per share basis, and $870 million or $0.934 per share in the third quarter of 2021.

CANADA

Net earnings in the twelve-month period ended December 31, 2021 increased by $117 million to $1,187 million, compared with the corresponding period in 2020. Adjusted net earnings in the twelve-month period ended December 31, 2021 were $1,220 million, an increase of $14 million compared with the corresponding period in 2020, primarily due to:

- Favourable morbidity experience in Group Customer, higher impact of new business and fee income.
- Partially offset by the impact of lower surplus investment income on seed money and changes in certain tax estimates.

Adjusted net earnings in the twelve-month period ended December 31, 2021 excluded Adjustments of negative $33 million, compared with Adjustments of negative $136 million in the corresponding period in 2020. Actuarial assumption changes and management actions were negative $43 million, compared with negative $194 million in the corresponding period in 2020, which reflected the unfavourable impact of insurance contract liability basis changes in the fourth quarter of 2020. Market-related impacts were positive $10 million in the twelve months ended December 31, 2021, compared with market-related impacts of negative $51 million in the corresponding period in 2020, which was impacted by equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings in the three-month period ended December 31, 2021 increased by $7 million to $307 million, compared with the corresponding quarter in 2020. Adjusted net earnings in the three-month period ended December 31, 2021 were $317 million, a decrease of $31 million compared with the corresponding quarter in 2020, primarily due to less favourable morbidity experience in Group Customer, and the impact of changes to certain tax estimates.

Adjusted net earnings in the three-month period ended December 31, 2021 excluded Adjustments of negative $10 million, compared with Adjustments of negative $48 million in the corresponding quarter in 2020. Actuarial assumption changes and management actions were negative $13 million compared with negative $147 million in the corresponding quarter last year, primarily due to the same reason discussed in the twelve-month period above. Market-related impacts were positive $3 million in the three months ended December 31, 2021, compared with market-related impacts of negative $10 million in the corresponding quarter in 2020.

UNITED STATES

Net earnings in the twelve-month period ended December 31, 2021 increased by US$110 million (C$119 million) to US$397 million (C$499 million), compared with the corresponding period in 2020. Adjusted net earnings were US$535 million (C$671 million) in the twelve-month period ended December 31, 2021, an increase of US$330 million (C$398 million) compared with the corresponding period in 2020, primarily due to:

- An increase of US$282 million in Financial Services, primarily due to MassMutual-related adjusted net earnings of US$188 million, organic growth in the Empower business attributable to higher average equity markets, an increase in participants, as well as higher contributions from investment experience; and
- An increase of US$62 million in Putnam, primarily due to higher AUM-based fee income and the favourable impact of certain tax items, partially offset by higher operating expenses as well as lower net investment income and performance fee revenue.
- Partially offset by a Personal Capital-related adjusted net loss of US$28 million.

Adjusted net earnings in the twelve-month period ended December 31, 2021 excluded Adjustments of negative US$138 million (C$172 million), compared with positive US$82 million (C$107 million) in the corresponding period in 2020. The decrease in Adjustments was primarily due to:

- The revaluation of a deferred tax asset of US$151 million in the fourth quarter of 2020 which had been derecognized in the fourth quarter of 2019;
- Higher restructuring and integration costs related to the MassMutual and Personal Capital acquisitions;
- Higher transaction costs related to acquisitions of the full-service retirement business of Prudential, Personal Capital and MassMutual. Transaction costs were US$86 million in the twelve-month period of 2021 and included US$76 million of additional contingent consideration expense related to the acquisition of Personal Capital based on a higher best estimate of net new assets above the amount assumed in the purchase price; and
- Lower contributions from insurance contract liability basis changes.

Net earnings in the three-month period ended December 31, 2021 decreased by US$86 million (C$116 million) to US$73 million (C$92 million), compared with the corresponding quarter in 2020. Adjusted net earnings were US$125 million (C$156 million) in the three-month period ended December 31, 2021, an increase of US$57 million (C$66 million) compared with the corresponding quarter in 2020, primarily due to:

- An increase of US$61 million in Financial Services, primarily due to MassMutual-related adjusted net earnings of US$44 million and the same reasons discussed in the twelve-month period above; and
- An increase of US$9 million in Putnam, primarily due to the favourable impact of certain tax items and higher AUM-based fee revenue, partially offset by lower net investment income and performance fee revenue as well as higher operating expenses.
- Partially offset by a Personal Capital-related adjusted net loss of US$6 million.

Adjusted net earnings in the three-month period ended December 31, 2021 excluded Adjustments of negative US$52 million (C$64 million), compared with positive US$91 million (C$118 million) in the corresponding quarter in 2020. The decrease in Adjustments was primarily due to:

- The revaluation of a deferred tax asset as explained in the twelve-month period above; and
- Higher transaction costs which included US$39 million of additional contingent consideration expense related to the acquisition of Personal Capital as explained in the twelve-month period above.

EUROPE

Net earnings in the twelve-month period ended December 31, 2021 increased by $63 million to $976 million, compared with the corresponding period in 2020. Adjusted net earnings in the twelve-month period ended December 31, 2021 were $830 million, an increase of $142 million compared with the corresponding period in 2020, primarily due to:

- Favourable investment and morbidity experience in the U.K.;
- Fee income growth, favourable morbidity experience and a pension settlement gain in Ireland; and
- Favourable impact of changes to certain tax estimates in Germany, resulting from the resolution of an outstanding issue with a foreign tax authority.
- Partially offset by unfavourable changes to certain tax estimates in the U.K.

Adjusted net earnings in the twelve-month period ended December 31, 2021 excluded Adjustments of positive $146 million, compared with Adjustments of positive $225 million in the corresponding period in 2020. The decrease in Adjustments of $79 million was primarily due to:

- Transaction costs and contingent consideration provisions related to recent acquisitions in Ireland;
- A net charge on business disposition in Corporate;
- Unfavourable impact of tax legislative changes on deferred tax liabilities in the second quarter of 2021 of $21 million due to legislative increases to future U.K. corporation tax rates resulting in the revaluation of deferred tax liabilities; and
- A net gain of $94 million from the sale of Irish Progressive Services International (IPSI) in the third quarter of 2020.
- Partially offset by growth in property market values and market-related impacts on liabilities. In the twelve-month period of 2021, market-related impacts on liabilities were positive $19 million, compared with negative $57 million in the corresponding period in 2020.

Net earnings in the three-month period ended December 31, 2021 decreased by $14 million to $239 million, compared with the corresponding quarter in 2020. Adjusted net earnings in the three-month period ended December 31, 2021 were $213 million, an increase of $18 million compared with the corresponding quarter in 2020, primarily due to:

- Favourable morbidity experience and changes to certain tax estimates in the U.K; and
- Fee income growth in Ireland.
- Partially offset by lower annuitant experience in the U.K., unfavourable mortality experience in Ireland and the impact of currency movement.

Adjusted net earnings in the three-month period ended December 31, 2021 excluded Adjustments of positive $26 million, compared with Adjustments of positive $58 million in the corresponding quarter in 2020. The decrease in Adjustments of $32 million was primarily due to:

- Transaction costs and contingent consideration provisions related to recent acquisitions in Ireland;
- A net charge on business disposition in Corporate; and
- Lower contributions from actuarial assumption changes.
- Partially offset by growth in property market values.

CAPITAL AND RISK SOLUTIONS

Net earnings in the twelve-month period ended December 31, 2021 decreased by $82 million to $532 million, compared with the corresponding period in 2020. Adjusted net earnings in the twelve-month period ended December 31, 2021 were $547 million, an increase of $11 million compared with the corresponding period in 2020, primarily due to:

- Favourable impacts from new business, higher business volumes and changes in certain tax estimates.
- Partially offset by a loss estimate of $61 million after-tax for estimated claims resulting from the impact of recent major weather events recorded in the third quarter of 2021, unfavourable claims experience in the U.S. life business and less favourable longevity experience.

Adjusted net earnings in the twelve-month period ended December 31, 2021 excluded Adjustments of negative $15 million, compared with Adjustments of positive $78 million in the corresponding period in 2020. The decrease in Adjustments of $93 million was primarily due to positive contributions from insurance contract liability basis changes in the fourth quarter of 2020.

Net earnings in the three-month period ended December 31, 2021 decreased by $34 million to $133 million, compared with the corresponding quarter in 2020. Adjusted net earnings in the three-month period ended December 31, 2021 were $145 million, an increase of $21 million compared with the corresponding quarter in 2020, primarily due to:

- Growth in business in force;
- Changes in certain tax estimates; and
- Less adverse claims experience in the life business.
- Partially offset by less favourable longevity experience.

Adjusted net earnings in the three-month period ended December 31, 2021 excluded Adjustments of negative $12 million, compared with Adjustments of positive $43 million in the corresponding quarter in 2020. The decrease in Adjustments was primarily due to the same reason discussed in the twelve-month period above.

ADJUSTMENTS

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

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

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

In 2020, Adjustments with a positive earnings impact of $274 million after-tax consisted of:

- In the fourth quarter of 2020, Adjustments were a positive earnings impact of $171 million which consisted of a negative earnings impact of $23 million after tax ($71 million pre-tax) relating to actuarial assumption changes and other management actions, and negative market-related impacts on liabilities of $31 million after tax ($21 million pre-tax). Lifeco also recognized a revaluation of a deferred tax asset of $196 million after tax (US$151 million) as a result of the acquisitions in the United States segment of the retirement services business of MassMutual and Personal Capital in 2020, Lifeco revised its estimates of future taxable profits and recognized a deferred tax asset that had previously been derecognized in the fourth quarter of 2019. These Adjustments were partially offset by transaction costs incurred related to the acquisitions of Personal Capital and the retirement services business of MassMutual of $47 million after tax ($59 million pre-tax), and restructuring and integration costs of $67 million after tax ($88 million pre-tax). As well, Lifeco recognized a net gain of $143 million after tax ($137 million pre-tax) related to the sale of GLC Asset Management Group Ltd., net of restructuring costs of $16 million after tax. The Corporation continued to consolidate GLC as it was acquired by IGM, and therefore the transaction had no impact on the consolidated statements of earnings and balance sheets. The Corporation eliminated the gain recognized by Lifeco of $159 million on consolidation.
- In the third quarter of 2020, Adjustments were a positive earnings impact of $147 million which consisted of a positive earnings impact of $66 million after tax ($73 million pre-tax) relating to actuarial assumption changes and other management actions, and positive market-related impacts on liabilities of $18 million after tax ($13 million pre-tax), a net gain of $94 million after tax ($95 million pre-tax) related to the sale of IPSI, offset by transaction costs incurred related to the acquisitions of Personal Capital and the retirement services business of MassMutual of $31 million after tax ($36 million pre-tax).
- In the second quarter of 2020, Adjustments were a positive earnings impact of $157 million which consisted of a positive earnings impact of $122 million after tax ($140 million pre-tax) relating to actuarial assumption changes and other management actions, and positive market-related impacts on liabilities of $35 million after tax ($43 million pre-tax).
- In the first quarter of 2020, Adjustments were a negative earnings impact of $201 million which consisted of a negative earnings impact of $52 million after tax ($81 million pre-tax) relating to actuarial assumption changes and other management actions and negative market-related impacts on liabilities of $149 million after tax ($213 million pre-tax).

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

IGM FINANCIAL

Contribution to Power Corporation

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Contribution to Power Corporation's [1]:					
Adjusted net earnings					
As reported by IGM	601	474	161	167	127
Effect of consolidation [2]	(31)	2	18	(7)	9
	570	476	179	160	136
Adjustments					
As reported by IGM	5	1	5	–	16
Effect of consolidation [3]	(101)	(56)	(2)	–	(19)
	(96)	(55)	3	–	(3)
Non-controlling interests of Power Financial	–	(17)	–	–	–
Net earnings	474	404	182	160	133

[1] Power Financial's average direct ownership in IGM was 61.8% for the year ended December 31, 2021 (62.1% in the corresponding period in 2020). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively.

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

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

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Adjusted net earnings per share [1, 2]	4.05	3.20	1.08	1.13	0.86
Adjustments [3, 4]	0.03	0.01	0.03	–	0.10
Net earnings per share [1]	4.08	3.21	1.11	1.13	0.96

[1] Available to IGM common shareholders.

[2] Adjusted net earnings per share is a non-IFRS ratio; refer to Part C of this MD&A.

[3] See "Adjustments" section below.

[4] Described as "Other items" by IGM; refer to Part C of this MD&A.

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Wealth Management [1]	543	449	147	147	122
Asset Management [1]	241	158	66	70	41
Strategic Investments and Other [1]	187	156	48	53	42
Adjusted net earnings [2, 3]	971	763	261	270	205
Adjustments [3, 4]	8	1	8	–	24
Net earnings [2]	979	764	269	270	229

[1] In the third quarter of 2020, IGM realigned its reportable segments to better characterize IGM's business lines and improve transparency into the key drivers of its business. IGM has realigned the previously reported IG Wealth Management, Mackenzie Investments and Corporate and Other segments into three segments so that financial reporting characterizes its distinct business lines. The realigned segments include: Wealth Management, Asset Management and Strategic Investments and Other. In the first quarter of 2021, IGM further expanded its reportable segment disclosures to present Adjusted net earnings, whereas previously it was presented as earnings before interest and taxes. Debt and interest expense is allocated to each segment based on IGM's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Comparative figures have been reclassified to reflect these changes.

[2] Available to IGM common shareholders.

[3] Adjusted net earnings is a non-IFRS financial measure, refer to Part C of this MD&A for additional details including a definition and reconciliation. IGM does not allocate Adjustments to segments.

[4] Described as "Other items" by IGM, refer to Part C of this MD&A.

2021 vs. 2020	Q4 2021 vs. Q4 2020 and Q3 2021
Net earnings $979 million or $4.08 per share, compared with $764 million or $3.21 per share in the corresponding period in 2020, an increase of 27.1% on a per share basis.	$269 million or $1.11 per share, compared with $229 million or $0.96 per share in the corresponding period in 2020, an increase of 15.6% on a per share basis, and $270 million or $1.13 per share in the third quarter of 2021.
Adjusted net earnings $971 million or $4.05 per share, compared with $763 million or $3.20 per share in the corresponding period in 2020, an increase of 26.6% on a per share basis.	$261 million or $1.08 per share, compared with $205 million or $0.86 per share in the corresponding period in 2020, an increase of 25.6% on a per share basis, and $270 million or $1.13 per share in the third quarter of 2021.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Financial has deferred the adoption of IFRS 9 and continues to apply IAS 39. The contribution to Power Financial includes adjustments to reverse the impact of the application of IFRS 9 by IGM.

Adjusted net earnings exclude Adjustments of a positive earnings impact of $8 million in the twelve-month period ended December 31, 2021, compared with Adjustments of a positive earnings impact of $1 million in the corresponding period in 2020. These Adjustments are not allocated to segments. The following is a summary of each segment's net earnings:

WEALTH MANAGEMENT

Net earnings increased by $94 million to $543 million in the twelve-month period ended December 31, 2021, compared with the corresponding period in 2020. The increase in net earnings is mainly related to an increase in net earnings of IG Wealth Management of $89 million, primarily due to:

- An increase in income from advisory fees of $135 million, primarily due to the increase in average assets under advisement of 16.7%, offset in part by a decrease in the advisory fee rate. The average advisory fee rate for the twelve-month period was 103.2 basis points of average assets under advisement, compared with 106.3 basis points in 2020, reflecting changes in product and client mix as there is an increase in high-net-worth clients who are eligible for lower rates;
- An increase in income from product and program fees of $113 million, primarily due to the increase in average assets under management of 14.2%. The average product and program fee rate for the period was 86.0 basis points of average assets under management, compared with 85.8 basis points in 2020, reflecting changes in product mix and price; and
- An increase in other financial planning revenues of $14 million to $163 million, primarily due to higher distribution fee income from insurance products, partially offset by lower earnings from the mortgage banking operations.

Partially offset by:

- An increase in advisory and business development expenses of $100 million to $840 million in the twelve-month period which includes compensation paid to consultants, the majority of which varies directly with assets or sales levels. Asset-based compensation increased by $91 million to $536 million, mainly due to increased average assets under advisement and consultant performance. Sales-based compensation is based on the level of new assets contributed to client accounts and is capitalized and amortized as they reflect incremental costs to obtain a client contract. Sales-based compensation increased by $20 million to $56 million, due to additional sales-based commission being capitalized and amortized throughout 2020 and 2021. The increase in expense was partially offset by a decrease of $10 million in other advisory and business development expenses;
- An increase in income taxes of $34 million to $190 million;
- An increase in sub-advisory expenses of $25 million to $175 million, primarily due to higher assets under management;
- An increase in operations and support expenses of $10 million to $417 million which includes costs that support wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses; and
- A decrease in redemption fees of $6 million to $10 million.

Net earnings increased by $25 million to $147 million in the three-month period ended December 31, 2021, compared with the corresponding quarter in 2020. The increase in net earnings is mainly related to an increase in net earnings of IG Wealth Management of $24 million, primarily due to:

- An increase in income from advisory fees of $36 million, primarily due to the increase in average assets under advisement of 17.0%, offset in part by a decrease in the advisory fee rate. The average advisory fee rate for the three-month period was 101.8 basis points of average assets under advisement, compared with 105.3 basis points in 2020, reflecting changes in product and client mix as explained in the twelve-month period above; and
- An increase in income from product and program fees of $32 million, primarily due to the increase in average assets under management of 15.1%. The average product and program fee rate for the fourth quarter was 86.3 basis points of average assets under management, compared with 85.8 basis points in 2020, reflecting changes in product mix and price.

Partially offset by:

- An increase in advisory and business development expenses of $23 million to $220 million in the quarter. Asset-based compensation increased by $25 million to $142 million, mainly due to increased average assets under advisement and consultant performance. Sales-based compensation increased by $5 million to $16 million, due to additional sales-based commission being capitalized and amortized throughout 2020 and 2021. The increase in expense was partially offset by a decrease of $8 million in other advisory and business development expenses;
- An increase in income taxes of $9 million to $51 million;
- An increase in sub-advisory expenses of $6 million to $46 million, primarily due to higher assets under management;
- An increase in operations and support expenses of $2 million to $104 million;
- A decrease in other financial planning revenues of $4 million to $42 million, primarily due to lower earnings from the mortgage banking operations, partially offset by higher distribution fee income from insurance products; and
- A decrease in redemption fees of $1 million.

ASSET MANAGEMENT

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

Net earnings increased by $83 million to $241 million in the twelve-month period ended December 31, 2021, compared with the corresponding period in 2020, due to:

- An increase of net asset management fees, which is asset management fees offset by dealer compensation expenses, of $157 million to $771 million, mainly due to an increase in net asset management fees – third party of $143 million, primarily due to a 69.4% increase in average assets under management, partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 54.2 basis points for the twelve months ended December 31, 2021, compared with 72.0 basis points in the comparative period in 2020. The decline in the net asset management fee rate in the period was primarily due to the increase in sub-advisory assets from the GLC acquisition, which have lower effective rates. Other factors include a change in the composition of assets under management, including the impact of having a greater share in non-retail-priced products. Management fees – Wealth Management increased by $14 million to $115 million; and
- An increase in net investment income and other of $3 million to $6 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds, which are generally made in the process of launching a fund and are sold as third-party investors subscribe.

Partially offset by:

- An increase in expenses of $49 million to $431 million, primarily due to an increase in operations and support expenses of $42 million, as well as an increase in advisory and business development expenses of $9 million. Advisory and business development expenses primarily include wholesale distribution activities which vary directly with assets or sales levels. The increase in the twelve-month period is due to higher wholesale commissions attributed to a record-high level of sales during 2021. Operations and support expenses includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. The increase in the twelve-month period is due to strategic initiatives including the acquisitions during the fourth quarter of 2020; and
- An increase in income taxes of $25 million to $81 million.

Net earnings increased by $25 million to $66 million in the three-month period ended December 31, 2021, compared with the corresponding quarter in 2020, due to:

- An increase of net asset management fees, which is asset management fees offset by dealer compensation expenses, of $42 million to $205 million, mainly due to an increase in net asset management fees – third party of $37 million, primarily due to a 64.2% increase in average assets under management, partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 54.8 basis points for the three months ended December 31, 2021, compared with 70.8 basis points in the comparative period in 2020. The decline in the net asset management fee rate in the quarter was primarily due to the increase in sub-advisory assets from the GLC acquisition, which have lower effective rates. Management fees – Wealth Management increased by $4 million to $30 million.

Partially offset by:

- An increase in expenses of $10 million to $114 million, primarily due to an increase in operations and support expenses of $14 million, partially offset by a decrease in advisory and business development expenses of $4 million, which vary directly with assets or sales levels; and
- An increase in income taxes of $7 million to $21 million.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

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

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

Total assets under management and advisement were as follows:

(In billions of dollars)	December 31, 2021	September 30, 2021	December 31, 2020	September 30, 2020
Wealth Management				
Assets under management	116.2	112.1	103.1	98.0
Other assets under advisement	36.4	33.4	29.5	27.0
Assets under advisement	152.6	145.5	132.6	125.0
Asset Management				
Assets under management excluding sub-advisory to Wealth Management	129.1	124.1	110.9	74.6
Sub-advisory to Wealth Management	81.2	79.2	74.2	71.4
Assets under management	210.3	203.3	185.1	146.0
Consolidated [1]				
Assets under management	245.3	236.2	214.0	172.6
Other assets under advisement [2]	31.8	29.0	26.0	23.8
Total assets under management and advisement [2]	277.1	265.2	240.0	196.4

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

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

Total average assets under management and advisement were as follows:

(In billions of dollars)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Wealth Management								
Assets under advisement	149.7	146.5	140.2	134.9	128.3	124.3	117.1	121.9
Assets under management	115.1	113.1	108.5	104.9	100.4	97.7	91.9	96.2
Asset Management								
Assets under management excluding sub-advisory to Wealth Management	126.8	125.2	119.3	112.7	77.2	73.7	67.3	67.1
Total assets under management	207.1	204.9	196.6	187.2	149.5	144.5	134.5	137.5
Consolidated [1]								
Assets under management	241.9	238.3	227.8	217.6	177.6	171.4	159.2	163.3
Assets under management and advisement [2]	272.0	267.4	255.4	243.9	202.2	194.9	181.5	186.0

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

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

ADJUSTMENTS

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

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

Adjustments in 2020 were $1 million and consisted of:

- In the fourth quarter of 2020, adjusted net earnings excluded a positive impact of $24 million. IGM recognized a gain on the sale of the investment in the Quadrus Group of Funds to Lifeco, net of acquisition costs, of $21 million after tax ($25 million pre-tax). The Corporation has not included the amount of the gain of $30 million on the sale of Quadrus Group of Funds in its Adjustments as this gain was eliminated on consolidation. Also in the fourth quarter of 2020, a positive earnings impact of $3 million, consisting of IGM's proportionate share of Lifeco's after-tax adjustments, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs.
- In the third quarter of 2020, adjusted net earnings excluded a net charge of $23 million, consisting of restructuring and other charges of $54 million after tax ($75 million pre-tax) resulting from IGM's ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also from the acquisition of GLC and other changes to IGM's investment management teams, offset by a gain on the sale of the investment in Personal Capital of $31 million after tax ($37 million pre-tax). The Corporation has not included the amount of the gain on the sale of Personal Capital in its Adjustments as this gain was eliminated on consolidation. The Corporation recognized a gain as a result of the investment in Personal Capital being remeasured at fair value on the date control was acquired by Lifeco; this gain was not included as an Adjustment, in accordance with the Corporation's definition of Adjusted net earnings.

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

GBL

Contribution to Power Corporation

(In millions of Canadian dollars)	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended December 31, 2020
Contribution to Power Corporation's [1]:					
Adjusted net earnings (loss)					
As reported by GBL [2]	60	89	(3)	(11)	16
Effect of consolidation [3]	112	(56)	(24)	5	(61)
	172	33	(27)	(6)	(45)
Adjustments [2]	–	(6)	–	–	–
Non-controlling interests of Power Financial	–	(33)	–	–	–
Net earnings (loss)	172	(6)	(27)	(6)	(45)

[1] In the twelve-month period ended December 31, 2021, Power Financial's average indirect ownership in GBL was 14.2% (14.2% in the corresponding period in 2020). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively.

[2] In the fourth quarter of 2020, following the merger of Pargesa and Parjointco Switzerland SA, Pargesa was delisted from the SIX and has therefore ceased to publish quarterly financial information. Prior to the fourth quarter of 2020, the Contribution to the Corporation was based on the financial results of Pargesa which included Adjustments identified by Pargesa. As of the fourth quarter of 2020, the Contribution to the Corporation is based on the financial results of GBL. GBL does not identify Adjustments or report adjusted net earnings.

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

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

(In millions of euros)	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended December 31, 2020
Share of earnings (loss) of associates and consolidated operating companies of:					
Imerys	132	16	13	41	(36)
Webhelp	40	27	13	5	(4)
Piolin II/Parques Reunidos	13	(72)	4	27	(35)
Canyon	(15)	–	(13)	(1)	–
Sienna Investment Managers	116	38	38	30	16
	286	9	55	102	(59)
Net dividends from investments:					
SGS	104	108	–	–	–
Holcim	65	89	–	–	–
Pernod Ricard	62	53	35	–	29
adidas	35	–	–	–	–
Umicore	31	11	–	10	–
MOWI	16	1	5	7	–
GEA	13	13	–	–	7
Other [1]	37	38	–	–	16
	363	313	40	17	52
Interest income (expenses)	(20)	(24)	(5)	(5)	(7)
Other financial income (expenses)	(164)	239	(56)	(51)	136
Other operating income (expenses)	(312)	(146)	(54)	(108)	(60)
Gains (losses) from disposals, impairments and reversals of non-current assets	125	1	7	1	6
Taxes	1	(1)	1	–	–
Net earnings (loss) [2, 3]	279	391	(12)	(44)	68

[1] In 2021, includes a reimbursement of withholding taxes received from the French tax authorities relating to dividends received from TotalEnergies in 2006 and 2019 (in 2020, mainly consists of reimbursement of withholding taxes relating to dividends received from Engie and TotalEnergies in 2008 and between 2016 and 2018).

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

[3] Attributable to GBL shareholders.

2021 vs. 2020	Q4 2021 vs. Q4 2020 and Q3 2021
Net earnings (loss)	
€279 million, compared with €391 million in the corresponding period in 2020, a decrease of 28.6%.	A net loss of €12 million, compared with net earnings of €68 million in the corresponding period in 2020, and a net loss of €44 million in the third quarter of 2021.

IAS 39 adjustments to the contribution of GBL

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

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

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

	Twelve months ended		Three months ended		
(In millions of Canadian dollars)	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Disposal of interest in TotalEnergies [1]	–	45	–	–	–
Partial disposal of interest in Holcim [2]	122	–	–	–	–
Partial disposal of interest in Umicore [3]	33	–	–	–	–
Partial disposal of interest in GEA [4]	17	–	4	4	–
Impairment charges [5]	(30)	(52)	(22)	–	–
Disposal of private equity funds and other [6]	27	18	3	11	7
Reversal of unrealized (gains) losses on private equity funds and other [7]	(57)	(100)	(9)	(10)	(68)
Total	112	(89)	(24)	5	(61)

[1] During the second quarter of 2019, GBL sold substantially all of its 0.6% interest in TotalEnergies through forward sales contracts, which matured in January 2020 and resulted in a gain. GBL's gain of €411 million was not reflected in its earnings as the investment is classified as FVOCI. Power Corporation's share of this realized gain was $45 million.

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

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

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

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

- GEA – The investment in GEA has been previously impaired, resulting in an adjusted cost of €22.50 per share. During the first quarter of 2020, the share price decreased to €18.73, resulting in an impairment charge. Power Corporation's share was $13 million.
- Holcim – The investment in Holcim has been previously impaired, resulting in an adjusted cost of €35.83 per share. During the first quarter of 2020, the share price decreased to €33.41, resulting in an impairment charge. Power Corporation's share was $27 million.
- Ontex – The investment in Ontex has been previously impaired, resulting in an adjusted cost of €11.00 per share. During the first and fourth quarters of 2021, the share price decreased to €8.98 and €6.99, respectively, resulting in an impairment charge. Power Corporation's share was $8 million in the first quarter and $7 million in the fourth quarter. During the second and third quarters of 2020, the Corporation recorded its share of an impairment charge of $5 million and $7 million, respectively.
- Other investments – During the fourth quarter of 2021, Power Corporation's share of impairment charges on other investments was $15 million.

[6] During 2021, investments held through private equity funds and other investments, classified as FVPL in accordance with IFRS 9, were disposed of, resulting in realized gains. Power Corporation's share of the realized gain in accordance with IAS 39 was $7 million in the first quarter, $6 million in the second quarter, $11 million in the third quarter and $3 million in the fourth quarter of 2021 ($17 million in the first quarter of 2020, including the reversal of a previously recognized impairment, and $7 million in the fourth quarter of 2020). During the second and third quarters of 2020, the Corporation recognized its share of $4 million and $2 million, respectively, related to impairments on investments held through a private equity fund.

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

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

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

RESULTS

Net earnings in the twelve-month period ended December 31, 2021, decreased by €112 million to €279 million, compared with the corresponding period in 2020. The decrease in net earnings was mainly due to:

- An increase in other financial expenses of €403 million to €164 million, compared with a financial income of €239 million in 2020. Other financial expenses mainly included the negative impact of the variation of the debt held by GBL to Webhelp's minority shareholders of €293 million, compared with a negative impact of €209 million in the twelve-month period of 2020. The marking to market derivatives associated with exchangeable bonds of GEA and Holcim and convertible bonds in GBL shares resulted in a loss of €140 million, compared with a gain of €45 million in the comparative period. As well, these expenses were partially offset by an increase in the fair value of €256 million of Sienna Investment Managers' investments in funds which are not consolidated, or equity accounted, representing a decrease of €136 million compared with the corresponding period in 2020;
- An increase in operating expenses of €166 million to €312 million mainly due to the increase in debts recorded under Webhelp's employee incentive plan of €213 million, compared with an increase of €73 million in the corresponding period, which included the effect of discounting and vesting; and
- A negative contribution from Canyon to GBL's net earnings of €15 million, acquired during the first quarter of 2021, which includes transaction costs related to GBL's acquisition of Canyon.

Partially offset by:

- An increase in the contribution from Imerys to net earnings of €116 million to a contribution to GBL of €132 million;
- An increase in the contribution from Webhelp to net earnings of €13 million to a contribution to GBL of €40 million;
- A contribution from Piolin II S.à.r.l. to GBL's net earnings of €13 million, compared with a negative contribution of €72 million for the twelve-month period of 2020;
- An increase in the contribution from Sienna Investment Managers of €78 million to a contribution to GBL of €116 million;
- An increase in dividends of €50 million to €363 million mainly due to an increase in dividends from adidas, Umicore, MOWI and Pernod Ricard of €35 million, €20 million, €15 million and €9 million, respectively. The dividend received from Holcim decreased by €24 million due to a decrease in the interest held by GBL. Other dividends decreased by €1 million; other dividends primarily included €37 million in 2021 related to the reimbursement of withholding taxes received from the French tax authorities relating to dividends received from TotalEnergies in 2006 and 2019; and
- An increase in gains (losses) from disposals, impairments and reversals of non-current assets of €124 million to €125 million mainly due to net gains recognized by GBL on the sale of two investments held by Sienna Investment Managers in the first quarter of 2021.

For the three-month period ended December 31, 2021, the net loss was €12 million compared with net earnings of €68 million in the corresponding quarter in 2020. The decrease in net earnings was mainly due to:

- An increase in other financial expenses of €192 million to €56 million in the three-month period ended December 31, 2021, compared with financial income of €136 million in 2020, mainly due to the same reasons discussed in the twelve-month period above. Other financial expenses in the fourth quarter of 2021 include a loss of €97 million on marking to market derivatives and a positive impact of €3 million related to the variation of the debt held by GBL to Webhelp's minority shareholders, compared with a negative impact of €163 million in the corresponding quarter in 2020;
- A negative contribution from Canyon to GBL's net earnings of €13 million as discussed in the twelve-month period above; and
- A decrease in dividends of €12 million to €40 million, mainly due to other dividends received in the fourth quarter of 2020 of €16 million.

Partially offset by:

- An increase in the contribution from Imerys to net earnings of €49 million to a contribution to GBL of €13 million;
- An increase in the contribution from Piolin II S.à.r.l. to GBL's net earnings of €39 million to a contribution to GBL of €4 million, compared with a negative contribution of €35 million for the three-month period of 2020;
- An increase in the contribution from Webhelp to net earnings of €17 million to a contribution to GBL of €13 million;
- An increase in the contribution from Sienna Investment Managers of €22 million to a contribution to GBL of €38 million; and
- A decrease in other operating expenses of €6 million to €54 million, which include the increase in debts recorded under Webhelp's employee incentive plan of €32 million in the quarter, compared with €52 million in the corresponding quarter in 2020.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Pargesa's management. The Contribution to the Corporation's adjusted and net earnings for the first three quarters of 2020 includes the Corporation's share of Adjustments reported by Pargesa. GBL does not identify Adjustments or report adjusted net earnings.

Pargesa reported Adjustments of SF13 million in 2020. Adjustments mainly consisted of Pargesa's share of charges of Imerys, Parques and Webhelp.

AVERAGE EXCHANGE RATES

The average exchange rates for the twelve-month and three-month periods ended December 31, 2021 and 2020 were as follows:

	Twelve months ended			Three months ended		
	December 31, 2021	December 31, 2020	Change %	December 31, 2021	December 31, 2020	Change %
Euro/CAD	1.483	1.530	(3.1)	1.441	1.554	(7.3)
SF/CAD	1.371	1.429	(4.1)	1.367	1.442	(5.2)

The information above has been derived from GBL's publicly disclosed financial information, as issued by GBL in its 2021 year-end press release. Further information on GBL's results is available on its website (www.gbl.be).

ALTERNATIVE AND OTHER INVESTMENTS

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

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

Contribution to Power Corporation

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Contribution to Power Corporation's:					
Adjusted net earnings (loss)					
Asset management activities					
Sagard	72	(3)	28	(18)	(3)
Power Sustainable	(31)	(22)	(12)	(7)	(8)
Investing activities (proprietary capital)					
Sagard	122	50	32	55	40
Power Sustainable	259	39	(20)	13	(13)
Standalone businesses	225	31	12	58	47
Investment and hedge funds and Other	38	17	11	2	15
	685	112	51	103	78
Adjustments					
Sagard	(100)	(22)	–	–	–
Power Sustainable	(15)	–	(15)	–	–
Standalone businesses	–	27	–	–	–
Net earnings	570	117	36	103	78

ASSET MANAGEMENT ACTIVITIES

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Sagard					
Management fees [1]	100	62	32	29	17
Investment platform expenses	(106)	(80)	(33)	(24)	(26)
	(6)	(18)	(1)	5	(9)
Net carried interest [2, 3]	96	17	34	(20)	7
Share-based compensation [4]	(4)	–	(3)	–	–
Income taxes [4]	(5)	–	–	–	–
	81	(1)	30	(15)	(2)
Loss from Private Wealth platform [5]	(5)	(2)	(2)	(1)	(1)
Non-controlling interests [6]	(4)	–	–	(2)	–
	72	(3)	28	(18)	(3)
Power Sustainable					
Management and other fees [1]	28	9	12	7	3
Investment platform expenses	(60)	(31)	(21)	(13)	(11)
	(32)	(22)	(9)	(6)	(8)
Net performance fees and carried interest [2]	1	–	–	(1)	–
Income taxes [4]	–	–	(3)	–	–
	(31)	(22)	(12)	(7)	(8)
Net earnings (loss)	41	(25)	16	(25)	(11)

[1] Includes management fees charged by the investment platform on proprietary capital. Management fees paid by the Corporation are deducted from income from investing activities. Management fees presented for Power Sustainable include development and asset management fees charged to PSEIP.

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

[3] The third quarter of 2021 includes the effect of the deconsolidation of Sagard Credit Partners, including the reversal of carried interest recognized over the life of the fund.

[4] In the fourth quarter of 2021, the Corporation adjusted the presentation of asset management activities, previously presented within Investment platform expenses.

[5] Represents the Corporation's share of earnings from Sagard's private wealth platform. In the fourth quarter of 2021, the Corporation adjusted the presentation to present the share of earnings separately; previously, the results of the platform were included in management fees and investment platform expenses.

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

INVESTING ACTIVITIES

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Adjusted net earnings (loss)					
Sagard					
Private equity and other strategies [1]	129	39	(4)	67	8
Venture capital (fintech investments) [2]	(7)	11	36	(12)	32
Power Sustainable					
Public Equity [3]	301	77	7	15	(2)
Energy Infrastructure [4]	(42)	(38)	(27)	(2)	(11)
Standalone businesses [5]	225	31	12	58	47
Other					
Investment and hedge funds	37	13	16	2	14
Other [6]	1	4	(5)	–	1
	644	137	35	128	89
Adjustments					
Remeasurements of Wealthsimple's put right liability	(100)	(22)	–	–	–
Impairment charges on direct energy infrastructure investments	(15)	–	(15)	–	–
Recovery on deconsolidation of IntegraMed	–	27	–	–	–
Net earnings	529	142	20	128	89

[1] Includes a realized gain of $66 million recognized by the Corporation on disposal of its LP interest in Sagard Europe 3 in the third quarter of 2021, as well as realized gains on disposals by Sagard Europe 3 of private equity investments in the second and third quarters of 2021.

[2] Includes the Corporation's share of earnings (losses) of Wealthsimple and Koho (up to the date of deconsolidation on December 1, 2020). The first quarter of 2021 includes a charge of $52 million related to the Corporation's share of the carried interest payable due to increases in fair value of investments held in the Portage Funds and Wealthsimple; as well, excludes a charge of $100 million related to the remeasurement of the put right liability held by certain of the non-controlling interests in Wealthsimple to fair value which has been included in Adjustments (see "Adjustments" section below). The increase in fair value of the Corporation's investment, including its investment held through Power Financial, in Portage I, Portage II, Portage III, Koho and Wealthsimple was $650 million in the twelve-month period ended December 31, 2021, compared with an increase of $201 million in fair value in the corresponding period in 2020. In the fourth quarter of 2020, the Corporation's share of the gain on deconsolidation of Koho was $31 million.

[3] Mainly comprised of gains (losses) realized on the disposal of investments and dividends received. In 2021, the Corporation recognized realized gains on the disposal of investments in Power Sustainable China of $229 million, $56 million, $18 million and $10 million in the first, second, third and fourth quarters, respectively.

[4] The operating losses in the fourth quarter of 2021 are mainly attributable to lower insolation, seasonality, and snow losses, as well as charges associated with the replacement of certain solar panels with higher generating capacity.

[5] The third and fourth quarters of 2021 include a net contribution of $55 million and $16 million, respectively, from Lion which consists of the Corporation's share of earnings of Lion, a decrease in the fair value of outstanding call rights held by Power Sustainable and a decrease in amounts payable for long-term incentive plans, net of related taxes. In the second quarter of 2021, the Corporation recorded a net gain of $153 million related to its investment in Lion which is comprised of i) a gain of $62 million related to the effect of the change in ownership as a result of the completion of the merger transaction between Lion and Northern Genesis, ii) a gain of $147 million related to the revaluation of call rights held by Power Sustainable, a portion of which were exercised during the second quarter, and iii) an expense of $56 million related to the increase in amounts payable for long-term incentive plans and deferred taxes. The Corporation also recorded a reversal of a previously recognized impairment on its investment in GP Strategies of $33 million in the second quarter. Includes the Corporation's share of earnings (losses) of IntegraMed (up to the date of deconsolidation on May 20, 2020), LMPG, Peak, GP Strategies (up to the date of disposal in the fourth quarter of 2021) and Lion.

[6] Consists mainly of foreign exchange gains or losses and interest on cash and cash equivalents.

Impairment Charges

Impairment charges included in net earnings from Alternative and other investments were a net recovery of $18 million in the twelve-month period ended December 31, 2021, compared with a charge of $63 million in the corresponding period in 2020, of which $24 million were related to Sagard, $4 million were related to Power Sustainable China, $28 million to Standalone businesses and $7 million to investment and hedge funds.

Impairment charges included in net earnings from Alternative and other investments were $15 million in the three-month periods ended December 31, 2021 and were nil in the corresponding period in 2020.

SAGARD

For the twelve-month period ended December 31, 2021, impairment charges were nil, compared with $24 million in the corresponding period in 2020 related to the Corporation's share of an impairment charge on an investment held in the Sagard 3 fund of $18 million and $6 million, respectively, in the first and second quarters.

POWER SUSTAINABLE

Impairment charges for the twelve-month period ended December 31, 2021 were $15 million due to impairments on direct energy infrastructure investments recorded as an Adjustment in the fourth quarter of 2021, compared with a $4 million charge in 2020 from the Power Sustainable China investment platform, due to a decline in equity values.

STANDALONE BUSINESSES AND OTHER

For the twelve-month period ended December 31, 2021, a recovery of $33 million consists of a reversal of a previously recorded impairment charge on GP Strategies, compared with a $28 million charge for the twelve-month period ended December 31, 2020 due to a decline in the market value at the end of March 2020, and a $7 million charge related to investment and hedge funds.

Adjustments

SAGARD

On May 3, 2021, Wealthsimple announced that it had signed a $750 million equity offering. As a result, in the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value. The Adjustments of the alternative asset investment platform (Sagard) reflects the Corporation's share of the charge, based on its respective interest, of $100 million ($100 million pre-tax). In the third quarter of 2020, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability to fair value; the Corporation's share of this charge was $22 million ($22 million pre-tax).

POWER SUSTAINABLE

During the fourth quarter of 2021, Power Sustainable recognized impairments of $15 million on projects under construction which are included in direct energy infrastructure investments within the Power Sustainable platform.

STANDALONE BUSINESSES

Sagard held a 91.6% interest in IntegraMed, a private healthcare services company operating a network of fertility clinics in North America. On May 20, 2020, IntegraMed entered into restructuring proceedings and accordingly the Corporation no longer controls IntegraMed. Effective May 20, 2020, the Corporation derecognized the assets and liabilities of IntegraMed resulting in a recovery on deconsolidation of $27 million (US$19 million) ($27 million pre-tax) which was included in Adjustments in the second quarter of 2020.

ChinaAMC

For the twelve-month period ended December 31, 2021, income from ChinaAMC was $62 million, compared with $42 million in the corresponding period in 2020.

For the three-month period ended December 31, 2021, income from ChinaAMC was $17 million, compared with $12 million in in the corresponding quarter in 2020.

CORPORATE OPERATIONS

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

Operating and other expenses

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Operating expenses [1]	145	145	36	36	31
Financing charges [2]	54	55	14	13	14
Depreciation [3]	8	16	(1)	2	4
Income taxes	26	(52)	(2)	6	(29)
	233	164	47	57	20

[1] Operating expenses for the twelve-month period ended December 31, 2020 includes a gain of $11 million related to the curtailment of certain executives from the Corporation's pension plan and updated pension assumptions used for certain executives as well as a reduction in other operating expenses in conjunction with the Reorganization.

[2] Financing charges related to Power Financial were $18 million in the twelve-month period ended December 31, 2021, same as in 2020.

[3] The fourth quarter of 2021 includes the reversal of a previously recognized impairment in the amount of $3 million.

INCOME TAXES

In the fourth quarter of 2020, a deferred tax expense was recognized through other comprehensive income in relation to unrealized gains in other comprehensive income. The Corporation had sufficient deductible temporary differences and tax attributes to offset these gains. The income tax recovery of $29 million in the fourth quarter of 2020 included a deferred tax recovery recognized through earnings as these deductible temporary differences and tax attributes were related to items recorded in the statement of earnings.

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

In the second quarter of 2021, the Corporation had an income tax recovery of $16 million mainly related to the recognition of tax attributes to offset the realized gain on the secondary sale of Wealthsimple. The realized gain and the related income tax expense have been recognized through the statement of changes in equity.

In the third quarter of 2021, the income tax expense of $6 million primarily related to the income tax expense resulting from the realization of gains recorded in earnings on the sale of investments.

In the fourth quarter of 2021, the income tax recovery of $2 million included a deferred tax recovery recognized through earnings for deductible temporary differences and tax attributes related to items recorded in the statement of earnings.

ADJUSTMENTS (EXCLUDED FROM ADJUSTED NET EARNINGS)

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Lifeco [1]					
Actuarial assumption changes and other management actions	90	76	16	45	(15)
Market-related impacts on liabilities	16	(85)	13	32	(21)
Transaction costs related to acquisitions	(126)	(52)	(49)	(60)	(31)
Tax legislative changes impact on liabilities	(14)	–		–	–
Revaluation of a deferred tax asset	–	131	–	–	131
Net gain on business dispositions	(9)	158	(9)	–	95
Restructuring and integration charges	(44)	(45)	(10)	(16)	(45)
	(87)	183	(39)	1	114
Effect of consolidation [2]	(2)	(109)	1	5	(107)
	(89)	74	(38)	6	7
IGM [1]					
Net gain on business dispositions	5	33	5	–	14
Restructuring and other charges	–	(34)	–	–	–
Share of Lifeco's adjustments [1]	–	2	–	–	2
	5	1	5	–	16
Effect of consolidation [2]	(101)	(56)	(2)	–	(19)
	(96)	(55)	3	–	(3)
GBL [3]					
Other charges	–	(6)	–	–	–
Alternative and other investments					
Remeasurements of Wealthsimple's put right liability	(100)	(22)	–	–	–
Impairment charges on direct energy infrastructure investments	(15)	–	(15)	–	–
Recovery on deconsolidation of IntegraMed	–	27	–	–	–
	(115)	5	(15)	–	–
Corporate operations					
Reorganization charges	(13)	(8)	–	(13)	(8)
Non-controlling interests of Power Financial	–	(4)	–	–	–
	(313)	6	(50)	(7)	(4)

[1] As reported by Lifeco and IGM.

[2] The Effect of consolidation reflects (i) the elimination of intercompany transactions, including in the fourth quarter of 2020 the gain recognized by Lifeco on the sale of GLC and the gain recognized by IGM on the sale of QGOF, (ii) the application of the Corporation's accounting method for investments under common control to the Adjustments reported by Lifeco and IGM, which includes an allocation of the Adjustments related to the fintech portfolio based on their respective interest and (iii) IGM's share of Lifeco's Adjustments for the impact of actuarial assumption changes and management actions and market impact on insurance contract liabilities, in accordance with the Corporation's definition of Adjusted net earnings. As well, the three- and twelve-month periods ended December 31, 2020 reflect the adjustment to the Corporation's share of IGM's Adjustment related to the gain on disposal of Personal Capital; the Corporation has not included this amount as an Adjustment as the gain recognized by the Corporation relates to the remeasurement of the investment in Personal Capital at fair value on the date Lifeco acquired control.

[3] As previously reported by Pargesa.

Effect of consolidation

The Effect of consolidation in the twelve-month period ended December 31, 2021 and 2020 mainly relates to the remeasurements of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value.

- On May 3, 2021, Wealthsimple announced that it had signed a $750 million equity offering. As a result, in the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability to fair value. The Corporation's share of the charge on the remeasurement of the put right liability was $208 million ($208 million pre-tax) and is included as an Adjustment. The charge has been reflected in the Adjustments of the alternative asset investment platforms, Lifeco and IGM, based on their respective interest in the Effect of consolidation, of $100 million, $11 million and $97 million, respectively.
- In the third quarter of 2020, the increase in fair value of Wealthsimple resulted in the remeasurement of the put right liability to fair value. The Corporation's share of the charge on the remeasurement of the put right liability was $45 million ($45 million pre-tax); the charge has been reflected in the Adjustments of the alternative asset investment platforms, Lifeco and IGM, based on their respective interest in the Effect of consolidation, of $22 million, $2 million and $21 million, respectively.

The Effect of consolidation in the twelve-month period ended December 31, 2020 also includes the elimination of the gain recognized by IGM on the sale of Personal Capital in the third quarter of 2020, as well as the elimination of the gain recognized by IGM on the sale of QGOF and the elimination of the gain recognized by Lifeco on the sale of GLC in the fourth quarter of 2020.

Corporate operations

During the third quarter of 2021, the Corporation recognized charges in conjunction with the Reorganization of the Corporation and Power Financial of $13 million ($13 million pre-tax), related to the impairment of certain assets of the Corporation.

During the fourth quarter of 2020, the Corporation recognized charges in conjunction with the Reorganization of $14 million ($14 million pre-tax) related to the impairment of certain leasehold improvements and property-related right-of-use assets partially offset by a gain recorded in the fourth quarter of $6 million ($6 million pre-tax) on the disposal of a property.

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

Financial Position

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheets of Lifeco, IGM and the investment platforms and other, as well as Power Corporation's and Power Financial's combined non-consolidated balance sheet ("holding company"), are presented below. These tables reconcile the holding company balance sheet with the condensed consolidated balance sheets of the Corporation at December 31, 2021 and 2020. These non-consolidated balance sheets are included in Note 33 of the 2021 Consolidated Financial Statements.

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

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

[2] Indirectly held through Parjointco.

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

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

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

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

						December 31, 2020
	Lifeco	IGM	Investment Platforms and Other [1]	Holding company	Effect of consolidation	Power Corporation Consolidated balance sheet
Assets						
Cash and cash equivalents	7,946	772	545	1,226	(449)	10,040
Investments	190,530	6,383	2,550	246	276	199,985
Investments in publicly traded operating companies, investment platforms and other:						
Lifeco and IGM	354	962	–	17,304	(18,620)	–
GBL [2]	–	–	–	4,216	–	4,216
Other	55	581	–	3,121	(3,757)	–
Investments in jointly controlled corporations and associates	113	969	561	715	(45)	2,313
Funds held by ceding insurers	18,383	–	–	–	–	18,383
Reinsurance assets	22,121	–	–	–	–	22,121
Other assets	12,565	2,270	2,860	280	(203)	17,772
Intangible assets [3]	4,285	1,322	704	2	(34)	6,279
Goodwill [3]	10,106	2,803	441	–	613	13,963
Investments on account of segregated fund policyholders	334,032	–	–	–	–	334,032
Total assets	600,490	16,062	7,661	27,110	(22,219)	629,104
Liabilities						
Insurance and investment contract liabilities	218,047	–	–	–	–	218,047
Obligations to securitization entities	–	6,174	–	–	–	6,174
Power Corporation's debentures and other debt instruments	–	–	–	756	–	756
Non-recourse debentures and other debt instruments [4]	9,693	2,100	1,344	250	(88)	13,299
Other liabilities	11,703	2,745	2,709	1,067	(161)	18,063
Insurance and investment contracts on account of segregated fund policyholders	334,032	–	–	–	–	334,032
Total liabilities	573,475	11,019	4,053	2,073	(249)	590,371
Equity						
Perpetual preferred shares	–	–	–	2,830	(2,830)	–
Non-participating shares	2,714	–	–	956	(2,714)	956
Participating shareholders' equity	21,314	4,994	3,389	21,251	(29,697)	21,251
Non-controlling interests [5, 6]	2,987	49	219	–	13,271	16,526
Total equity	27,015	5,043	3,608	25,037	(21,970)	38,733
Total liabilities and equity	600,490	16,062	7,661	27,110	(22,219)	629,104

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

[2] Indirectly held through Parjointco.

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

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

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

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

Total assets of the Corporation increased to $661.6 billion at December 31, 2021, compared with $629.1 billion at December 31, 2020, primarily due to the impact of equity market movement and new business growth, primarily with respect to segregated funds, and an increase in investments of $6.7 billion, partially offset by the impact of currency movement.

Liabilities increased to $617.9 billion at December 31, 2021, compared with $590.4 billion at December 31, 2020, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities increased by $2.8 billion, primarily due the impact of new business and the acquisition of Ark Life, partially offset by fair value adjustments, the impact of currency movement and normal business movements.
- Insurance and investment contracts on account of segregated fund policyholders increased by $23.4 billion, primarily due to the combined impact of market value gains and investment income of $36.7 billion and $2.8 billion related to the Ark Life acquisition, partially offset by net withdrawals (net of policyholder deposits) of $10.7 billion and the impact of currency movement of $7.1 billion.

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

HOLDING COMPANY BALANCE SHEETS

In the holding company balance sheets shown below, Power Corporation and Power Financial are shown on a combined basis; investments in subsidiaries are presented using the equity method. These non-consolidated balance sheets isolate the holding company balance sheets which are included in Note 33 of the 2021 Consolidated Financial Statements. This presentation assists the reader by identifying changes in the combined non-consolidated balance sheet of Power Corporation and Power Financial, and present the investment activities of the holding company as well as the corporate assets and liabilities managed, including the cash and non-participating shares which fund a portion of the capital invested in other operations.

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents [1]	1,635	1,226
Investment in:		
Lifeco	15,496	14,451
IGM	3,434	2,853
GBL [2]	4,278	4,216
Alternative and other investments [3]	3,198	3,367
ChinaAMC	766	715
Other assets [4]	349	282
Total assets	29,156	27,110
Liabilities		
Debentures and other debt instruments [5]	897	1,006
Other liabilities	1,090	1,067
Total liabilities	1,987	2,073
Equity		
Perpetual preferred shares [6]	2,830	2,830
Non-participating shares	954	956
Participating shareholders' equity	23,385	21,251
Total equity	27,169	25,037
Total liabilities and equity	29,156	27,110

[1] Cash equivalents include $480 million ($544 million at December 31, 2020) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Consolidated Financial Statements.

[2] Indirectly held through Parjointco.

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

[4] Includes $83 million of dividends declared in the fourth quarter by IGM and received by Power Financial on January 31, 2022 (same as at December 31, 2020).

[5] Includes Power Financial's debentures of $250 million at December 31, 2021 (same as at December 31, 2020).

[6] Perpetual preferred shares issued by Power Financial.

Cash and cash equivalents

Cash and cash equivalents held by the Corporation and Power Financial amounted to $1,635 million at December 31, 2021, compared with $1,226 million at the end of December 2020 (see "Holding Company Statements of Cash Flows" below for details).

The cash and cash equivalents held by Sagard and Power Sustainable including Power Sustainable China amounted to $441 million at December 31, 2021 ($280 million at December 31, 2020) and are included in the carrying amount of the investment platforms.

Investments

INVESTMENTS IN LIFECO, IGM AND GBL (AT EQUITY)

The table below presents a continuity of the investments in Lifeco, IGM and GBL (held through Parjointco), which are presented using the equity method for the purposes of the non-consolidated presentation. The carrying value of the investments in Lifeco, IGM and GBL, accounted for using the equity method, increased to $23,208 million at December 31, 2021, compared with $21,520 million at December 31, 2020:

	Lifeco	IGM	GBL [1]	Total
Carrying value, at the beginning of the year	14,451	2,853	4,216	21,520
Contribution from adjusted net earnings	2,162	570	172	2,904
Contribution from adjustments	(89)	(96)	–	(185)
Share of other comprehensive income (loss)	37	81	(69)	49
Dividends	(1,119)	(333)	(81)	(1,533)
Other [2]	54	359	40	453
Carrying value, at December 31, 2021	15,496	3,434	4,278	23,208

[1] Indirectly held through Parjointco.

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

ALTERNATIVE AND OTHER INVESTMENTS

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

Alternative and other investments are comprised of the following investments:

Carrying value, as at	December 31, 2021	December 31, 2020
Asset management companies		
Sagard	116	163
Power Sustainable	21	8
Investing activities		
Sagard [1]	706	825
Power Sustainable	1,368	1,561
Other		
Standalone businesses	725	563
Other [2]	262	247
	3,198	3,367

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

[2] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as available for sale and are carried at fair value. At December 31, 2021, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of $26 million.

INVESTMENT IN CHINAAMC

The carrying value of Power Corporation's investment in ChinaAMC was $766 million at December 31, 2021, compared with $715 million at December 31, 2020.

Carrying value, at the beginning of the year	715
Dividends	(27)
Share of net earnings	62
Share of other comprehensive income (loss)	16
Carrying value, at December 31, 2021	766

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,662 billion (C$331 billion) at December 31, 2021, compared with RMB¥1,461 billion (C$285 billion) at December 31, 2020.

EQUITY

Non-participating shares

Non-participating (preferred) shares of the Corporation consist of six series of First Preferred Shares with an aggregate stated capital of $954 million at December 31, 2021 ($956 million at December 31, 2020), of which $950 million are non-cumulative. All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

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

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

Participating shareholders' equity

Participating shareholders' equity was $23,385 million at December 31, 2021, compared with $21,251 million at December 31, 2020:

Twelve months ended December 31	2021	2020
Participating shareholders' equity, at the beginning of the year	21,251	13,214
Changes in participating shares		
Issuance of subordinate voting shares in acquisition of non-controlling interests of Power Financial	–	8,687
Issuance of participating preferred shares	–	206
Purchase for cancellation of subordinate voting shares under NCIB	(61)	(110)
Issuance of subordinate voting shares (3,436,756 shares in 2021 and 1,497,952 shares in 2020) under the Corporation's Executive Stock Option Plans	107	48
	46	8,831
Changes in retained earnings		
Net earnings before dividends on non-participating shares	2,969	2,046
Dividends declared	(1,295)	(1,263)
Acquisition of non-controlling interests in Power Financial	–	(2,847)
Transaction costs on acquisition of non-controlling interests in Power Financial	–	(46)
Purchase for cancellation of subordinate voting shares under NCIB	(92)	(83)
Effects of changes in capital and ownership of subsidiaries, and other [1]	574	64
	2,156	(2,129)
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(186)	15
Investment revaluation and cash flow hedges	(483)	316
Actuarial gains (losses) on defined benefit plans	495	(137)
Share of Parjointco and other jointly controlled corporations and associates	3	413
Reattribution on acquisition of non-controlling interests of Power Financial	–	647
Share-based compensation, including the effect of subsidiaries [1]	103	81
	(68)	1,335
Participating shareholders' equity, at December 31	23,385	21,251

[1] Includes the effect of the change in ownership of Wealthsimple recognized in the participating shareholders' equity in the second quarter of 2021 and the reattribution of share-based compensation on acquisition of non-controlling interests of Power Financial in 2020.

The book value per participating share (refer to the section "Other Measures") of the Corporation was $34.56 at December 31, 2021, compared with $31.38 at the end of 2020.

Outstanding number of participating shares

At the date of this MD&A, there were 54,860,866 participating preferred shares of the Corporation outstanding (same as at December 31, 2020), and 619,570,943 subordinate voting shares of the Corporation outstanding, compared with 622,388,232 at December 31, 2020.

At the date of this MD&A, options were outstanding to purchase up to an aggregate of 25,912,392 subordinate voting shares of the Corporation, which includes 10,918,244 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Reorganization

On February 13, 2020, the Corporation and Power Financial successfully completed the Reorganization, pursuant to which each common share of Power Financial held by PFC Minority Shareholders, being holders of common shares of Power Financial other than the Corporation and its wholly owned subsidiaries, were exchanged for 1.05 Subordinate Voting Shares of the Corporation and $0.01 in cash.

On February 12, 2020, in connection with the Reorganization, and in accordance with the pre-emptive right (Pre-emptive Right), in favour of holders of participating preferred shares included in the Corporation's Articles, the Corporation issued 6,006,094 Participating Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of $34.27 per Participating Preferred Share, representing a cash consideration of $206 million. The Pre-emptive Right entitled holders of Participating Preferred Shares to acquire from the Corporation, pro rata to their respective holdings in Participating Preferred Shares an aggregate number of Participating Preferred Shares that is equal to 12.0% of the number of subordinate voting shares issued pursuant to the Reorganization.

Also, on February 13, 2020, the Corporation acquired 238,693,580 Power Financial Common Shares, in exchange for 1.05 Subordinate Voting Shares of the Corporation and $0.01 per share in cash. The Corporation issued 250,628,173 Subordinate Voting Shares at a price of $34.66 per Subordinate Voting Share and paid $2 million in cash for a total consideration of $8.7 billion.

As part of the Reorganization, the Corporation assumed the Power Financial Employee Stock Option Plan. The 13,079,888 options outstanding at February 13, 2020 under Power Financial's Employee Stock Option Plan were exchanged for 13,733,786 options to acquire Subordinate Voting Shares of the Corporation (Replacement Options).

Normal Course Issuer Bids

The Corporation's Normal Course Issuer Bid (NCIB) that commenced on February 20, 2020 expired on February 19, 2021. The Corporation did not make any purchases under this NCIB in the first quarter of 2021. The Corporation commenced a new NCIB on February 25, 2021 which was effective until the earlier of February 24, 2022 and the date on which the Corporation had purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this bid, the Corporation was authorized to purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 17, 2021 (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding) at market prices.

The Corporation had temporarily suspended share buybacks in March 2020 and reinstated buybacks in February 2021 to offset dilution from the exercise of employee stock options. Given the current market developments (see section "COVID-19"), in November 2021, the Corporation announced its intention to resume normal course share buybacks under its NCIB. During the twelve months ended December 31, 2021, the Corporation purchased for cancellation 4,068,900 Subordinate Voting Shares pursuant to its NCIB for a total of $153 million (7,352,500 Subordinate Voting Shares for a total of $193 million in 2020 under the previous NCIB). The Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was $92 million ($83 million in 2020) and was recognized as a reduction to retained earnings.

SUBSEQUENT EVENT

Subsequent to year-end, the Corporation purchased an additional 703,700 Subordinate Voting Shares pursuant to its NCIB which expired on February 24, 2022, for a total of $29 million.

On February 28, 2022, the Corporation commenced a NCIB which is effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this bid, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding at February 14, 2022) at market prices. At March 17, 2022, the Corporation has repurchased 2,150,600 Subordinate Voting Shares for a total of $83 million.

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

Adjusted Net Asset Value

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

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

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

The Corporation's adjusted net asset value is presented on a look-through basis. The combined holding company balance sheets of Power Corporation and Power Financial include the investments held in public entities through Power Financial (Lifeco, IGM and GBL), and the net debt and preferred shares of Power Financial. The adjusted net asset value per share, a non-IFRS ratio, was $52.60 at December 31, 2021, compared with $41.27 at December 31, 2020, representing an increase of 27.5%. The Corporation's book value per participating share (refer to the section "Other Measures") was $34.56 at December 31, 2021, compared with $31.38 at December 31, 2020, representing an increase of 10.1%.

	December 31, 2021			December 31, 2020		
	Holding company balance sheet	Fair value adjustment	Adjusted net asset value	Holding company balance sheet	Fair value adjustment	Adjusted net asset value
Assets						
Investments						
Power Financial						
Lifeco	15,496	8,049	23,545	14,451	4,374	18,825
IGM	3,434	3,315	6,749	2,853	2,252	5,105
GBL	4,278	(1,121)	3,157	4,216	(1,346)	2,870
Alternative and other investments						
Asset management companies [1]						
Sagard	116	–	116	163	–	163
Power Sustainable	21	–	21	8	–	8
Investing activities						
Sagard [2]	706	693	1,399	825	310	1,135
Power Sustainable	1,368	265	1,633	1,561	303	1,864
Other						
Standalone businesses [3, 4]	725	606	1,331	563	788	1,351
Other	262	50	312	247	19	266
ChinaAMC [5]	766	384	1,150	715	–	715
Cash and cash equivalents	1,635	–	1,635	1,226	–	1,226
Other assets	349	–	349	282	–	282
Total assets	29,156	12,241	41,397	27,110	6,700	33,810
Liabilities and non-participating shares						
Debentures and other debt instruments	897	–	897	1,006	–	1,006
Other liabilities [6, 7]	1,090	39	1,129	1,067	–	1,067
Non-participating shares and perpetual preferred shares	3,784	–	3,784	3,786	–	3,786
Total liabilities and non-participating shares	5,771	39	5,810	5,859	–	5,859
Net value						
Participating shareholders' equity / Adjusted net asset value	23,385	12,202	35,587	21,251	6,700	27,951
Per share	**34.56**		**52.60**	31.38		41.27

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

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

[3] At December 31, 2020, the investment in Lion was valued based on the subscription price of US$10.00 per share for the private placement of common shares announced as part of the merger transaction with Northern Genesis. Subsequent to the completion of the merger on May 6, 2021, Lion is publicly listed on the TSX and NYSE.

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

[5] Subsequent to year-end, the Corporation announced the sale of its interest in ChinaAMC to IGM for aggregate consideration of $1.15 billion. At December 31, 2021, the investment in ChinaAMC has been presented in the adjusted net asset value at this amount. Valued at carrying value in accordance with IFRS at December 31, 2020.

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

[7] An additional deferred tax liability of $39 million has been included in the adjusted net asset value related to the investment in ChinaAMC at fair value.

Investments measured at market value and cash represent 89.7% of the total assets at fair value at December 31, 2021 (87.3% at December 31, 2020). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's adjusted net asset value of $3,503 million or $5.18 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco, IGM and the Corporation's investment platforms, as well as the holding company cash flows of Power Corporation and Power Financial on a combined basis, are presented below. These tables reconcile the non-consolidated statement of cash flows to the condensed consolidated statement of cash flows of the Corporation for the twelve-month periods ended December 31, 2021 and 2020. These non-consolidated statements of cash flows are included in Note 33 of the 2021 Consolidated Financial Statements. This presentation assists the reader to assess the cash flows of the holding company.

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

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

Twelve months ended December 31	Lifeco	IGM	Investment Platforms and Other [1]	Holding company	Effect of consolidation	Power Corporation Consolidated 2020
Cash flows from:						
Operating activities	9,610	737	(94)	1,299	(1,451)	10,101
Financing activities	2,010	(1,358)	1,117	(1,270)	1,139	1,638
Investing activities	(8,202)	673	(849)	(195)	158	(8,415)
Effect of changes in exchange rates on cash and cash equivalents	(100)	–	11	–	–	(89)
Increase (decrease) in cash and cash equivalents	3,318	52	185	(166)	(154)	3,235
Cash and cash equivalents, at the beginning of the year	4,628	720	360	1,392	(295)	6,805
Cash and cash equivalents, at December 31	7,946	772	545	1,226	(449)	10,040

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

Consolidated cash and cash equivalents decreased by $531 million in the twelve-month period ended December 31, 2021, compared with an increase of $3,235 million in the corresponding period in 2020.

Operating activities produced a net inflow of $11,053 million in the twelve-month period ended December 31, 2021, compared with a net inflow of $10,101 million in the corresponding period in 2020.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, the issuance and repurchase of participating and preferred shares, issuance of common shares and limited-life fund and redeemable units by subsidiaries, dividends paid on the participating and non-participating shares of the Corporation, and dividends paid by subsidiaries to non-controlling interests and increases and repayments of obligations to securitization entities by IGM, represented a net outflow of $962 million in the twelve-month period ended December 31, 2021, compared with a net inflow of $1,638 million in the corresponding period in 2020.

Cash flows from investing activities resulted in a net outflow of $10,579 million in the twelve-month period ended December 31, 2021, compared with a net outflow of $8,415 million in the corresponding period in 2020.

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

HOLDING COMPANY STATEMENTS OF CASH FLOWS

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

The following combined holding company statements of cash flows of Power Corporation and Power Financial, included in Note 33 of the 2021 Consolidated Financial Statements, present the cash flows of the holding company on a non-consolidated basis. This presentation has been prepared to assist the reader as it isolates the cash flows of the activities of the holding company.

Twelve months ended December 31	2021	2020
Operating activities		
Dividends		
Lifeco	1,119	1,087
IGM	333	333
Parjointco	81	88
ChinaAMC	27	14
Corporate operations, net of non-cash items [1]	(248)	(223)
	1,312	1,299
Financing activities		
Dividends paid on:		
Non-participating shares	(52)	(52)
Participating shares	(1,211)	(1,081)
Perpetual preferred shares	(137)	(138)
Common shares	–	(108)
Issuance of participating preferred shares	–	206
Issuance of subordinate voting shares	96	42
Issuance of perpetual preferred shares	200	–
Repurchase of subordinate voting shares	(153)	(193)
Repurchase of non-participating shares	(2)	(4)
Repurchase of perpetual preferred shares	(200)	–
Changes in other debt instruments	(106)	63
Other	(7)	(5)
	(1,572)	(1,270)
Investing activities		
Distributions and proceeds from disposal of investments	1,165	212
Purchase of investments	(502)	(371)
Acquisition of Power Financial non-controlling interests including transaction costs paid	–	(48)
Other	6	12
	669	(195)
Increase (decrease) in cash and cash equivalents	409	(166)
Cash and cash equivalents, at the beginning of the year	1,226	1,392
Cash and cash equivalents, at December 31	1,635	1,226

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

Cash and cash equivalents of the Corporation and Power Financial increased by $409 million in the twelve-month period ended December 31, 2021, compared with a decrease of $166 million in the corresponding period in 2020.

Operating activities resulted in a net inflow of $1,312 million in the twelve-month period ended December 31, 2021, compared with a net inflow of $1,299 million in the corresponding period in 2020. Dividends paid by the publicly traded operating companies include:

Twelve months ended	December 31, 2021		December 31, 2020	
(In millions of Canadian dollars; except as otherwise noted)	Dividend per share	Total dividend received	Dividend per share	Total dividend received
Lifeco	1.804	1,119	1.752	1,087
IGM	2.25	333	2.25	333

- Total dividend received from Parjointco was $81 million (SF60 million) for the period ended December 31, 2021, compared with $88 million (SF61 million) for the period ended December 31, 2020.

The Corporation's financing activities during the twelve-month period ended December 31, 2021 were a net outflow of $1,572 million, compared with a net outflow of $1,270 million in the corresponding period in 2020, and included:

- Dividends paid on non-participating and participating shares by the Corporation of $1,263 million, compared with $1,133 million in the corresponding period in 2020. In the twelve-month period ended December 31, 2021, dividends paid on the Corporation's participating shares were $1.790 per share, compared with $1.7475 per share in the corresponding period in 2020.
- Dividends paid on preferred and common shares by Power Financial, net of those received by the Corporation, of $137 million, compared with $246 million in the corresponding period in 2020.
- No issuance of participating preferred shares, compared with issuance for an amount of $206 million as part of the Reorganization in the corresponding period in 2020.
- Repurchase of $153 million of subordinate voting shares, as part of the NCIB, compared with repurchase for an amount of $193 million in the corresponding period in 2020.
- Issuance of $200 million of perpetual preferred shares, compared with no issuance in 2020.
- Repurchase of $200 million of perpetual preferred shares, compared with no repurchase in 2020.
- Decrease in other debt instruments of $106 million, compared with an increase of $63 million in the corresponding period in 2020.
- Issuance of subordinate voting shares of the Corporation for $96 million pursuant to the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan, compared with issuance for an amount of $42 million in the corresponding period in 2020.

The Corporation's investing activities during the twelve-month period ended December 31, 2021 were a net inflow of $669 million, compared with a net outflow of $195 million in the corresponding period in 2020.

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

The Corporation decreased its level of fixed income securities with maturities of more than three months, resulting in a net inflow of $64 million in the twelve-month period ended December 31, 2021, compared with a net outflow of $235 million in the corresponding period in 2020.

Capital Management

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

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

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

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

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

The Corporation's consolidated capitalization includes the debentures, preferred shares and other equity instruments, and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 77% of consolidated capitalization at December 31, 2021.

	December 31, 2021	December 31, 2020
Debentures and other debt instruments		
Power Corporation	647	756
Power Financial	250	250
Lifeco	8,804	9,693
IGM	2,100	2,100
Other [1]	1,467	1,344
Effect of consolidation	(88)	(88)
	12,533	13,299
	13,180	14,055
Non-participating shares and other equity instruments		
Power Corporation	954	956
Power Financial	2,830	2,830
Lifeco	4,220	2,714
	7,050	5,544
	8,004	6,500
Equity		
Participating shareholders' equity	23,385	21,251
Non-controlling interests [2]	12,339	10,982
	35,724	32,233
	56,908	52,788

[1] Includes other debt instruments of controlled and consolidated investments and standalone businesses; consists of $72 million ($28 million in 2020) of debt under revolving credit facilities held by the investment funds and other debt held by controlled investees, $1,301 million ($1,176 million in 2020) of project-related debt held within the Power Sustainable Energy Infrastructure platform, and $94 million ($140 million in 2020) of other debt held by standalone businesses. The other debt instruments are secured by the assets of the controlled investments which are non-recourse to the Corporation. See Note 15 to the 2021 Consolidated Financial Statements for more information.

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

Power Corporation

- The Corporation filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, the Corporation may issue up to an aggregate of $5 billion of First Preferred Shares, subordinate voting shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.

SUBSEQUENT EVENTS

- On January 15, 2022, the Corporation redeemed all 86,100 of its outstanding Cumulative Redeemable First Preferred Shares, 1986 Series for $50.00 per share.
- The Corporation commenced a NCIB on February 28, 2022 which is effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of subordinate voting shares. Refer to the section "Participating Shareholders' Equity" for more information.

Power Financial

- Power Financial filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, Power Financial may issue up to an aggregate of $3 billion of First Preferred Shares and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis through Power Financial.
- On October 15, 2021, Power Financial issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 at $25.00 per share for gross proceeds of $200 million.
- On November 22, 2021, Power Financial redeemed all of its outstanding 6.00% Non-Cumulative First Preferred Shares, Series I for a total of $200 million.

Lifeco

- During 2021, Lifeco made payments of US$500 million on its committed line of credit related to its acquisition of MassMutual's retirement services business (December 31, 2020), reducing the balance drawn on this line to nil.
- As part of Lifeco's announcement on July 21, 2021 that its U.S. subsidiary, Empower, had reached a definitive agreement to acquire Prudential's full-service retirement business, Lifeco announced that the transaction was expected to be funded with approximately US$1.19 billion of LRCN Series 1, up to US$1.0 billion of short-term debt, and existing internal resources.

  On August 16, 2021, Lifeco issued $1.5 billion aggregate principal amount 3.60% LRCN Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081. The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum, payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026, and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield as defined in the trust indenture governing the LCRN Series 1, plus 2.641%.
- On October 8, 2021, Lifeco issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series Y at $25.00 per share for gross proceeds of $200 million.
- On December 31, 2021, Lifeco redeemed all of its outstanding 5.90% Non-Cumulative First Preferred Shares, Series F for a total of $194 million.

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

RATINGS

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

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

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

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

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

Following Lifeco's announcement on July 21, 2021 of the acquisition of the Prudential retirement services business and having regard to the financing plan and its impact on the Corporation's leverage ratio in the near term, S&P affirmed the Corporation's rating of "A+" with a stable outlook.

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

Risk Management

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

RISK OVERSIGHT

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

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

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

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

The following section discusses the risks specific to the Corporation including the liquidity risk, credit risk and market risk of the Corporation including Power Financial and the investment platforms. Refer to Parts B and C of this MD&A for a specific discussion of the management of risk at Lifeco and IGM.

COVID-19

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

In response to the impact of COVID-19 on the Corporation and its employees, the following actions have been taken by the Corporation:

- The Business Continuity team, comprised of cross-functional leaders, is actively monitoring the situation and its effect on employees and operations, in accordance with updated government guidance;
- A work-from-home policy has been implemented for all employees. A plan and timeline for employees returning to the Corporation's offices is being prudently managed and is based on a number of factors, including public health and government directives;
- Frequent communications and updates with employees consistent with the Corporation's priority of ensuring the health and well-being of employees, including communications related to technology and information risk.

The Corporation is monitoring its liquidity and capital. The Corporation held $1.6 billion of cash and cash equivalents, including fixed income securities and amounts held by Power Financial, at December 31, 2021 and has no material debt maturities in the near term.

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries, investment platforms and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations as well as specific guidance from regulators during the COVID-19 pandemic. Regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. In the U.K. and Ireland, where some of Lifeco's regulated subsidiaries operate, the regulatory authorities have maintained their guidance that insurance companies should exercise prudence in respect of dividend distributions, share buybacks and similar transactions, but at the end of the third quarter of 2021 the Irish regulator removed the temporary cap that it had also been applying to significant insurance companies. In Canada, on November 4, 2021, the Office of the Superintendent of Financial Institutions (OSFI) announced the removal of its expectation that Canadian banks and insurers should suspend share buybacks and not increase dividend payments. IGM's subsidiaries are also subject to minimum capital requirements. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends.

The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries, investment platforms and other investments, as well as on their ability to pay dividends which in turn will depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts. Although there can be no assurance that the pandemic will continue to abate and that the actions taken by governments will lead to a sustained global financial recovery within a reasonable time, the Corporation currently expects that its ability to pay dividends at current levels will not be adversely impacted by the COVID-19 pandemic. On November 15, 2021, the Corporation announced the declaration of a supplementary quarterly dividend of $0.0475 per share on the Corporation's Participating Preferred Shares and the Subordinate Voting Shares, increasing the quarterly dividend to $0.4950 per share, payable on February 1, 2022.

The duration and full impacts of the COVID-19 pandemic are still unknown at this time. The distribution of vaccines has resulted in the easing of restrictions in many economies, though the COVID-19 pandemic continues to cause material disruption to businesses globally, resulting in continued economic pressures. While the conditions have become more stable, many factors continue to extend economic uncertainty including the rollout and efficacy of vaccines, emergence of new COVID-19 variants and the durability and effectiveness of government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

STRATEGIC RISK

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

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

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

LIQUIDITY RISK

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

As a holding company, Power Corporation's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal subsidiaries and other investments, and its ability to raise additional capital. Dividends to shareholders of Power Corporation are dependent on the operating performance, profitability, financial position and creditworthiness of its subsidiaries, jointly controlled corporations and associates, as well as on their ability to pay dividends. The payment of interest and dividends by the Corporation's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained (refer to further discussion in the "COVID-19" section).

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

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

Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of $500 million. The Corporation also maintains an uncommitted line of credit of $100 million, and any advances are at the bank's sole discretion. At December 31, 2021, the Corporation was not utilizing its committed line of credit or uncommitted line of credit ($110 million in 2020).

The investment platforms including the controlled and consolidated investments have committed lines of credit of $435 million with Canadian and U.S. banks ($347 million was undrawn at December 31, 2021).

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

	Payments due by period			
December 31, 2021	Less than 1 year	1–5 years	After 5 years	Total
Debentures and other debt instruments	155	541	1,606	2,302
Future lease payments	20	64	184	268
Pension contributions	18	–	–	18
	193	605	1,790	2,588

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

Power Corporation's management of liquidity risk has not changed materially since December 31, 2020.

CREDIT RISK AND MARKET RISK

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

Credit risk

Credit risk is the potential for financial loss to the Corporation if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivatives products.

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

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

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

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

The Corporation's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2020.

Market risk

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

Foreign Exchange Risk

Foreign exchange risk relates to the Corporation, Power Financial and the investment platforms operating in different currencies and converting non-Canadian investments and earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

In its ongoing operations, the Corporation may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. At December 31, 2021, approximately 20% of the $1,635 million of Power Corporation and Power Financial's cash and cash equivalents and fixed income securities were denominated in foreign currencies, consisting of $249 million in U.S. dollars, $81 million in euros and $3 million in Swiss francs. At December 31, 2021, approximately 73% (78% at December 31, 2020) of Power Corporation, Power Financial and investment platforms' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Investments held by Power Corporation, Power Financial and through its investment platforms are either classified as available for sale or at fair value through profit or loss. These investments are diversified among the U.S. dollar, the euro, the Chinese renminbi and the Hong Kong dollar which contributes to reducing the concentration of foreign exchange risk. Unrealized gains and losses on investments classified as AFS, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. Unrealized gains and losses on investments classified as FVPL, resulting from foreign exchange rate variations, are recorded directly in net earnings. At December 31, 2021, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income or a loss recorded in net earnings of approximately $55 million and $35 million, respectively ($109 million and $16 million at December 31, 2020, respectively). Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

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

Power Financial is exposed to foreign exchange risk on its investment in GBL held through Parjointco as its functional currency is the Euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. At December 31, 2021, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately $214 million ($210 million in 2020).

Power Corporation is also exposed to foreign exchange risk on its investment in ChinaAMC. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. At December 31, 2021, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately $38 million ($35 million in 2020).

Interest Rate Risk

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

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

Equity Risk

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

Investments held by Power Corporation, Power Financial and through its investment platforms are either classified as AFS or FVPL. Unrealized gains and losses on investments classified as AFS are recorded in other comprehensive income until realized. Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. Investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the year, the Corporation recorded investment impairment charges on AFS investments of nil ($35 million in 2020). At December 31, 2021, the impact of a 10% decrease in the value of other investments held by Power Corporation, Power Financial and other subsidiaries would have resulted in approximately $110 million ($179 million at December 31, 2020) of unrealized loss recorded in other comprehensive income related to investments classified as AFS, and $128 million ($60 million at December 31, 2020) of loss recorded in net earnings related to investments classified as FVPL and investments in jointly controlled corporations and associates measured at FVPL.

The investments held by Power Corporation, Power Financial and through its investment platforms classified as AFS or at FVPL, including associates measured at FVPL, include shares of private and publicly traded companies. At December 31, 2021, investments held in shares of publicly traded companies and private companies represented 31% and 69%, respectively, excluding equity interests held in consolidated investments. The investment platforms are diversified, investing in three distinct economic regions: Europe, North America and China. This diversification avoids a concentration in any one single economy.

GBL holds a portfolio of investments which are classified as AFS. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. At December 31, 2021, the impact of a 10% decline in equity markets would have resulted in approximately $395 million ($400 million in 2020) of unrealized loss to be recorded in other comprehensive income, representing the Corporation’s share of Parjointco’s unrealized losses.

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

Power Corporation’s management of financial instruments risk has not changed materially since December 31, 2020. For a further discussion of Power Corporation’s risk management, please refer to Note 22 to the Corporation’s 2021 Consolidated Financial Statements. Parts B and C of this MD&A describe respectively Lifeco’s and IGM’s management of financial instruments risk.

OPERATIONAL RISK

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

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

Cybersecurity risk

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

Regulatory compliance risk

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

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

REPUTATION RISK

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

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

SUSTAINABILITY RISK

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

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

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

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

OTHER RISKS

Tax Risk

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

The Organization for Economic Co-operation and Development (OECD) recently published a framework outlining a structure for a new global minimum tax to be implemented by all participating countries, expected to be effective in 2023.

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

Geopolitical Risk

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

Emerging Risks

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

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

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

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

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

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

- Level 1 inputs utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 inputs utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement. The Corporation and its subsidiaries' assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

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

At December 31		2021		2020
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Assets recorded at fair value				
Bonds				
Fair value through profit or loss	103,708	103,708	102,782	102,782
Available for sale	12,603	12,603	11,897	11,897
Mortgage and other loans				
Fair value through profit or loss	2,724	2,724	2,095	2,095
Shares				
Fair value through profit or loss	13,975	13,975	10,697	10,697
Available for sale	1,343	1,343	1,839	1,839
Investment properties	7,763	7,763	6,270	6,270
Funds held by ceding insurers	14,999	14,999	16,188	16,188
Derivative instruments	1,049	1,049	973	973
Reinsurance assets	106	106	130	130
Other assets	1,890	1,890	980	980
	160,160	160,160	153,851	153,851
Assets disclosed at fair value				
Bonds				
Loans and receivables	24,676	26,717	23,348	26,545
Mortgage and other loans				
Loans and receivables	31,542	32,406	32,546	34,607
Shares				
Available for sale [1]	–	–	124	124
Funds held by ceding insurers	126	126	137	137
	56,344	59,249	56,155	61,413
Total	216,504	219,409	210,006	215,264
Liabilities				
Liabilities recorded at fair value				
Investment contract liabilities	12,455	12,455	9,145	9,145
Derivative instruments	1,063	1,063	1,270	1,270
Limited-life and redeemable fund units	1,916	1,916	916	916
Other liabilities	227	227	311	311
	15,661	15,661	11,642	11,642
Liabilities disclosed at fair value				
Obligations to securitization entities	5,058	5,146	6,174	6,345
Power Corporation's debentures and other debt instruments	647	869	756	1,013
Non-recourse debentures and other debt instruments	12,533	14,056	13,299	15,514
Deposits and certificates	3,968	3,968	2,247	2,247
Other liabilities	110	110	35	35
	22,316	24,149	22,511	25,154
Total	37,977	39,810	34,153	36,796

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

See Note 27 to the Corporation's 2021 Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement at December 31, 2021.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the twelve-month period ended December 31, 2021. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	December 31, 2021			December 31, 2020		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	121	12	12	21	1	1
Power Financial	20	13	13	23	3	3
Lifeco	36,570	967	(63)	30,121	829	(392)
IGM	1,840	41	23	2,273	38	3
Other subsidiaries	1,361	16	1	260	102	88
	39,791	1,037	(26)	32,677	972	(298)
	39,912	1,049	(14)	32,698	973	(297)

During the twelve-month period ended December 31, 2021, there was an increase of $7.2 billion in the notional amount of derivatives outstanding, primarily due to regular hedging activities and increases to net investment hedges by Lifeco. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to $1,049 million at December 31, 2021 from $973 million at December 31, 2020. The increase was primarily due to the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars, offset by a decrease in value of the call rights held by Power Sustainable to purchase additional shares of Lion, as a portion of the call rights were exercised during the second quarter of 2021, as well as related fair value decreases.

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

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

Off-Balance Sheet Arrangements

GUARANTEES

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

LETTERS OF CREDIT

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

Contingent Liabilities

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

Commitments and Contractual Obligations

At December 31, 2021	Payments due by period Less than 1 year	1–5 years	More than 5 years	Undefined	Total
Power Corporation [1, 2]	7	–	654	424	1,085
Power Financial [2]	16	3	254	–	273
Lifeco	4,598	2,685	7,015	–	14,298
IGM	3,437	3,992	2,233	–	9,662
Alternative asset investment platforms and consolidation entries	2,268	960	907	59	4,194
Total	10,326	7,640	11,063	483	29,512
Debentures and other debt instruments [3]	341	2,616	10,310	–	13,267
Obligations to securitization entities	1,158	3,893	7	–	5,058
Deposits and certificates	3,966	1	1	–	3,968
Lease obligations [4]	135	403	674	–	1,212
Purchase obligations [5]	590	537	65	–	1,192
Pension contributions [6]	353	–	–	–	353
Contractual commitments [1, 7]	3,783	190	6	483	4,462
Total	10,326	7,640	11,063	483	29,512

[1] Includes $424 million of outstanding commitments from the Corporation to make future capital contributions to investment funds; the exact amount and timing of each capital contribution cannot be determined.

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

[3] Please refer to Note 14 and Note 15 to the Corporation's 2021 Consolidated Financial Statements for further information.

[4] Please refer to Note 16 to the Corporation's 2021 Consolidated Financial Statements for further information.

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

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

[7] Includes $4,027 million of commitments by Lifeco. These contractual commitments are essentially commitments of investment transactions made in the normal course of operations, in accordance with Lifeco's policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions.

Income Taxes

The non-capital losses of the holding company, at December 31, 2021, were $930 million ($890 million for which the benefits have not been recognized) and are available to reduce future taxable income (including capital gains). These losses expire from 2028 to 2041.

The capital losses of the holding company, at December 31, 2021, were $142 million ($50 million for which the benefits have not been recognized) and can be used indefinitely to offset capital gains.

In addition, at December 31, 2021, deductible temporary differences for which the benefits have not been recognized were $521 million.

Transactions with Related Parties

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

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

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

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

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

In 2021, certain existing operating assets and projects under development, and the related project debt, were transferred to Power Sustainable Energy Infrastructure Partnership from Potentia and Nautilus in exchange for consideration in cash and an interest in the fund. Refer to the "Power Sustainable" section of the "Alternative Asset Investment Platforms" section.

During the first quarter of 2021, management of Sagard acquired an interest in SHMI, a newly formed entity, a subsidiary of Sagard. This transaction was at market terms and conditions and was reviewed by the relevant related party and conduct review committee. Refer to the "Sagard" section of the "Alternative Asset Investment Platforms" section.

On November 19, 2021, Lifeco and Sagard, subsidiaries of the Corporation, completed the previously announced agreement to enter into a long-term strategic relationship, which includes the sale of Lifeco's subsidiaries EverWest Real Estate Investors, LLC and EverWest Advisors, LLC to Sagard. In exchange, Lifeco received a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. The transaction was reviewed and approved by the relevant related party and conduct review committees. Refer to the "EverWest" section of the "2021 Highlights" section and to Part B of this MD&A for further discussion.

On January 5, 2022, subsequent to year-end, the Corporation and IGM announced an agreement in which IGM will acquire the Corporation's 13.9% interest held in ChinaAMC. In a separate transaction, IGM will sell a 1.6% interest held in Lifeco to the Corporation. Refer to the "ChinaAMC" section of the "2021 Highlights" section.

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

Summary of Critical Accounting Estimates and Judgments

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

IMPACT OF COVID-19 ON SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

The fair value of investments (Note 27 of the 2021 Consolidated Financial Statements), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of the Corporation's 2021 Consolidated Financial Statements.

CONSOLIDATION

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

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether joint control or significant influence exists.

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

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

Measurement

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

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

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

Additional details regarding these estimates can be found in Note 12 to the Corporation's 2021 Consolidated Financial Statements. See also Part B of this MD&A.

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

c) *Equity-release mortgages at fair value through profit or loss*

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

d) *Bonds and mortgage and other loans classified as loans and receivables*

The fair values disclosed for bonds and mortgage and other loans, classified as loans and receivables, are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

e) *Investment properties*

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

IMPAIRMENT OF INVESTMENTS

Investments are reviewed on an individual basis at the end of each reporting period to determine whether there is any objective evidence of impairment. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors, including the remaining term to maturity and liquidity of the asset. However, market price is taken into consideration when evaluating impairment.

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

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

GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS IMPAIRMENT TESTING

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

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

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

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

INCOME TAXES

Current income tax

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

Deferred income tax

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

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

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

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

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

Changes in Accounting Policies

There were no changes to the Corporation's accounting policies from those reported at December 31, 2020, except for:

The Corporation adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Corporation's 2021 Consolidated Financial Statements.

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

Future Accounting Changes

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the IASB and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective.

Standard	Summary of future changes
IFRS 17 – *Insurance Contracts*	In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts*. In June 2020 the IASB issued amendments to IFRS 17. The amended confirmed effective date for the standard is January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that Lifeco has representation on. Lifeco continues to make progress in implementing its project plan, with key policy decisions near final as well as significant progression on the technology solution. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of: (a) the fulfilment cash flows: the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin: the future profit for providing insurance coverage. Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the CALM, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to the Corporation's significant accounting policies in Note 2 of the 2021 Consolidated Financial Statements). The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires Lifeco to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. Lifeco is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption. Specifically, the recognition of the contractual service margin liabilities will also have the effect of reducing retained earnings. IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimize potential industry-wide capital impacts. Lifeco continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or Lifeco's business model.

Standard	Summary of future changes
Current implication of IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: ▪ Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. ▪ Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model. ▪ Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities. In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts*. The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows: ▪ *Deferral Approach:* provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or ▪ *Overlay Approach:* provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. The Corporation qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17, simultaneously. The disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Corporation and Lifeco do not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Corporation and Lifeco continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17. In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17. The Amendment, *Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)*, provides entities that first apply IFRS 17 and IFRS 9 at the same time with the option to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying this option, an entity is not required to apply the impairment requirements of IFRS 9. GBL (held through Parjointco), a jointly controlled corporation, does not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted although not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation has decided to continue applying IAS 39 to GBL's results.
IAS 1 – *Presentation of Financial Statements*	In February 2021, the IASB published *Disclosure of Accounting Policies*, amendments to IAS 1, *Presentation of Financial Statements*. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	In February 2021, the IASB published *Definition of Accounting Estimates*, amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.
IAS 12 – *Income Taxes*	In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities from a Single Transaction*, amendments to IAS 12, *Income Taxes*. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.
IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*	In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of this amendment.

Disclosure Controls and Procedures

Based on their evaluations at December 31, 2021, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective at December 31, 2021.

Internal Control over Financial Reporting

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

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

The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting at December 31, 2021, based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective at December 31, 2021.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended December 31, 2021 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Power Financial Corporation

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

At December 31, 2021	Lifeco	IGM	Corporate and other[1]	Effect of consolidation	Total Power Financial	Total Power Corporation
Total assets	630,488	17,661	27,978	(21,795)	654,332	661,633
Total liabilities	600,005	11,160	3,957	(497)	614,625	617,905

For the three-months ending December 31, 2021	Power Financial	Power Corporation
Cash flows from operations	2,107	2,114

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

OTHER SUPPLEMENTAL INFORMATION OF POWER FINANCIAL

First Preferred Shares Issued and Outstanding

	December 31, 2021		December 31, 2020	
	Number of shares	Stated capital	Number of shares	Stated capital
		$		$
First Preferred Shares (perpetual)				
Series A [i]	4,000,000	100	4,000,000	100
Series D [ii]	6,000,000	150	6,000,000	150
Series E [ii]	8,000,000	200	8,000,000	200
Series F [ii]	6,000,000	150	6,000,000	150
Series H [ii]	6,000,000	150	6,000,000	150
Series I [iv]	–	–	8,000,000	200
Series K [ii]	10,000,000	250	10,000,000	250
Series L [ii]	8,000,000	200	8,000,000	200
Series O [ii]	6,000,000	150	6,000,000	150
Series P [ii]	9,657,516	241	8,965,485	224
Series Q [ii]	1,542,484	39	2,234,515	56
Series R [ii]	10,000,000	250	10,000,000	250
Series S [ii]	12,000,000	300	12,000,000	300
Series T [ii]	8,000,000	200	8,000,000	200
Series V [ii]	10,000,000	250	10,000,000	250
Series 23 [ii, iii]	8,000,000	200	–	–
		2,830		2,830

First Preferred Shares

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

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

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	($/share)		($/share)
Non-cumulative, fixed rate			
Series D, 5.50%	0.343750	Currently redeemable	25.00
Series E, 5.25%	0.328125	Currently redeemable	25.00
Series F, 5.90%	0.368750	Currently redeemable	25.00
Series H, 5.75%	0.359375	Currently redeemable	25.00
Series K, 4.95%	0.309375	Currently redeemable	25.00
Series L, 5.10%	0.318750	Currently redeemable	25.00
Series O, 5.80%	0.362500	Currently redeemable	25.00
Series R, 5.50%	0.343750	Currently redeemable	25.00
Series S, 4.80%	0.300000	Currently redeemable	25.25
Series V, 5.15%	0.321875	July 31, 2022	26.00
Series 23, 4.50%	0.281250	January 31, 2027	26.00
Non-cumulative, 5-year rate reset [1]			
Series P, 1.998% [2]	0.124875	January 31, 2026	25.00
Series T, 4.215%	0.263438	January 31, 2024	25.00
Non-cumulative, variable rate			
Series Q, 3-month Government of Canada Treasury Bill + 1.60% [2, 3]	Variable	Currently redeemable	25.50

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

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

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

[iii] On October 15, 2021, Power Financial issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 for gross proceeds of $200 million. The Series 23 First Preferred Shares are entitled to fixed non-cumulative preferential cash dividends at a rate equal to $1.125 per share per annum. On and after January 31, 2027, Power Financial may redeem for cash the Series 23 First Preferred Shares in whole or in part, at Power Financial's option, at $26.00 per share if redeemed prior to January 31, 2028, $25.75 per share if redeemed thereafter and prior to January 31, 2029, $25.50 per share if redeemed thereafter and prior to January 31, 2030, $25.25 per share if redeemed thereafter and prior to January 31, 2031 and $25.00 per share if redeemed thereafter, in each case together with all declared and unpaid dividends to, but excluding, the date of redemption. Share issue costs of $4 million in connection with the Series 23 First Preferred Shares were charged to retained earnings.

[iv] On November 22, 2021, Power Financial redeemed all 8,000,000 of its outstanding 6.00% Non-Cumulative First Preferred Shares, Series I at a redemption price of $25.00 per share, together with any declared and unpaid dividends.

Non-IFRS Financial Measures

NON-IFRS FINANCIAL MEASURES

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

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

Non-IFRS financial measure (continued)	Definition	Purpose
Consolidated assets and assets under management and Consolidated assets and assets under administration	Consolidated assets and assets under management includes total assets per the financial statements as well as assets managed on behalf of clients which are beneficially owned by clients and are not recognized in the consolidated financial statements including: ▪ Internally and externally managed funds, including proprietary mutual funds, where the Corporation's publicly traded operating subsidiaries and alternative asset investment platforms have oversight of the investment policies; and ▪ The fair value of assets managed on behalf of the clients by asset managers controlled within the investment platforms, including assets managed through a separately managed agreement. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. Consolidated assets and assets under administration includes consolidated assets under management and other assets under administration. Other assets under administration includes assets where the Corporation's consolidated publicly traded operating subsidiaries and investment management services businesses only provide administration services for which they earn fees and other income. These assets are beneficially owned by the clients and the Corporation's operating subsidiaries do not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services.	Consolidated assets and assets under management and Consolidated assets and assets under administration provide an indicator of the size and volume of the Corporation's consolidated businesses, including the publicly traded operating companies and alternative asset investment platforms. Consolidated assets and assets under administration includes assets in which the Corporation's consolidated publicly traded operating subsidiaries and investment management services businesses only provide administration services, which are an important aspect of the overall business and should be considered when comparing volumes, size and trends.

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

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

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

Adjusted Net Earnings

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Adjusted net earnings – Non-IFRS financial measure [1, 4]	3,230	1,988	676	748	627
Share of Adjustments [2], net of tax					
Lifeco	(89)	74	(38)	6	7
IGM	(96)	(55)	3	–	(3)
GBL [3]	–	(6)	–	–	–
Alternative and other investments	(115)	5	(15)	–	–
Corporate operations	(13)	(8)	–	(13)	(8)
Attributable to non-controlling interests of Power Financial	–	(4)	–	–	–
	(313)	6	(50)	(7)	(4)
Net earnings – IFRS financial measure [1]	2,917	1,994	626	741	623

[1] Attributable to participating shareholders of Power Corporation.

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

[3] Previously reported by Pargesa.

[4] Adjusted net earnings in 2020 has been restated to reflect the charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value.

Comparative Figures

In the first quarter of 2021, the charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value was presented as an Adjustment as these rights were extinguished at the close of the transaction and thereafter will not have future fair value changes. The fair value changes in the put right obligations were not previously presented as an Adjustment as they were expected to be recurring. The related amounts in the comparative periods have been reclassified as an Adjustment to reflect this presentation. Adjusted net earnings in 2020 has been restated to reflect this change.

The Corporation's share of the charge on the remeasurement of the put right liability was $45 million in the third quarter of 2020. The charge has been reflected in the Adjustments of the Alternative and other investments, Lifeco and IGM based on their respective interest in the Effect of consolidation, of $22 million, $2 million and $21 million, respectively.

Adjustments (Excluded from Adjusted Net Earnings)

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

	Twelve months ended		Three months ended		
	December 31, 2021	December 31, 2020	December 31, 2021	September 30, 2021	December 31, 2020
Lifeco [1]					
Actuarial assumption changes and other management actions (pre-tax)	99	41	19	48	(47)
Income tax (expense) benefit	(9)	35	(3)	(3)	32
Market-related impacts on liabilities (pre-tax)	23	(119)	14	35	(14)
Income tax (expense) benefit	(7)	34	(1)	(3)	(7)
Transaction costs related to acquisitions (pre-tax)	(139)	(63)	(51)	(70)	(39)
Income tax (expense) benefit	13	11	2	10	8
Tax legislative changes impact on liabilities	(14)	–	–	–	–
Revaluation of a deferred tax asset	–	131	–	–	131
Net gain on business dispositions (pre-tax)	(9)	155	(9)	–	91
Income tax (expense) benefit	–	3	–	–	4
Restructuring and integration charges (pre-tax)	(60)	(59)	(14)	(21)	(59)
Income tax (expense) benefit	16	14	4	5	14
	(87)	183	(39)	1	114
Effect of consolidation (pre-tax) [2]	(2)	(107)	1	5	(105)
Income tax (expense) benefit	–	(2)	–	–	(2)
	(89)	74	(38)	6	7
IGM [1]					
Net gain on business dispositions (pre-tax)	7	39	7	–	16
Income tax (expense) benefit	(2)	(6)	(2)	–	(2)
Restructuring and other charges (pre-tax)	–	(46)	–	–	–
Income tax (expense) benefit	–	12	–	–	–
Share of Lifeco's adjustments [1]	–	2	–	–	2
	5	1	5	–	16
Effect of consolidation (pre-tax) [2]	(101)	(65)	(2)	–	(26)
Income tax (expense) benefit	–	9	–	–	7
	(96)	(55)	3	–	(3)
GBL [3]					
Other charges	–	(6)	–	–	–
Alternative and other investments					
Remeasurements of Wealthsimple's put right liability	(100)	(22)	–	–	–
Impairment charges on direct energy infrastructure investments (pre-tax)	(19)	–	(19)	–	–
Income tax (expense) benefit	4	–	4	–	–
Recovery on deconsolidation of IntegraMed	–	27	–	–	–
	(115)	5	(15)	–	–
Corporate operations					
Reorganization charges	(13)	(8)	–	(13)	(8)
Non-controlling interests of Power Financial	–	(4)	–	–	–
	(313)	6	(50)	(7)	(4)

[1] As reported by Lifeco and IGM.

[2] The Effect of consolidation reflects (i) the elimination of intercompany transactions, including in the fourth quarter of 2020 the gain recognized by Lifeco on the sale of GLC and the gain recognized by IGM on the sale of QGOF, (ii) the application of the Corporation's accounting method for investments under common control to the Adjustments reported by Lifeco and IGM, which includes an allocation of the Adjustments related to the fintech portfolio based on their respective interest and (iii) IGM's share of Lifeco's Adjustments for the impact of actuarial assumption changes and management actions and market impact on insurance contract liabilities, in accordance with the Corporation's definition of Adjusted net earnings. As well, the three- and twelve-month periods ended December 31, 2020 reflect the adjustment to the Corporation's share of IGM's Adjustment related to the gain on disposal of Personal Capital; the Corporation has not included this amount as an Adjustment as the gain recognized by the Corporation relates to the remeasurement of the investment in Personal Capital at fair value on the date Lifeco acquired control.

[3] As previously reported by Pargesa.

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

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

OTHER MEASURES

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

Term	Definition
Assets under management and administration	Operating asset management and investment management services businesses within the Power Group, including IGM, alternative asset managers and Wealthsimple, present the total value of assets managed or administered which are beneficially owned by clients and are not recognized in the consolidated financial statements. The composition of the assets under management and administration is relative to the activities of the asset managers and are further defined as follows:
Assets under management and advisement of IGM	Assets under management are client assets where IGM provides investment management services, and include investment funds where IGM is the fund manager, investment advisory mandates to institutions, and other client accounts where IGM has discretionary portfolio management responsibilities. Assets under advisement represents savings and investment products, including assets under management where IGM provides investment management services, held within client accounts of IGM's Wealth Management segment's operating companies.
Assets under management of alternative asset investment platforms	Assets under management of investment platforms include: ▪ Net asset value of the investment funds and co-investment vehicles managed, including unfunded commitments and unused permanent leverage; ▪ Gross asset value of investment funds managed within the real estate platform; ▪ Fair value of assets managed on behalf of the Corporation and clients by asset managers controlled within the investment platforms, including assets managed through a separately managed agreement; and ▪ Fair value of equity interests in standalone businesses.
Assets under administration of Wealthsimple	Assets under administration includes the total value of assets held on behalf of clients and includes client assets in which investment management services are provided.
Book value per participating share	Represents Power Corporation's participating shareholders' equity divided by the number of participating shares outstanding at the end of the reporting period.
Carried interest	Carried interest is earned through a contractual arrangement between alternative asset managers and the funds managed in which the asset manager earns a fixed percentage of investment returns over a predetermined hurdle return.
Market capitalization	Represents the aggregate market value of a company. Market capitalization is determined at a point in time and represents the number of outstanding shares multiplied by the closing share price.
Net asset value reported by GBL	On a quarterly basis, GBL reports its net asset value as it represents an important criterion used in assessing its performance. GBL's net asset value represents the fair value of its investment portfolio, its gross cash and treasury shares, less its gross debt. GBL's investments held in listed entities are measured at their market value and its investments in private entities are measured using the recommendations of the International Private Equity and Venture Capital Valuation Guidelines, which represents GBL's management best estimate. Sienna Investment Managers' portfolio of investments is measured by adding all investments at fair value provided by the fund managers with Sienna investment Managers' net cash, less its net debt. For more information on GBL's net asset value and valuation principles, refer to its website (www.gbl.be).
Net asset value of investment funds	Net asset value of investment funds represents the fair value of the investments held within the fund, net of any liabilities.
Net carried interest	Represents carried interests earned, net of direct employee costs which are usually recognized over the vesting period.
Unfunded commitments	Represents the capital that has been committed by limited partners, but not called by the fund. In some cases, unfunded commitments include distributions, which are recallable by the fund.

Selected Annual Information

For the years ended December 31	2021	2020	2019
Total revenues	69,561	64,616	48,841
Consolidated assets and assets under management [in billions] [1]	1,237	1,142	941
Consolidated assets and assets under administration [in billions] [1]	2,549	2,195	1,823
Net earnings (attributable to participating shareholders)	2,917	1,994	1,108
per share – basic	4.31	3.08	2.53
per share – diluted	4.27	3.08	2.53
Adjusted net earnings (attributable to participating shareholders) [1]	3,230	1,988	1,275
per share – basic [1]	4.77	3.07	2.92
Consolidated assets	661,633	629,104	477,250
Total financial liabilities	44,269	38,275	26,355
Debentures and other debt instruments	13,180	14,055	9,938
Shareholders' equity	24,339	22,207	14,174
Book value per participating share	34.56	31.38	30.98
Number of participating shares outstanding [millions]			
Participating preferred shares	54.9	54.9	48.9
Subordinate voting shares	621.8	622.4	377.6
Dividends per share [declared]			
Participating shares [2]	1.8375	1.7900	2.0020
First preferred shares of Power Corporation			
1986 Series [3]	0.8576	1.0124	1.3824
Series A	1.4000	1.4000	1.4000
Series B	1.3375	1.3375	1.3375
Series C	1.4500	1.4500	1.4500
Series D	1.2500	1.2500	1.2500
Series G	1.4000	1.4000	1.4000
First preferred shares of Power Financial			
Series A [4]	0.4288	0.4839	0.6913
Series D	1.3750	1.3750	1.3750
Series E	1.3125	1.3125	1.3125
Series F	1.4750	1.4750	1.4750
Series H	1.4375	1.4375	1.4375
Series I [5]	1.2154	1.5000	1.5000
Series K	1.2375	1.2375	1.2375
Series L	1.2750	1.2750	1.2750
Series O	1.4500	1.4500	1.4500
Series P [6]	0.4995	0.5765	0.5765
Series Q [7]	0.4312	0.5403	0.8125
Series R	1.3750	1.3750	1.3750
Series S	1.2000	1.2000	1.2000
Series T [8]	1.0538	1.0538	1.0538
Series V	1.2875	1.2875	1.2875
Series 23 [9]	0.3329	–	–

[1] Consolidated assets and assets under management, consolidated assets and assets under administration, adjusted net earnings and adjusted net earnings per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures" in this MD&A. In the first quarter of 2020, the definition of Adjustments was changed; refer to the definition included in the section "Non-IFRS Financial Measures" in this MD&A for more information. The comparative amounts have been adjusted to reflect this change. In the first quarter of 2021, the charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value was presented as an Adjustment as these rights were extinguished at the close of the transaction and thereafter will not have future fair value changes. The related amounts in the comparative periods have been reclassified as an Adjustment to reflect this presentation.

[2] 2019 Includes the dividend declared by the Corporation on December 12, 2019, as part of the Reorganization.

[3] The 1986 Series First Preferred Shares are entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks. The 1986 Series First Preferred Shares were redeemed by the Corporation on January 15, 2022.

[4] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks.

[5] Power Financial redeemed the Series I First Preferred Shares on November 22, 2021; a final dividend of $0.09041 was declared by Power Corporation for the period up to the date of redemption.

[6] On January 31, 2021, the Series P First Preferred Shares were subject to a dividend rate reset for the five-year period from and including January 31, 2021. The dividend rate was reset to 1.998% or $0.124875 per share in cash dividends payable quarterly.

[7] The Series Q First Preferred Shares are entitled to an annual non-cumulative dividend, payable quarterly at a floating rate equal to the 3-month Government of Canada Treasury Bill rate plus 1.60%.

[8] On January 31, 2019, the Series T First Preferred Shares were subject to a dividend rate reset for the five-year period from and including January 31, 2019. The dividend rate was reset to 4.215% or $0.263438 per share in cash dividends payable quarterly.

[9] The Series 23 First Preferred Shares were issued by Power Financial on October 15, 2021. An initial dividend of $0.33288 was declared on November 10, 2021.

Summary of Quarterly Results

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

[1] Consolidated assets and assets under management, consolidated assets and assets under administration, adjusted net earnings and adjusted net earnings per share attributable to participating shareholders, and adjustments and adjustments per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures" in this MD&A. In the first quarter of 2021, the charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value was presented as an Adjustment as these rights were extinguished at the close of the transaction and thereafter will not have future fair value changes. The related amounts in the comparative periods have been reclassified as an Adjustment to reflect this presentation. In the first quarter of 2020, the definition of Adjustments was changed; refer to the definition included in the section "Non-IFRS Financial Measures" in this MD&A. The comparative amounts have been adjusted to reflect this change.

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

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

[1] As previously reported by Pargesa.

Consolidated Balance Sheets

[in millions of Canadian dollars]	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents [Note 4]	9,509	10,040
Investments [Note 5]		
Bonds	140,987	138,027
Mortgage and other loans	34,266	34,641
Shares	15,318	12,660
Investment properties	7,763	6,270
Loans to policyholders	8,319	8,387
	206,653	199,985
Funds held by ceding insurers [Note 6]	17,194	18,383
Reinsurance assets [Note 12]	21,138	22,121
Derivative financial instruments [Note 26]	1,049	973
Investments in jointly controlled corporations and associates [Note 7]	7,424	6,529
Owner-occupied properties and capital assets [Note 8]	3,686	3,217
Other assets [Note 9]	15,855	12,500
Deferred tax assets [Note 17]	1,131	1,082
Intangible assets [Note 10]	7,607	6,279
Goodwill [Note 10]	12,968	13,963
Investments on account of segregated fund policyholders [Note 11]	357,419	334,032
Total assets	661,633	629,104
Liabilities		
Insurance contract liabilities [Note 12]	208,378	208,902
Investment contract liabilities [Note 12]	12,455	9,145
Obligations to securitization entities [Note 13]	5,058	6,174
Power Corporation's debentures and other debt instruments [Note 14]	647	756
Non-recourse debentures and other debt instruments [Note 15]	12,533	13,299
Derivative financial instruments [Note 26]	1,063	1,270
Other liabilities [Note 16]	18,759	15,712
Deferred tax liabilities [Note 17]	1,593	1,081
Insurance and investment contracts on account of segregated fund policyholders [Note 11]	357,419	334,032
Total liabilities	617,905	590,371
Equity		
Stated capital [Note 18]		
Non-participating shares	954	956
Participating shares	9,603	9,557
Retained earnings	10,807	8,651
Reserves	2,975	3,043
Total shareholders' equity	24,339	22,207
Non-controlling interests [Note 20]	19,389	16,526
Total equity	43,728	38,733
Total liabilities and equity	661,633	629,104

Approved by the Board of Directors

Signed,
Siim A. Vanaselja
Director

Signed,
R. Jeffrey Orr
Director

Consolidated Statements of Earnings

For the years ended December 31 [in millions of Canadian dollars, except per share amounts]	2021	2020
Revenues		
Premium income		
Gross premiums written [Note 12]	57,375	47,734
Ceded premiums	(4,584)	(4,735)
Total net premiums	52,791	42,999
Net investment income [Note 5]		
Regular net investment income	7,101	6,354
Change in fair value through profit or loss	(1,855)	5,792
Net investment income	5,246	12,146
Fee income	10,955	8,942
Other revenues	569	529
Total revenues	69,561	64,616
Expenses		
Policyholder benefits		
Gross [Note 12]	49,355	39,605
Ceded	(3,544)	(2,946)
Total net policyholder benefits	45,811	36,659
Changes in insurance and investment contract liabilities		
Gross	1,152	12,079
Ceded	1,891	(1,751)
Total net changes in insurance and investment contract liabilities	3,043	10,328
Policyholder dividends and experience refunds	1,441	1,500
Total paid or credited to policyholders	50,295	48,487
Commissions	3,910	3,439
Operating and administrative expenses [Note 23]	10,170	8,694
Financing charges [Note 24]	599	555
Total expenses	64,974	61,175
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,587	3,441
Share of earnings of investments in jointly controlled corporations and associates [Note 7]	729	170
Earnings before income taxes	5,316	3,611
Income taxes [Note 17]	643	77
Net earnings	4,673	3,534
Attributable to		
Non-controlling interests [Note 20]	1,704	1,488
Non-participating shareholders	52	52
Participating shareholders	2,917	1,994
	4,673	3,534
Earnings per participating share [Note 29]		
Net earnings attributable to participating shareholders		
– Basic	4.31	3.08
– Diluted	4.27	3.08

Consolidated Statements of Comprehensive Income

For the years ended December 31 [in millions of Canadian dollars]	2021	2020
Net earnings	4,673	3,534
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	(207)	829
Income tax (expense) benefit	40	(103)
Realized (gains) losses transferred to net earnings	(519)	(332)
Income tax expense (benefit)	62	17
	(624)	411
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	74	20
Income tax (expense) benefit	(20)	(6)
Realized (gains) losses transferred to net earnings	(47)	(21)
Income tax expense (benefit)	13	6
	20	(1)
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	(364)	122
Income tax (expense) benefit	(5)	(7)
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	117	(90)
Income tax (expense) benefit	(12)	12
	(264)	37
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(57)	389
Income tax (expense) benefit	(3)	(9)
	(60)	380
Total – items that may be reclassified	(928)	827
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on defined benefit plans [Note 25]	955	(278)
Income tax (expense) benefit	(233)	60
Revaluation surplus on transfer to investment properties [Note 27]	–	11
Income tax (expense) benefit	–	(1)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	11	(4)
Total – items that will not be reclassified	733	(212)
Other comprehensive income (loss)	(195)	615
Comprehensive income	4,478	4,149
Attributable to		
Non-controlling interests	1,735	1,496
Non-participating shareholders	52	52
Participating shareholders	2,691	2,601
	4,478	4,149

Consolidated Statements of Changes in Equity

For the year ended December 31, 2021 [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 28]	Total	Non-controlling interests	Total equity
Balance, beginning of year	956	9,557	8,651	293	2,750	3,043	16,526	38,733
Net earnings	–	–	2,969	–	–	–	1,704	4,673
Other comprehensive income (loss)	–	–	–	–	(226)	(226)	31	(195)
Comprehensive income	–	–	2,969	–	(226)	(226)	1,735	4,478
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 18]	–	(61)	(92)	–	–	–	–	(153)
Repurchase of shares of the Corporation for cancellation	(2)	–	–	–	–	–	–	(2)
Dividends to shareholders								
Non-participating shares	–	–	(52)	–	–	–	–	(52)
Participating shares	–	–	(1,243)	–	–	–	–	(1,243)
Dividends to non-controlling interests	–	–	–	–	–	–	(945)	(945)
Expense for share-based compensation [Note 19]	–	–	–	65	–	65	34	99
Stock options exercised	–	107	–	(82)	–	(82)	71	96
Issue of Limited Recourse Capital Notes by Lifeco [Note 20]	–	–	–	–	–	–	1,500	1,500
Effects of changes in ownership and capital on interest in Wealthsimple [Note 20]	–	–	593	119	–	119	368	1,080
Other effects of changes in capital and ownership of subsidiaries, and other	–	–	(19)	1	55	56	100	137
Balance, end of year	954	9,603	10,807	396	2,579	2,975	19,389	43,728

Consolidated Statements of Changes in Equity (continued)

For the year ended December 31, 2020 [in millions of Canadian dollars]	Stated capital: Non-participating shares	Stated capital: Participating shares	Retained earnings	Reserves: Share-based compensation	Reserves: Other comprehensive income [Note 28]	Reserves: Total	Non-controlling interests	Total equity
Balance, beginning of year	960	726	10,780	212	1,496	1,708	22,411	36,585
Net earnings	–	–	2,046	–	–	–	1,488	3,534
Other comprehensive income	–	–	–	–	607	607	8	615
Comprehensive income	–	–	2,046	–	607	607	1,496	4,149
Acquisition of non-controlling interests in Power Financial and issue of subordinate voting shares [Notes 18 and 20]	–	8,687	(2,847)	66	647	713	(6,555)	(2)
Related transaction costs [Note 20]	–	–	(46)	–	–	–	–	(46)
Issue of participating preferred shares [Note 18]	–	206	–	–	–	–	–	206
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 18]	–	(110)	(83)	–	–	–	–	(193)
Repurchase of shares of the Corporation for cancellation	(4)	–	–	–	–	–	–	(4)
Dividends to shareholders								
Non-participating shares	–	–	(52)	–	–	–	–	(52)
Participating shares	–	–	(1,211)	–	–	–	–	(1,211)
Dividends to non-controlling interests	–	–	–	–	–	–	(926)	(926)
Expense for share-based compensation [Note 19]	–	–	–	48	–	48	23	71
Stock options exercised	–	48	–	(36)	–	(36)	30	42
Effects of changes in ownership on Parjointco's interest in Pargesa [Note 7]	–	–	19	–	–	–	–	19
Related Corporation's share of Parjointco's transaction costs [Note 7]	–	–	(23)	–	–	–	–	(23)
Other effects of changes in capital and ownership of subsidiaries, and other	–	–	68	3	–	3	47	118
Balance, end of year	956	9,557	8,651	293	2,750	3,043	16,526	38,733

Consolidated Statements of Cash Flows

For the years ended December 31 [in millions of Canadian dollars]	2021	2020
Operating activities		
Earnings before income taxes	5,316	3,611
Income tax paid, net of refunds	(519)	(542)
Adjusting items		
Change in insurance and investment contract liabilities	1,819	14,476
Change in funds held by ceding insurers	845	467
Change in reinsurance assets	1,915	(1,629)
Change in fair value through profit or loss	1,855	(5,792)
Other	(178)	(490)
	11,053	10,101
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(945)	(926)
Non-participating shares	(52)	(52)
Participating shares	(1,211)	(1,081)
	(2,208)	(2,059)
Issue of equity		
Corporation's subordinate voting shares [Note 18]	96	42
Corporation's participating preferred shares [Note 18]	–	206
Subsidiaries' common and preferred shares	993	171
Subsidiary's limited recourse capital notes [Note 20]	1,500	–
Investment funds' limited-life fund and redeemable units	727	413
Repurchase or redemption of equity		
Corporation's subordinate voting shares for cancellation under normal course issuer bid [Note 18]	(153)	(193)
Corporation's non-participating shares	(2)	(4)
Subsidiaries' common and preferred shares [Note 20]	(394)	–
Investment funds' limited-life fund and redeemable units	(164)	(100)
Disposition of equity interests in a subsidiary [Note 20]	500	–
Consideration paid for acquisition of Power Financial non-controlling interests, net of transaction costs	–	(48)
Corporation's increase (decrease) in other debt instruments [Note 14]	(106)	63
Non-recourse debentures and other debt instruments [Note 15]		
Issue of debentures and senior notes	–	3,713
Repayment of debentures	–	(500)
Increase in other debt instruments	635	980
Decrease in other debt instruments	(1,191)	(131)
Repayment of lease liabilities [Note 16]	(110)	(110)
Increase in obligations to securitization entities	1,429	1,569
Repayments of obligations to securitization entities and other	(2,514)	(2,374)
	(962)	1,638
Investment activities		
Dispositions, repayments or maturities		
Bonds	28,128	23,248
Mortgage and other loans	6,133	5,051
Shares	9,008	5,039
Investment properties	40	73
Change in loans to policyholders	64	84
Acquisitions or investments		
Bonds	(35,944)	(28,768)
Mortgage and other loans	(6,523)	(5,395)
Shares	(9,112)	(5,377)
Jointly controlled corporations and associates	(317)	(304)
Investment properties	(970)	(481)
Business acquisitions, net of cash and cash equivalents acquired	(520)	(1,197)
Acquisition of capital assets, properties and other	(566)	(388)
	(10,579)	(8,415)
Effect of changes in exchange rates on cash and cash equivalents	(43)	(89)
Increase (decrease) in cash and cash equivalents	(531)	3,235
Cash and cash equivalents, beginning of year	10,040	6,805
Cash and cash equivalents, end of year	9,509	10,040
Net cash from operating activities includes		
Interest and dividends received	5,617	5,252
Interest paid	702	670

Notes to the Consolidated Financial Statements

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

The following abbreviations are used in these Consolidated Financial Statements:

Ark Life	Ark Life Assurance Company dac
CALM	Canadian Asset Liability Method
Canada Life	The Canada Life Assurance Company
ChinaAMC	China Asset Management Co., Ltd.
GBL	Groupe Bruxelles Lambert
Great-West Life & Annuity	Great-West Life & Annuity Insurance Company
IFRS	International Financial Reporting Standards
IGM or IGM Financial	IGM Financial Inc.
IG Wealth Management	Investors Group Inc.
Irish Life	Irish Life Group Limited
Lifeco	Great-West Lifeco Inc.
Lion	The Lion Electric Co.
LMPG	LMPG Inc. (formerly Lumenpulse Group Inc.)
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
MassMutual	Massachusetts Mutual Life Insurance Company
Nautilus Solar	Nautilus Solar Energy, LLC
Northleaf	Northleaf Capital Group Ltd.
OSFI	Office of the Superintendent of Financial Institutions
Pargesa	Pargesa Holding SA
Parjointco	Parjointco SA
Personal Capital	Personal Capital Corporation
Portage I	Portag3 Ventures Limited Partnership
Portage II	Portag3 Ventures II Limited Partnership
Portage III	Portage Ventures III Limited Partnership
Potentia	Potentia Renewables Inc.
Power Corporation or the Corporation	Power Corporation of Canada
Power Financial	Power Financial Corporation
Power Sustainable	Power Sustainable Capital Inc.
Power Sustainable Energy Infrastructure	Power Sustainable Energy Infrastructure Partnership
Prudential	Prudential Financial, Inc.
Putnam	Putnam Investments, LLC
Sagard	Sagard Holdings Inc.
TSX	Toronto Stock Exchange
Wealthsimple	Wealthsimple Financial Corp.

NOTE 1 Corporate Information

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

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

The Consolidated Financial Statements (financial statements) of Power Corporation as at and for the year ended December 31, 2021 were approved by its Board of Directors on March 17, 2022.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The financial statements of Power Corporation as at December 31, 2021 have been prepared in accordance with International Financial Reporting Standards.

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

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, a reporting issuer in all of the provinces and territories of Canada, and Lifeco and IGM Financial, which are both public companies. The amounts shown on the consolidated balance sheets (balance sheets), consolidated statements of earnings (statements of earnings), consolidated statements of comprehensive income (statements of comprehensive income), consolidated statements of changes in equity (statements of changes in equity) and consolidated statements of cash flows (statements of cash flows) are mainly derived from the publicly disclosed consolidated financial statements of Lifeco and IGM Financial, all as at and for the year ended December 31, 2021. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

SUBSIDIARIES

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

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Under the equity method, the Corporation recognizes its share of net earnings (losses) and other comprehensive income (loss) of the jointly controlled corporations and associates, and dividends received. In the case of investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, the Corporation has elected to measure certain of its investments in jointly controlled corporations and associates at fair value through profit or loss.

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

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

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

				% equity interest	
Corporation	Classification	Incorporated in	Primary business operation	December 31, 2021	December 31, 2020
Holding company					
Power Corporation of Canada	Parent	Canada	Holding company		
China Asset Management Co., Ltd. [1]	Associate	China	Asset management company	27.8	27.8
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
Publicly traded companies					
Great-West Lifeco Inc. [2]	Subsidiary	Canada	Financial services holding company	70.7	70.8
The Canada Life Assurance Company	Subsidiary	Canada	Insurance and wealth management	100.0	100.0
Irish Life Group Limited	Subsidiary	Ireland	Insurance and wealth management	100.0	100.0
Great-West Life & Annuity Insurance Company	Subsidiary	United States	Financial services	100.0	100.0
Personal Capital Corporation	Subsidiary	United States	Financial services	100.0	100.0
Putnam Investments, LLC [3]	Subsidiary	United States	Asset management company	96.2	96.3
IGM Financial Inc. [4]	Subsidiary	Canada	Wealth and asset management	65.6	66.0
IG Wealth Management	Subsidiary	Canada	Financial services	100.0	100.0
Mackenzie Financial Corporation	Subsidiary	Canada	Asset management company	100.0	100.0
Northleaf Capital Group Ltd. [5]	Associate	Canada	Alternative asset manager	70.0	70.0
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert [6]	Subsidiary	Belgium	Holding company	29.1	28.2
Alternative asset investment platforms and other					
Power Sustainable Capital Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
Power Sustainable Energy Infrastructure Partnership [7]	Subsidiary	Canada	Renewable energy fund	55.0	–
Potentia Renewables Inc.	Subsidiary	Canada	Renewable energy	100.0	100.0
Nautilus Solar Energy, LLC	Subsidiary	United States	Renewable energy	100.0	100.0
Sagard Holdings Inc.	Subsidiary	Canada	Holding company	100.0	100.0
Sagard Holdings Management Inc. [8]	Subsidiary	Canada	Alternative asset manager	92.9	–
Wealthsimple Financial Corp. [9]	Subsidiary	Canada	Financial services	54.8	74.9
Portag3 Ventures LP [10]	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP [11]	Subsidiary	Canada	Venture capital fund	27.9	27.9
Portage Ventures III LP [12]	Subsidiary	Canada	Venture capital fund	17.6	–
Sagard Private Equity Canada [13]	Subsidiary	Canada	Private equity fund	32.5	–
Sagard New Gen	Subsidiary	France	Private equity fund	51.6	54.4
Standalone Businesses					
LMPG Inc.	Subsidiary	Canada	Sustainable energy	54.4	60.5
Peak Achievement Athletics Inc.	Joint control	Canada	Manufacturer of sports equipment and apparel	42.6	42.6
The Lion Electric Co.	Associate	Canada	Manufacturer of zero-emission vehicles	35.4	44.1

[1] Power Corporation and Mackenzie Investments each hold an equity interest of 13.9% in ChinaAMC.
[2] Power Financial holds a 66.7% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco (66.8% and 4.0%, respectively, at December 31, 2020).
[3] Lifeco holds 100% of the voting shares and 96.2% of the total outstanding shares (96.3% at December 31, 2020).
[4] Power Financial holds a 61.7% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (62.1% and 3.9%, respectively, at December 31, 2020).
[5] Represents a 49.9% non-controlling voting interest. Held through an acquisition vehicle 80% owned by Mackenzie Investments and 20% by Lifeco.
[6] Parjointco has a 44.2% voting interest in GBL (43.2% at December 31, 2020).
[7] Power Corporation holds a 40% equity interest and Lifeco holds a 15% equity interest in Power Sustainable Energy Infrastructure Partnership.
[8] On March 26, 2021, the asset management activities of Sagard were transferred into Sagard Holdings Management Inc., a newly formed subsidiary of Sagard. Power Corporation and Lifeco hold an equity interest of 86.3% and 6.6%, respectively, in Sagard Holdings Management Inc.
[9] Power Financial, Portage I and IGM Financial hold an equity interest of 13.7%, 10.9% and 30.2%, respectively, in Wealthsimple (18.7%, 14.8% and 41.4%, respectively, at December 31, 2020).
[10] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portage I.
[11] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 7.7% and Sagard holds 4.7% equity interest in Portage II.
[12] Sagard, Lifeco and IGM Financial hold an equity interest of 2.8%, 10.2% and 4.6%, respectively, in Portage III.
[13] Sagard and Lifeco hold an equity interest of 7.5% and 25.0%, respectively, in Sagard Private Equity Canada.

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

REORGANIZATION AND ACQUISITION OF COMMON SHARES IN POWER FINANCIAL

On February 13, 2020, the Corporation successfully completed a reorganization transaction (Reorganization) and acquired 238,693,580 common shares of Power Financial held by minority interests in consideration of the issuance of 250,628,173 Subordinate Voting Shares of the Corporation and $2 million paid in cash for a total consideration of $8.7 billion. Since then, the Corporation has held 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX (Notes 18 and 20).

CHANGE IN ACCOUNTING POLICIES

The Corporation adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Corporation's financial statements.

IMPACT OF COVID-19 ON SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

The fair value of investments, the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of these financial statements.

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

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Evaluation of control	Management of the Corporation and of its subsidiaries	Determining if the Corporation has the ability to direct the relevant activities of the subsidiaries, including investment funds or other structured entities, in order to derive variable returns. Judgment is exercised in evaluating the variable returns and in determining the extent to which the Corporation has the ability to exercise power to affect variable returns.	2
Fair value of assets acquired and liabilities assumed	Management of the Corporation and of its subsidiaries	Determining the fair value of assets acquired and liabilities assumed in a business combination requires judgment.	3
Evaluation of significant influence and joint control	Management of the Corporation and of its subsidiaries	Determining if the Corporation exercises significant influence over the entity's operating and financing policies, or if unanimous consent is required for decisions relating to relevant activities.	2
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.	12
Valuation of insurance and certain investment contract liabilities in accordance with CALM	Management of Lifeco	Determining the actuarial assumptions, including interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders.	12
Provision for future credit losses within certain insurance contract liabilities	Management of Lifeco	The provision for future credit losses within insurance contract liabilities is based on investment credit ratings. Lifeco's practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.	12
Fair value of financial instruments	Management of the Corporation and of its subsidiaries	Determining fair value inputs to establish the fair value of financial instruments, particularly those items categorized within Level 3 of the fair value hierarchy.	27
Fair value of equity-release mortgages	Management of Lifeco	Internal valuation models are used to determine the fair value of equity-release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows and discount rates.	5

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Fair value of investment properties	Management of Lifeco	Independent qualified appraisal services are used to determine the fair value of investment properties, which use assumptions that include judgments and estimates. These appraisals are adjusted by applying management's judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions.	5
Initial recognition and measurement of goodwill and intangible assets, as well as subsequent measurement	Management of the Corporation and of its subsidiaries	Evaluating the synergies and future benefits in business combinations for initial recognition and measurement of goodwill and intangible assets as well as determining the recoverable amount. The determination of the recoverable amount of the cash generating units (to which goodwill and intangible assets are assigned) relies upon valuation methodologies that require the use of estimates.	3, 10
Determination of cash generating unit groupings	Management of the Corporation and of its subsidiaries	Determining the cash generating unit groupings as the lowest level at which the assets are monitored for internal reporting purposes.	10
Measurement of the pension plans and other post-employment benefit obligations	Management of the Corporation and of its subsidiaries	Determining the actuarial assumptions used to determine the expense for the current year and defined benefit obligations for pension plans and other post-employment benefits. In evaluating the assumptions to be used, management reviews the previous experience of related plan members and market conditions, including interest rates and inflation rates.	25
Recognition and measurement of tax provisions and tax assets and liabilities	Management of the Corporation and of its subsidiaries	Interpreting the relevant tax laws, regulations and legislation where the Corporation and its subsidiaries operate to determine the tax provisions and the carrying amounts of the tax assets and liabilities.	17
Recoverability of deferred tax asset carrying values	Management of the Corporation and of its subsidiaries	Assessing the recoverability of the deferred tax asset carrying values based on future years' taxable income projections.	17
Recognition and measurement of legal and other provisions	Management of the Corporation and of its subsidiaries	Assessing whether a past event will result in a probable outflow of economic resources to settle the obligation. Judgment is used in evaluating the possible outcomes and risks to determine the best estimate of the provision at the balance sheet date.	31
Derecognition of securitization mortgages	Management of IGM	Determining whether securitized mortgages are derecognized requires judgment with respect to the extent to which the risks and rewards of ownership are transferred.	13
Classification of purchases and sales of portfolio investments in the statements of cash flows	Management of the Corporation and of its subsidiaries	Determining if purchases and sales of portfolio investments are long term in nature, which would result in recording them within investment activities in the consolidated statements of cash flows.	n/a
Classification of revenues and expenses in sub-advisor arrangements	Management of Lifeco	Determining whether Lifeco retains the primary obligation with a client in sub-advisor arrangements. Where Lifeco retains the primary obligation to the client, revenues and expenses are recorded on a gross basis.	n/a

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Deferred selling commissions	Management of IGM	Determining whether the client or the fund is the customer, as well as the assessment of the recoverability of the deferred selling commissions.	9
Deferred acquisition costs	Management of Lifeco	Determining whether deferred acquisition costs can be recognized on the consolidated balance sheets. Deferred acquisition costs are recognized if Lifeco's management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract.	9
Classification of non-controlling interests in limited-life fund units and redeemable fund units	Management of the Corporation and of its subsidiaries	Determining if non-controlling interests in funds are classified as liabilities or equity depends on whether an obligation exists to distribute residual net assets to non-controlling interests on liquidation in the form of cash or another financial asset or assets delivered in kind. Judgment is used to determine what the governing documents of each entity require or permit in this regard.	16

SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

Interest income is accounted for on an accrual basis using the effective interest method for bonds and mortgage and other loans measured at amortized cost. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed shares and usually the notification date or date when the shareholders have approved the dividend for private equity instruments. Interest income and dividend income are recorded in net investment income in the statements of earnings.

Lifeco

Premiums for all types of insurance contracts and contracts with limited mortality or morbidity risk are generally recognized as revenue when due and collection is reasonably assured.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease. Investment property income is included in net investment income in the statements of earnings.

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

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

IGM Financial

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Revenues from financial advisory fees and investment management and related administration fees are based on the net asset value of investment funds or other assets under advisement and are accrued as services are performed. Distribution revenue associated with insurance and banking products and services is also recognized on an accrual basis while distribution fees derived from investment fund and securities transactions are recognized on a trade-date basis.

Asset management revenue related to investment management advisory and administrative services is based on the net asset value of investment funds and other assets under management and is accrued as services are performed.

Wealth and asset management revenue is included in fee income in the statements of earnings.

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

Other subsidiaries

Revenues from contracts with customers are recognized by other subsidiaries when control of the goods or services are transferred to the customer for the amount that reflects the consideration which the subsidiary expects to receive in exchange for the goods or services.

Revenues from electricity sales are recognized when the electricity is delivered at the customer's connection point and there is no unfulfilled obligation that could affect the customer's acceptance of the electricity. Revenues from electricity sales are included in other revenues in the statements of earnings.

Management fee revenues earned by the asset management subsidiaries, which manage assets on behalf of investors, includes:

- Revenues from alternative asset managers: Management fees are earned in accordance with contractual arrangements with investment funds based on the committed or invested capital and are accrued as services are performed.
- Revenues from investment management businesses: Management fee revenues are recognized based on daily management services provided to investors as the performance obligation is satisfied.

Carried interest is a performance fee arrangement in which the alternative asset manager receives a percentage of investment returns, generated within an investment fund on carry-eligible capital, based on a contractual formula. Carried interest revenue is recognized when an investment fund's cumulative returns are in excess of preferred returns and when it is highly probable that a significant reversal will not occur.

Management fees and carried interest revenue are included in fee income in the statements of earnings.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, current operating accounts, overnight bank and term deposits and fixed income securities with an original term to maturity of three months or less. Overdraft bank balances are included in other liabilities.

INVESTMENTS

Investments include bonds, mortgage and other loans, shares, investment properties, and loans to policyholders of Lifeco. Investments are classified as either fair value through profit or loss, available for sale, held to maturity, loans and receivables, or as non-financial instruments based on management's intention relating to the purpose and nature of the instruments or the characteristics of the investments. The Corporation and its subsidiaries currently have not classified any investments as held to maturity.

A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch or if a financial asset is managed and its performance is evaluated on a fair value basis. For Lifeco, changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

Investments in mortgage and other loans are initially classified with respect to the intent of the loan on origination.

Investments in bonds (including fixed income securities), mortgage and other loans and shares actively traded on a public market or where fair value can be reliably measured are either designated or classified as fair value through profit or loss or classified as available for sale and are recorded on a trade-date basis. Equity-release mortgages are designated as fair value through profit or loss.

Fair value through profit or loss investments are recorded at fair value on the balance sheets with realized and unrealized gains and losses reported in the statements of earnings. Available-for-sale investments are recorded at fair value on the balance sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses are reclassified from other comprehensive income and recorded in net investment income in the statements of earnings when the available-for-sale investment is sold or impaired.

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

Investments in mortgage and other loans and bonds not actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned, impairments and realized gains and losses on the sale of investments classified as loans and receivables are recorded in net investment income in the statements of earnings.

Investment properties consist of real estate held to earn rental income or for capital appreciation that have an insignificant portion that is owner-occupied or where there is no intent to occupy on a long-term basis. Properties that do not meet these criteria are classified as owner-occupied properties. Investment properties are initially measured at cost and subsequently carried at fair value on the balance sheets. Changes in fair value are recorded as net investment income in the statements of earnings.

Loans to policyholders of Lifeco are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. The carrying value of loans to policyholders approximates fair value.

Fair value measurement

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

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

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

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

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

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

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

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

c) Equity-release mortgages at fair value through profit or loss

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

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

d) Bonds and mortgage and other loans classified as loans and receivables

The fair values disclosed for bonds and mortgage and other loans, classified as loans and receivables, are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

e) Investment properties

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

Impairment

Investments are reviewed on an individual basis at the end of each reporting period to determine whether there is any objective evidence of impairment. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors, including the remaining term to maturity and liquidity of the asset. However, market price is taken into consideration when evaluating impairment.

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

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

Securities lending

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

TRANSACTION COSTS

Transaction costs related to financial instruments classified or designated as fair value through profit or loss are expensed as incurred. Transaction costs related to financial assets classified as available for sale or loans and receivables are included in the value of the instrument at acquisition, and recorded in net earnings using the effective interest method. Transaction costs related to financial liabilities classified as other than fair value through profit or loss are deducted from the value of the instrument issued and recorded in net earnings using the effective interest method.

OWNER-OCCUPIED PROPERTIES AND CAPITAL ASSETS

Owner-occupied properties and capital assets include right-of-use assets.

Owner-occupied properties and capital assets are carried at cost less accumulated depreciation, disposals and impairments. Capital assets include equipment, renewable power generating assets, furniture and fixtures. Owner-occupied properties and capital assets are depreciated using the straight-line method, over their estimated useful lives, as follows: i) owner-occupied properties (10 to 50 years); and ii) capital assets (3 to 25 years).

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

Right-of-use assets are depreciated to the earlier of the end of the estimated useful life of the right-of-use asset or the end of the lease term using the straight-line method. Depreciation expense is included within operating and administration expenses.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary. Owner-occupied properties and capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

LEASES

At inception of a contract, the Corporation and its subsidiaries assess whether a contract is or contains a lease. The Corporation and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within owner-occupied properties and capital assets with the exception of right-of-use assets which meet the definition of investment property which are presented within investment properties and subject to the Corporation’s associated accounting policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation’s or its subsidiaries’ incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within financing charges.

The Corporation and its subsidiaries do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within operating and administrative expenses.

Where the Corporation and its subsidiaries are the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the balance sheets. Income from these leases is recognized in the statements of earnings on a straight-line basis over the lease term.

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Where the Corporation and its subsidiaries are the lessor under a finance lease, the investment is recognized as a receivable at an amount equal to the net investment in the lease which is the present value of the minimum lease payments due from the lessee presented within the balance sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the statements of earnings at a constant periodic rate of return on net investment in the finance lease.

OTHER ASSETS

Other assets include premiums in course of collection, accounts receivable and interest receivable, trading account assets, client funds on deposit, prepaid expenses, deferred acquisition costs, deferred selling commissions and miscellaneous other assets which are measured at amortized cost.

Trading account assets consist of investments in sponsored funds, open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds.

Client funds on deposit represent cash balances held in client accounts deposited at Canadian financial institutions.

Deferred acquisition costs

Deferred acquisition costs related to investment contracts and service contracts are recognized as assets if the costs are incremental and incurred due to the contract being issued. Deferred acquisition costs are amortized on a straight-line basis over the term of the contract, not exceeding 20 years.

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

Deferred selling commissions

Commissions are paid on investment product sales where a fee is either received directly from the client or is received directly from the investment fund.

Commissions paid on investment product sales where fees are earned from a client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. The Corporation regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of purchase consideration over the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets comprise finite life and indefinite life intangible assets. Finite life intangible assets include the value of technology and software, certain customer contracts and power purchase agreements. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives as follows: i) technology and software (3 to 10 years); ii) customer contract-related (7 to 30 years); and iii) power purchase agreements (20 years).

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

Impairment testing

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

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

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

Finite life intangible assets are reviewed at least annually to determine if there are indicators of impairment and the amortization period and method are reviewed and adjusted if necessary. If indicators of impairment have been identified, a test for impairment is performed and impairment is recognized as necessary.

SEGREGATED FUNDS

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the balance sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and change in fair value of the segregated fund assets are offset by corresponding changes in the segregated fund liabilities.

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

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

Contract classification

When significant insurance risk exists, Lifeco's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Significant insurance risk exists when Lifeco agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to Note 12 for a discussion on Lifeco's insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Lifeco has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to Note 22 for a discussion on Lifeco's risk management.

Measurement

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

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

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

REINSURANCE CONTRACTS

Lifeco, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by Lifeco underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, Lifeco remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. Lifeco considers various factors in the impairment evaluation process, including, but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the statements of earnings.

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

Any gains or losses on buying reinsurance are recognized in the statement of earnings immediately at the date of purchase in accordance with the CALM.

Assets and liabilities related to reinsurance are reported on a gross basis in the balance sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

FUNDS HELD BY CEDING INSURERS / FUNDS HELD UNDER REINSURANCE CONTRACTS

On the asset side, funds held by ceding insurers are assets that would normally be paid to Lifeco but are retained by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds-withheld basis supporting the insurance or investment contract liabilities ceded. For the funds-withheld assets where the underlying asset portfolio is managed by Lifeco, the credit risk is retained by Lifeco. The funds-withheld balance where Lifeco assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See Note 6 for funds held by ceding insurers that are managed by Lifeco. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds-withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by Lifeco from ceded business written on a funds-withheld basis. Lifeco withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

POLICYHOLDER BENEFITS

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

DERECOGNITION OF SECURITIZED MORTGAGES

IGM enters into transactions where it transfers financial assets recognized on its balance sheets. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred.

If substantially all of the risks and rewards of a financial asset are not retained, IGM derecognizes the financial asset. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in net investment income in the statements of earnings.

If all or substantially all risks and rewards are retained, the financial assets are not derecognized and the transactions are accounted for as secured financing transactions.

DEBENTURES AND OTHER DEBT INSTRUMENTS

Debentures and other debt instruments, including capital trust debentures, are initially recorded on the balance sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing charges in the statements of earnings. These liabilities are derecognized when the obligation is expired, cancelled or redeemed.

OTHER LIABILITIES

Other liabilities include accounts payable, bank overdraft, dividends and interest payable, lease liabilities, deferred income reserves, deposits and certificates and other miscellaneous liabilities which are measured at amortized cost. Deferred income reserves related to investment contracts are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not exceeding 20 years.

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

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

Limited-life fund units represent the interest held by third parties in funds consolidated by the Corporation. These fund units have a defined maximum fixed life where the Corporation has an obligation to distribute the residual interests of the fund to fund partners based on their proportionate share of the fund's equity in the form of cash or other financial assets at the end of the fund's life. Redeemable fund units represent interests held by third parties in funds consolidated by the Corporation that have a redemption feature that requires the fund to deliver cash or other financial assets to the holders of the units upon receiving a redemption notice. Limited-life funds and redeemable fund units are classified as financial liabilities and recorded at fair value. Changes in the value are recorded in operating and administrative expenses in the statements of earnings in the period of the change.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are included in operating and administrative expenses.

Remeasurements represent actuarial gains and losses and the actual return on plan assets, less interest calculated at the discount rate, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.

The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).

Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or recovery in the statements of earnings, except to the extent that it relates to items that are not recognized in the statements of earnings (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income tax

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

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

Deferred income tax

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage revenues and asset, liability and capital positions. The Corporation and its subsidiaries' policies prohibit the use of derivative instruments for speculative trading purposes.

Derivatives are measured at fair value and recorded on the balance sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income in the statements of earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

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

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently, as if there was no hedging relationship.

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

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

Fair value hedges

Fair value hedges are used to manage the exposure to change in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, change in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

Cash flow hedges

Cash flow hedges are used to manage the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. For cash flow hedges, the effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income, while the ineffective portion is recognized immediately in net investment income. Gains and losses on cash flow hedges that accumulate in other comprehensive income are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when a forecasted transaction is no longer expected to occur.

Net investment hedges

Net investment hedges are used to manage the exposure to changes in the reporting entity's share in the net share of a foreign operation. For net investment hedges, the effective portion of changes in the fair value of the hedging instrument is recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within other comprehensive income and will be reclassified into net earnings when the investments are derecognized.

EMBEDDED DERIVATIVES

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the statement of earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

EQUITY

Preferred shares are classified as equity if they are non-redeemable or if they are retractable only at the Corporation's option and if any dividends are discretionary. Costs that are directly attributable to the issue of share capital are recognized as a reduction from retained earnings, net of income tax.

Reserves are composed of share-based compensation and other comprehensive income. Share-based compensation reserve represents the vesting of options less options exercised. Other comprehensive income represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the actuarial gains (losses) on defined benefit pension plans, the unrealized gains (losses) on available-for-sale investments, the unrealized gains (losses) on cash flow hedges, the re-evaluation surplus on transfer to investment properties and the share of other comprehensive income of jointly controlled corporations and associates.

Non-controlling interests represent the proportion of equity that is attributable to minority shareholders of subsidiaries.

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

Limited recourse capital notes

Limited recourse capital notes issued by Lifeco are classified as non-controlling interests in the financial statements. Lifeco has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of Lifeco's equity instruments. Transaction costs incurred in connection with the issuance are charged to equity.

SHARE-BASED PAYMENTS

Options granted to employees of the Corporation and its subsidiaries are measured at fair value on the date of the grant. Compensation expense is recognized in operating and administrative expenses in the statements of earnings over the vesting period of the granted options, with a corresponding increase in share-based compensation reserve. When the stock options are exercised, the proceeds received, together with the amount recorded in share-based compensation reserve, are included in the stated capital of the entity issuing the corresponding shares.

The Corporation and its subsidiaries recognize a liability for cash-settled awards, including those granted under Performance Share Unit plans and Deferred Share Unit plans. Compensation expense is recognized in operating and administrative expenses in the statements of earnings, net of related hedges, and a liability is recognized on the balance sheets over the vesting period. The liability is remeasured at fair value at each reporting period with the change in the liability recorded in operating and administrative expenses.

FOREIGN CURRENCY TRANSLATION

The Corporation and its subsidiaries operate with multiple functional currencies. The Corporation's financial statements are prepared in Canadian dollars, which is the functional and presentation currency of the Corporation.

Assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at exchange rates prevailing at the balance sheet dates for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses denominated in foreign currencies are translated into each entity's functional currency at an average of daily rates. Realized and unrealized exchange gains and losses are included in net investment income.

Translation of net investment in foreign operations

Foreign operations are subsidiaries, jointly controlled corporations, associates and/or business units with functional currencies other than the Canadian dollar. Assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all revenues and expenses are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Corporation's net investment in its foreign operations are presented as a component of other comprehensive income. Unrealized foreign currency translation gains and losses are recognized proportionately in net earnings when there has been a disposal of a foreign operation.

EARNINGS PER PARTICIPATING SHARE

Basic earnings per participating share is determined by dividing net earnings available to participating shareholders by the weighted average number of participating shares outstanding for the year. Diluted earnings per participating share is determined using the same method as basic earnings per participating share, except that net earnings available to participating shareholders and the weighted average number of participating shares outstanding are adjusted to include the potential dilutive effect of outstanding stock options granted by the Corporation and its subsidiaries, as determined by the treasury stock method.

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

FUTURE ACCOUNTING CHANGES

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the International Accounting Standards Board (IASB) and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective.

Standard	Summary of future changes
IFRS 17 – *Insurance Contracts*	In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts*. In June 2020 the IASB issued amendments to IFRS 17. The amended confirmed effective date for the standard is January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that Lifeco has representation on. Lifeco continues to make progress in implementing its project plan, with key policy decisions near final as well as significant progression on the technology solution. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of: (a) the fulfilment cash flows: the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin: the future profit for providing insurance coverage. Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the CALM, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to Note 2). The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires Lifeco to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. Lifeco is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption. Specifically, the recognition of the contractual service margin liabilities will also have the effect of reducing retained earnings. IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimize potential industry-wide capital impacts. Lifeco continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or Lifeco's business model.

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

Standard	Summary of future changes
Current implication of IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: ▪ Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. ▪ Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model. ▪ Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities. In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts*. The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows: ▪ *Deferral Approach:* provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or ▪ *Overlay Approach:* provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. The Corporation qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17, simultaneously. The disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Corporation and Lifeco do not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Corporation and Lifeco continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17. In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17. The Amendment, *Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)*, provides entities that first apply IFRS 17 and IFRS 9 at the same time with the option to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying this option, an entity is not required to apply the impairment requirements of IFRS 9. GBL (held through Parjointco), a jointly controlled corporation, does not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted although not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation has decided to continue applying IAS 39 to GBL's results.
IAS 1 – *Presentation of Financial Statements*	In February 2021, the IASB published *Disclosure of Accounting Policies*, amendments to IAS 1, *Presentation of Financial Statements*. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.

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

Standard	Summary of future changes
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	In February 2021, the IASB published *Definition of Accounting Estimates*, amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.
IAS 12 – *Income Taxes*	In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities from a Single Transaction*, amendments to IAS 12, *Income Taxes*. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.
IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*	In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of this amendment.

NOTE 3 Business Acquisitions and Other Transactions

LIFECO

Acquisition of MassMutual retirement services business

On December 31, 2020 Great-West Life & Annuity completed the purchase, via indemnity reinsurance, of the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual). Lifeco assumed the economics and risks associated with the reinsured business. The acquisition strengthens Lifeco's position as a leader in the U.S. retirement market.

Lifeco paid a ceding commission of $2,937 million (US$2,312 million) net of working capital adjustments to MassMutual, and funded the transaction with existing cash, short-term debt and $1,973 million (US$1,500 million) in long-term debt issued on September 17, 2020.

During the fourth quarter of 2021, Lifeco completed its comprehensive valuation of the fair value of the net assets acquired from MassMutual, and the purchase price allocation.

The ceding commission net of working capital adjustments was adjusted from $2,937 million to $2,738 million (US$2,312 million to US$2,156 million).

The initial goodwill presented in the Corporation's December 31, 2020 financial statements of $2,827 million (US$2,226 million) was adjusted to $1,807 million (US$1,423 million). Adjustments were made to the provisional amounts disclosed in the Corporation's December 31, 2020 financial statements for the recognition and measurement of intangible assets, assets acquired and liabilities assumed. Intangible assets recognized include customer contracts of $844 million (US$665 million) and proprietary mutual fund contracts of $337 million (US$265 million), which are net of $73 million (US$58 million) of amortization at December 31, 2021.

Comparative information in the Corporation's financial statements has not been restated.

Lifeco determined the fair value of the intangible assets and insurance contract liabilities acquired, using valuation techniques that incorporate projections of cash flows and discount rates. The valuation of intangible assets acquired is determined by applying judgments and estimates for forecasted revenues and earnings, and discount rates. Further, the valuation of the actuarial liabilities assumed are determined by applying judgments and assumptions to determine appropriate valuation models, and projections of cash inflows and outflows using the best estimate of future experience, specifically policyholder behaviour, together with the discount rates.

The amounts assigned to the assets acquired, goodwill, and liabilities assumed on December 31, 2020, and reported as at December 31, 2021 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	2,669
Bonds	12,084
Mortgage loans	2,287
Funds held by ceding insurers	9,981
Goodwill	1,807
Intangible assets	1,181
Other assets	124
Deferred tax assets	300
Investments on account of segregated fund policyholders	84,785
	115,218
Liabilities assumed	
Insurance contract liabilities	22,317
Investment contract liabilities	5,001
Other liabilities	377
Insurance and investment contracts on account of segregated fund policyholders	84,785
	112,480
Net assets acquired	2,738

NOTE 3 Business Acquisitions and Other Transactions (continued)

The following provides the change in the carrying value from December 31, 2020 to December 31, 2021 of the goodwill on acquisition:

Goodwill previously reported at December 31, 2020	2,827
Recognition and measurement of intangible assets	(1,181)
Other measurement period adjustments	161
Goodwill reported at December 31, 2021	1,807

The goodwill represents the excess of the purchase price over the fair value of net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of the MassMutual retirement services business. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings; $533 million (US$420 million) of the goodwill is deductible for tax purposes.

During the year ended December 31, 2021, MassMutual contributed revenue of $2,861 million (US$2,262 million) and net earnings of $199 million (US$158 million). These amounts are included in the statements of earnings and comprehensive income for the year ended December 31, 2021.

Acquisition of Personal Capital Corporation

On August 17, 2020, Great-West Life & Annuity completed the acquisition of 100% of the equity of Personal Capital, including the 24.8% interest held by IGM prior to the completion of the transaction (approximately 21.7% after giving effect to the dilution). Upon completion of the purchase price allocation in the fourth quarter of 2020, a contingent consideration earn-out provision of $22 million was recognized, representing Lifeco's best estimate of growth in assets under management metrics defined in the Merger Agreement. The contingent consideration provision was increased by $87 million in 2021 for a total contingent consideration provision of $109 million at December 31, 2021. The increases in 2021 were due to growth in net new assets above the amount assumed at the date of acquisition.

The Merger Agreement allows for contingent consideration of up to $222 million (US$175 million) based on the achievement of growth in assets under management metrics, payable following measurements through December 31, 2021 and December 31, 2022. Changes in the fair value of the contingent consideration measured in accordance with the Merger Agreement subsequent to the completion of the purchase price allocation are recognized in operating and administrative expenses in the statements of earnings.

Acquisition of Prudential retirement services business

On July 21, 2021, Great-West Life & Annuity announced that it had entered into an agreement to purchase, through a share purchase and a reinsurance transaction, the full-service retirement business of Prudential Financial, Inc. The acquisition further solidifies Lifeco's position as a leader in the U.S. retirement market. Lifeco will assume the economics and risks associated with the business, while Prudential will continue to retain the obligation to the contract holders of the reinsured portion. Lifeco will pay a total transaction value of approximately US$3,550 million and will fund the transaction with $1,500 million (US$1,193 million) of limited recourse capital notes (Note 20) and up to US$1,000 million of short-term debt, in addition to its existing resources. The transaction is expected to close in the first half of 2022, subject to regulatory and customary closing conditions. During the year ended December 31, 2021, Lifeco incurred transaction expenses of $9 million (US$7 million) which are included within operating and administrative expenses in the statements of earnings.

NOTE 3 Business Acquisitions and Other Transactions (continued)

Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of $332 million (€230 million). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021, and reported as at December 31, 2021 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	17
Bonds	333
Reinsurance assets	1,238
Other assets	89
Goodwill	21
Investments on account of segregated fund policyholders	2,844
	4,542
Liabilities assumed	
Insurance contract liabilities	1,257
Investment contract liabilities	43
Other liabilities	66
Investment and insurance contracts on account of segregated fund policyholders	2,844
	4,210
Net assets acquired	332

As at December 31, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at December 31, 2021 reflect Lifeco's current best estimate of the purchase price allocation. Lifeco expects the final valuation of these assets acquired and liabilities assumed and the completion of the purchase price allocation to occur during the second half of 2022. As at December 31, 2021, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise by Lifeco.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $21 million (€15 million) on the date of acquisition, will be adjusted in future periods.

The goodwill represents the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

Revenue and net earnings of Ark Life were not significant to the 2021 results of the Corporation.

Acquisition of ClaimSecure Inc.

On September 1, 2021, Canada Life completed the acquisition of 100% of the equity of ClaimSecure Inc., a healthcare management firm that provides health and dental claim management services to private and public businesses in Canada.

During the fourth quarter of 2021, Lifeco substantially completed the comprehensive valuation of the fair value of the net assets acquired including intangible assets and the final purchase price allocation. As a result, initial goodwill presented in the September 30, 2021 interim unaudited financial statements of $93 million recognized upon the acquisition was adjusted to $52 million, due to the recognition and measurement of intangible assets. Revenue and net earnings of ClaimSecure Inc. were not significant to the 2021 results of the Corporation.

NOTE 3 Business Acquisitions and Other Transactions (continued)

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP

In January 2021, Power Sustainable, a wholly owned subsidiary of the Corporation, launched Power Sustainable Energy Infrastructure, a fund with committed capital of $1 billion dedicated to the renewable energy sector, including a commitment of $400 million from Power Sustainable and $150 million from Lifeco. On January 1, 2021, certain existing operating assets and projects under development, and the related project debt, in the amount of $255 million, were transferred to the partnership from Potentia and Nautilus Solar in exchange for consideration in cash of $154 million (including $38 million received from Lifeco) and a 55% interest in the fund, of which 15% is held by Lifeco. The Corporation controls and consolidates the activities of the fund. Equity interests held by third parties having redemption features, subject to certain restrictions, have been classified as a financial liability within other liabilities on the balance sheets. In the first quarter of 2021, as a result of the investment by third parties in equity interests of the fund, the Corporation recognized a reduction of retained earnings of $45 million in the statements of changes in equity, primarily related to the initial measurement of non-controlling interests.

INVESTMENT FUNDS

The Corporation continuously reassesses control over its internally managed investment funds. During the year, some investment funds managed by Sagard, that were previously controlled, have been reassessed and are no longer controlled due to certain circumstances, including increases in new capital from third parties resulting in reductions in economic interests and exposure to variable returns, amendments to limited partner agreements, and other factors that support that Sagard is acting as an agent. The Corporation now accounts for its interests in these funds as investments designated at fair value through profit or loss or as available for sale and has derecognized the assets and liabilities of these funds and their subsidiaries.

NOTE 4 Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash	4,891	4,033
Cash equivalents	4,618	6,007
Cash and cash equivalents	9,509	10,040

At December 31, 2021, cash and cash equivalents amounting to $1,344 million were restricted for use by subsidiaries ($2,940 million at December 31, 2020) primarily in respect of cash held in trust for reinsurance agreements or with regulatory authorities, under certain indemnity arrangements and in escrow.

NOTE 5 Investments

CARRYING VALUES AND FAIR VALUES

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

	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss [1]	103,540	103,540	100,729	100,729
Classified as fair value through profit or loss [1]	168	168	2,053	2,053
Available for sale	12,603	12,603	11,897	11,897
Loans and receivables	24,676	26,717	23,348	26,545
	140,987	143,028	138,027	141,224
Mortgage and other loans				
Loans and receivables	31,542	32,406	32,546	34,607
Designated as fair value through profit or loss [1]	2,667	2,667	2,092	2,092
Classified as fair value through profit or loss [1]	57	57	3	3
	34,266	35,130	34,641	36,702
Shares				
Designated as fair value through profit or loss [1]	13,339	13,339	10,498	10,498
Classified as fair value through profit or loss [1]	636	636	199	199
Available for sale	1,343	1,343	1,963	1,963
	15,318	15,318	12,660	12,660
Investment properties	7,763	7,763	6,270	6,270
Loans to policyholders	8,319	8,319	8,387	8,387
	206,653	209,558	199,985	205,243

[1] A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch or if a financial asset is managed and its performance is evaluated on a fair value basis. For Lifeco, changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

BONDS AND MORTGAGE AND OTHER LOANS

Carrying value of bonds and mortgage and other loans due over the current and non-current term is as follows:

	Carrying value			
	Term to maturity			
December 31, 2021	1 year or less	1-5 years	Over 5 years	Total
Bonds	11,409	28,396	101,164	140,969
Mortgage and other loans	2,971	15,417	15,805	34,193
	14,380	43,813	116,969	175,162

	Carrying value			
	Term to maturity			
December 31, 2020	1 year or less	1-5 years	Over 5 years	Total
Bonds	11,188	28,359	98,445	137,992
Mortgage and other loans	3,224	14,778	16,611	34,613
	14,412	43,137	115,056	172,605

The tables shown above exclude the carrying value of impaired bonds and mortgage and other loans, as the ultimate timing of collectability is uncertain. Mortgage and other loans include equity-release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on redemption experience.

NOTE 5 Investments (continued)

IMPAIRED INVESTMENTS AND ALLOWANCE FOR CREDIT LOSSES

Carrying amount of impaired investments is as follows:

	December 31, 2021	December 31, 2020
Impaired amounts by classification		
Fair value through profit or loss	14	20
Available for sale	10	89
Loans and receivables	73	28
Total	97	137

The carrying amount of impaired investments includes bonds, mortgage and other loans and shares. The carrying values for loans and receivables are net of allowances for credit losses of $29 million as at December 31, 2021 ($62 million as at December 31, 2020). The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

NET INVESTMENT INCOME

Year ended December 31, 2021	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	4,265	1,004	386	422	617	6,694
Net realized gains						
Available-for-sale	13	–	497	–	–	510
Other classifications	12	63	7	–	54	136
Net allowances for credit losses on loans and receivables	–	(30)	–	–	–	(30)
Other income (expenses)	–	12	14	(146)	(89)	(209)
	4,290	1,049	904	276	582	7,101
Change in fair value through profit or loss	(4,797)	(130)	2,387	615	70	(1,855)
Net investment income	(507)	919	3,291	891	652	5,246

Year ended December 31, 2020	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	3,598	986	365	397	565	5,911
Net realized gains						
Available-for-sale	146	–	186	–	–	332
Other classifications	33	57	86	–	–	176
Net allowances for credit losses on loans and receivables	–	(16)	–	–	–	(16)
Other income (expenses)	–	6	(2)	(127)	74	(49)
	3,777	1,033	635	270	639	6,354
Change in fair value through profit or loss	5,232	167	160	(74)	307	5,792
Net investment income	9,009	1,200	795	196	946	12,146

Net investment income comprises income from investments that are classified as available for sale, loans and receivables, both net of impairment charges, investments classified or designated as fair value through profit or loss and gains realized on deconsolidation of subsidiaries and investment funds. Investment income from bonds and mortgage and other loans includes interest income and premium and discount amortization. Income from shares includes dividends and distributions from equity investment funds. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and subleased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

NOTE 5 Investments (continued)

TRANSFERRED FINANCIAL ASSETS

Lifeco engages in securities lending to generate additional income. Lifeco's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with Lifeco's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent, which obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Included in the collateral deposited with Lifeco's lending agent is cash collateral of $169 million at December 31, 2021 ($267 million at December 31, 2020). In addition, the securities lending agent indemnifies Lifeco against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2021, Lifeco had loaned securities (which are included in investments) with a fair value of $10,525 million ($8,921 million at December 31, 2020).

NOTE 6 Funds Held by Ceding Insurers

At December 31, 2021, Lifeco had amounts on deposit of $17,194 million ($18,383 million at December 31, 2020) for funds held by ceding insurers on the balance sheets. Income and expenses arising from the agreements are included in net investment income on the statements of earnings.

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

Carrying values and estimated fair values

	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	336	336	245	245
Bonds	14,105	14,105	15,365	15,365
Mortgages	558	558	578	578
Other assets	126	126	137	137
	15,125	15,125	16,325	16,325
Supporting:				
Reinsurance liabilities	14,907	14,907	16,094	16,094
Surplus	218	218	231	231
	15,125	15,125	16,325	16,325

Asset quality

The following table provides details of the carrying value of the bond portfolio by credit rating:

	December 31, 2021	December 31, 2020
AAA	1,251	1,508
AA	3,721	3,848
A	5,222	5,597
BBB	3,749	4,165
BB and lower	162	247
Total bonds	14,105	15,365

NOTE 7 Investments in Jointly Controlled Corporations and Associates

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

	Jointly controlled corporations		Associates				
December 31, 2021	Parjointco	Other [1]	ChinaAMC	Lion	Northleaf	Other [1]	Total
Carrying value, beginning of year	4,216	272	1,436	–	248	357	6,529
Acquisition and investments	–	69	–	242	1	209	521
Disposal	–	–	–	–	–	(96)	(96)
Share of earnings	172	82	123	95	10	247	729
Share of other comprehensive income (loss)	(69)	–	30	(3)	–	(4)	(46)
Dividends and distributions	(81)	(32)	(54)	–	–	–	(167)
Effects of changes in ownership and other	40	–	–	–	–	(86)	(46)
Carrying value, end of year	4,278	391	1,535	334	259	627	7,424

	Jointly controlled corporations		Associates				
December 31, 2020	Parjointco	Other [1]	ChinaAMC	Lion	Northleaf	Personal Capital and Other [1][2]	Total
Carrying value, beginning of year	3,954	224	1,321	45	–	349	5,893
Acquisition and investments	–	17	–	–	247	174	438
Disposal	–	(16)	–	–	–	(13)	(29)
Derecognition	–	–	–	–	–	(10)	(10)
Share of earnings (losses)	27	57	84	(45)	1	46	170
Share of other comprehensive income (loss)	320	(4)	59	–	–	10	385
Dividends and distributions	(88)	(6)	(28)	–	–	(2)	(124)
Effects of changes in ownership and other	3	–	–	–	–	(197)	(194)
Carrying value, end of year	4,216	272	1,436	–	248	357	6,529

[1] Includes investments in jointly controlled corporations and associates held by entities that meet the definition of venture capital organization, which are measured at fair value through profit or loss.

[2] On December 1, 2020, the Corporation determined that it no longer controls Koho Financial Inc. but has significant influence and now accounts for its investment as an associate at fair value through profit or loss.

LION ELECTRIC CO.

On May 6, 2021, a wholly owned subsidiary of Lion merged with Northern Genesis Acquisition Corp. (Northern Genesis), a publicly traded special-purpose acquisition company and as a result Lion became publicly listed on the TSX and the New York Stock Exchange. A US$200 million committed private placement of common shares of Lion was also completed, in which Power Sustainable invested US$17 million ($20 million). At the close of the transaction, Power Sustainable held an equity interest in Lion of 31% (44.1% at December 31, 2020) and retained significant influence over the investment. The effect of the change in ownership resulted in a gain of $62 million, net of accumulated losses which had not been recognized by the Corporation. The net impact is recorded in share of earnings of investments in jointly controlled corporations and associates on the statement of earnings of 2021.

Power Sustainable also held call rights to acquire up to 13,212,480 additional shares from certain existing shareholders of Lion. On June 5, 2021, Power Sustainable exercised a portion of its outstanding call rights and acquired an additional 8,891,812 shares, on a cashless net settlement basis, increasing Power Sustainable's interest to 35.7% and resulting in an increase in the carrying value of the investment in Lion of $222 million. The fair value of the remaining call rights was estimated to be $8 million at December 31, 2021 ($102 million at December 31, 2020) and is included in derivative financial assets on the balance sheets. During the year ended December 31, 2021, a net gain on the revaluation of the call rights of $128 million ($102 million for the year ended December 31, 2020) was recorded in net investment income in the statements of earnings. The Corporation held a 35.4% equity interest in Lion at December 31, 2021.

At December 31, 2021, the fair value of the Corporation's interest in Lion was $848 million based on the quoted market price.

NOTE 7 Investments in Jointly Controlled Corporations and Associates (continued)

PARJOINTCO

On March 11, 2020, Parjointco and Pargesa announced an agreement for a transaction to simplify the group structure. A public exchange offer was initiated by Parjointco for all Pargesa shares not already owned by Parjointco, under which Pargesa shareholders received 0.93 shares of GBL for each Pargesa bearer share they held. Following the transaction, Pargesa was delisted from the Swiss Stock Exchange. GBL shareholders approved the implementation of double-voting rights, a condition of the transaction, at GBL's extraordinary shareholders meeting held on April 28, 2020; as a result, Parjointco retained de facto control of GBL.

Parjointco's interest in Pargesa increased from 55.5% (75.4% of the voting rights) at December 31, 2019 to 100.0% (100.0% of the voting rights) at December 31, 2020. Pargesa's interest in GBL decreased from 50.0% at December 31, 2019 to 28.2% (43.2% of the voting rights) at December 31, 2020. The transaction resulted in an increase in retained earnings of $19 million at December 31, 2020. The Corporation's share of costs related to the transaction of $23 million was charged to retained earnings on the statements of changes in equity at December 31, 2020.

Parjointco held a 100% equity interest (100% of the voting rights) in Pargesa at December 31, 2021 (unchanged from December 31, 2020). Pargesa held a 29.1% equity interest (44.2% of the voting rights) in GBL at December 31, 2021 (28.2% equity interest and 43.2% of the voting rights at December 31, 2020).

At December 31, 2021, the net asset value of the Corporation's indirect interest in GBL is approximately $4,654 million. The carrying value of the indirect investment in GBL is $4,278 million. For the year ended December 31, 2021, revenue of GBL was €7,574 million (C$11,230 million) (€6,229 million or C$9,259 million for the year ended December 31, 2020) and net earnings attributable to GBL's common shareholders was €279 million (C$413 million) (€391 million or C$598 million for the year ended December 31, 2020). Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings in Parjointco includes an adjustment to account for GBL's earnings under IAS 39. Other financial information for GBL can be obtained from its publicly available information.

CHINAAMC

At December 31, 2021, Power Corporation and IGM Financial each held an equity interest of 13.9% in ChinaAMC (same at December 31, 2020). ChinaAMC is an asset management company established in Beijing, China. The Corporation and IGM account for their interests in ChinaAMC as an associate using the equity method.

Summarized financial information for ChinaAMC is as follows:

		2021		2020
[in millions]	Canadian dollars	Chinese renminbi	Canadian dollars	Chinese renminbi
Balance sheet at December 31[1]				
Assets	3,241	16,295	2,672	13,695
Liabilities	996	5,007	720	3,688
Comprehensive income for the years ended December 31				
Revenue	1,560	8,015	1,078	5,539
Net earnings attributable to common shareholders	449	2,312	311	1,598
Total comprehensive income	444	2,287	300	1,542

[1] Excludes fair value adjustments made at the time of acquisition of $3,248 million (RMB¥16,380 million).

Subsequent event

On January 5, 2022, the Corporation announced that it had entered into an agreement to sell its 13.9% equity interest in ChinaAMC to Mackenzie, a wholly owned subsidiary of IGM, for aggregate consideration of $1.15 billion in cash. After the transaction, the Corporation will continue to hold a 27.8% equity interest in ChinaAMC.

IGM has agreed to sell 15,200,662 common shares of Lifeco to Power Financial, for aggregate consideration of $575 million, representing a price of $37.83 per share which is equivalent to the 5-day volume-weighted average price of the Lifeco common shares as at the close of business on January 5, 2022.

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

NOTE 7 Investments in Jointly Controlled Corporations and Associates (continued)

NORTHLEAF CAPITAL GROUP LTD.

On October 29, 2020, IGM's subsidiary, Mackenzie, and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager, through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco. The interest was acquired for cash consideration of $247 million, including transaction costs of $6 million, and up to an additional $245 million in consideration at the end of five years, subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as an expense over the five-year period based on the fair value of the expected payment, which will be revalued at each reporting period date. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years and extending into future periods. Lifeco and IGM together have committed as part of the transaction to make a minimum investment through 2022 in Northleaf's product offerings. The equity method is used to account for the investment in Northleaf as Mackenzie and Lifeco exercise significant influence, through the acquisition vehicle. Significant influence arises from board representation, participation in the policy-making process and shared strategic initiatives.

The net earnings of Northleaf are not significant to the results of the Corporation.

PERSONAL CAPITAL

On August 17, 2020 Great-West Life & Annuity acquired 100% of the equity of Personal Capital. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to the dilution). The investment was previously accounted for by IGM using the equity method. Upon completion of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital and the Corporation is required to consolidate Personal Capital. A gain of $37 million was recorded in share of earnings of investments in jointly controlled corporations and associates in 2020, as a result of the remeasurement of IGM's previous investment in Personal Capital at fair value on the date control was attained.

NOTE 8 Owner-Occupied Properties and Capital Assets

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

			Capital assets		
December 31, 2021	Right-of-use assets [1]	Owner-occupied properties	Power generating assets	Other	Total
Cost, beginning of year	965	1,059	1,133	1,951	5,108
Business acquisitions	11	–	30	–	41
Additions	119	23	459	138	739
Modifications	(11)	–	–	–	(11)
Disposal/retirements	(6)	(10)	(13)	(90)	(119)
Derecognition	–	(52)	–	–	(52)
Changes in foreign exchange rates and other	–	(9)	93	(9)	75
Cost, end of year	1,078	1,011	1,702	1,990	5,781
Accumulated amortization, beginning of year	(215)	(218)	(129)	(1,329)	(1,891)
Amortization and impairment	(113)	(19)	(48)	(138)	(318)
Modifications	7	–	–	–	7
Disposal/retirements	4	3	6	49	62
Derecognition	–	20	–	2	22
Changes in foreign exchange rates and other	–	–	–	23	23
Accumulated amortization, end of year	(317)	(214)	(171)	(1,393)	(2,095)
Carrying value, end of year	761	797	1,531	597	3,686

			Capital assets		
December 31, 2020	Right-of-use assets [1]	Owner-occupied properties	Power generating assets	Other	Total
Cost, beginning of year	1,046	1,030	718	2,012	4,806
Business acquisitions	1	–	84	–	85
Additions	100	44	397	131	672
Modifications	(9)	–	–	–	(9)
Disposal/retirements	–	(2)	(5)	(51)	(58)
Derecognition	(176)	–	–	(132)	(308)
Transferred to investment properties [2]	–	(17)	–	–	(17)
Changes in foreign exchange rates and other	3	4	(61)	(9)	(63)
Cost, end of year	965	1,059	1,133	1,951	5,108
Accumulated amortization, beginning of year	(137)	(202)	(96)	(1,308)	(1,743)
Amortization and impairment	(122)	(19)	(36)	(166)	(343)
Disposal/retirements	–	2	2	46	50
Derecognition	39	–	–	82	121
Changes in foreign exchange rates and other	5	1	1	17	24
Accumulated amortization, end of year	(215)	(218)	(129)	(1,329)	(1,891)
Carrying value, end of year	750	841	1,004	622	3,217

[1] Right-of-use assets include leased properties and leased capital assets.

[2] As a result of the sale of Irish Progressive Services International Limited a property with a carrying value of $17 million was reclassified from owner-occupied properties to investment properties.

The following table provides the carrying value of owner-occupied properties and capital assets by geographic location:

	December 31, 2021	December 31, 2020
Canada	2,233	1,993
United States	1,139	940
Europe	314	284
	3,686	3,217

NOTE 9 Other Assets

	December 31, 2021	December 31, 2020
Premiums in course of collection, accounts receivable and interest receivable	6,845	6,711
Client funds on deposit	3,990	2,280
Trading account assets	1,671	713
Deferred acquisition costs and deferred selling commissions	945	853
Pension benefits [Note 25]	363	240
Income taxes receivable	287	177
Finance leases receivable	433	404
Prepaid expenses	196	189
Other	1,125	933
	15,855	12,500

Other assets of $13,998 million as at December 31, 2021 ($10,897 million as at December 31, 2020) are to be realized within 12 months. This amount excludes deferred acquisition costs and deferred selling commissions, the changes in which are presented below.

DEFERRED ACQUISITION COSTS AND DEFERRED SELLING COMMISSIONS

The changes in the carrying value of the deferred acquisition costs and deferred selling commissions are as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of year	853	750
Additions	266	211
Disposals	(27)	(41)
Amortization	(113)	(93)
Changes in foreign exchange rates and other	(34)	26
Balance, end of year	945	853

NOTE 10 Goodwill and Intangible Assets

GOODWILL

The carrying value and changes in the carrying value of goodwill are as follows:

	December 31, 2021			December 31, 2020		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Balance, beginning of year	15,124	(1,161)	13,963	11,645	(1,321)	10,324
Business acquisitions and dispositions	104	–	104	3,646	–	3,646
Purchase price allocation adjustments [Note 3]	161	–	161	–	–	–
Allocated to intangible assets [Note 3]	(1,181)	–	(1,181)	–	–	–
Derecognition	–	–	–	(133)	133	–
Changes in foreign exchange rates and other	(79)	–	(79)	(34)	27	(7)
Balance, end of year	14,129	(1,161)	12,968	15,124	(1,161)	13,963

INTANGIBLE ASSETS

The carrying value and changes in the carrying value of the intangible assets are as follows:

Indefinite life intangible assets

December 31, 2021	Brands, trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,387	2,542	741	354	5,024
Changes in foreign exchange rates and other	(15)	–	–	–	(15)
Cost, end of year	1,372	2,542	741	354	5,009
Accumulated impairment, beginning of year	(133)	(1,028)	–	–	(1,161)
Changes in foreign exchange rates and other	3	–	–	–	3
Accumulated impairment, end of year	(130)	(1,028)	–	–	(1,158)
Carrying value, end of year	1,242	1,514	741	354	3,851

December 31, 2020	Brands, trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,297	2,562	741	354	4,954
Additions	92	30	–	–	122
Changes in foreign exchange rates and other	(2)	(50)	–	–	(52)
Cost, end of year	1,387	2,542	741	354	5,024
Accumulated impairment, beginning of year	(133)	(1,051)	–	–	(1,184)
Changes in foreign exchange rates and other	–	23	–	–	23
Accumulated impairment, end of year	(133)	(1,028)	–	–	(1,161)
Carrying value, end of year	1,254	1,514	741	354	3,863

NOTE 10 Goodwill and Intangible Assets (continued)

Finite life intangible assets

December 31, 2021	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
Cost, beginning of year	2,500	1,401	511	464	4,876
Additions	380	1,266	86	174	1,906
Disposal	(17)	–	–	(2)	(19)
Changes in foreign exchange rates and other	(28)	(9)	–	(91)	(128)
Cost, end of year	2,835	2,658	597	545	6,635
Accumulated amortization, beginning of year	(1,451)	(738)	(73)	(198)	(2,460)
Amortization and impairment	(231)	(154)	(32)	(43)	(460)
Disposal	15	–	–	1	16
Changes in foreign exchange rates and other	18	4	–	3	25
Accumulated amortization, end of year	(1,649)	(888)	(105)	(237)	(2,879)
Carrying value, end of year	1,186	1,770	492	308	3,756

December 31, 2020	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
Cost, beginning of year	2,200	1,210	344	553	4,307
Additions	386	189	167	32	774
Disposal	(42)	–	–	(3)	(45)
Derecognition	(41)	–	–	(129)	(170)
Changes in foreign exchange rates and other	(3)	2	–	11	10
Cost, end of year	2,500	1,401	511	464	4,876
Accumulated amortization, beginning of year	(1,305)	(665)	(50)	(214)	(2,234)
Amortization and impairment	(208)	(70)	(23)	(31)	(332)
Disposal	35	–	–	2	37
Derecognition	23	–	–	52	75
Changes in foreign exchange rates and other	4	(3)	–	(7)	(6)
Accumulated amortization, end of year	(1,451)	(738)	(73)	(198)	(2,460)
Carrying value, end of year	1,049	663	438	266	2,416

NOTE 10 Goodwill and Intangible Assets (continued)

ALLOCATION TO CASH GENERATING UNITS

Goodwill and indefinite life intangible assets have been assigned to CGUs as follows:

	December 31, 2021			December 31, 2020		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Lifeco						
Canada						
Group Customer	1,630	354	1,984	1,615	354	1,969
Individual Customer	2,795	649	3,444	2,799	649	3,448
Europe	2,442	221	2,663	2,458	233	2,691
United States						
Financial Services	2,674	89	2,763	3,694	89	3,783
Asset Management	–	1,473	1,473	–	1,473	1,473
IGM						
Wealth Management	1,586	23	1,609	1,586	23	1,609
Asset Management	1,274	1,003	2,277	1,275	1,003	2,278
Other	567	39	606	536	39	575
	12,968	3,851	16,819	13,963	3,863	17,826

RECOVERABLE AMOUNT

Lifeco

For purposes of annual impairment testing, Lifeco allocates goodwill and indefinite life intangible assets to its CGUs. Any potential impairment of goodwill or indefinite life intangible assets is identified by comparing the recoverable amount to its carrying value.

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

In the fourth quarter of 2021, Lifeco conducted its annual impairment testing of goodwill and indefinite life intangible assets based on the September 30, 2021 asset balances. It was determined that the recoverable amounts of CGUs were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining the recoverable amounts of the CGUs are unlikely to cause the carrying values to exceed their recoverable amounts.

NOTE 10 Goodwill and Intangible Assets (continued)

IGM Financial

IGM tests whether goodwill and indefinite life intangible assets are impaired by assessing the carrying amounts with the recoverable amounts. The recoverable amount of IGM's CGUs is based on the best available evidence of fair value less cost of disposal.

In assessing recoverable amounts, valuation approaches are used that may include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed in discounted cash flows include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes and discount rates, which represent Level 3 fair value inputs. Valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value are Level 2 inputs.

The fair value less cost of disposal of IGM's CGUs was compared with the carrying amount and it was determined there was no impairment. Changes in assumptions and estimates used in determining the recoverable amounts of the CGUs can result in significant adjustments to the valuation of the CGUs.

NOTE 11 Segregated Funds and Other Structured Entities

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

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of Lifeco under the terms of the policyholder agreement and cannot be used to settle obligations of Lifeco. In Europe, the assets of the funds are functionally and constructively segregated from those of Lifeco. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as investments on account of segregated fund policyholders and with an equal liability titled insurance and investment contracts on account of segregated fund policyholders on the balance sheets.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $3,125 million at December 31, 2021 ($1,490 million at December 31, 2020).

Within the statements of earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the balance sheets. As these amounts do not directly impact the revenues and expenses of Lifeco, these amounts are not included separately in the statements of earnings.

NOTE 11 Segregated Funds and Other Structured Entities (continued)

SEGREGATED FUNDS AND GUARANTEE EXPOSURE

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

In Canada, Lifeco offers retail segregated fund products through Canada Life. These products provide guaranteed minimum death benefits and guaranteed minimum accumulation on maturity benefits.

In the U.S., Lifeco offers group variable annuities with guaranteed minimum withdrawal benefits and group standalone guaranteed minimum death benefits products which mainly provide return of premium on death.

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

Lifeco also offers guaranteed minimum withdrawal benefits products in the U.S. and Germany, and previously offered guaranteed minimum withdrawal benefits products in Canada and Ireland. Certain guaranteed minimum withdrawal benefits products offered by Lifeco offer levels of death and maturity guarantees. At December 31, 2021, the amount of guaranteed minimum withdrawal benefits products in force in Canada, the U.S., Ireland and Germany was $3,316 million ($3,375 million at December 31, 2020).

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

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	December 31, 2021 [1]	December 31, 2020 [1]
Cash and cash equivalents	12,500	15,558
Bonds	60,647	65,338
Mortgage loans	2,377	2,686
Shares and units in unit trusts	134,568	112,675
Mutual funds	133,916	127,577
Investment properties	12,776	12,430
	356,784	336,264
Accrued income	442	463
Other liabilities	(2,932)	(4,185)
Non-controlling mutual fund interest	3,125	1,490
	357,419	334,032

[1] At December 31, 2021, $83,754 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis ($84,785 million at December 31, 2020). Included in this amount are $301 million of cash and cash equivalents, $13,557 million of bonds, $26 million of shares and units in unit trusts, $69,852 million of mutual funds, $78 million of accrued income and $60 million of other liabilities.

NOTE 11 Segregated Funds and Other Structured Entities (continued)

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Years ended December 31,	
	2021	2020
Balance, beginning of year	334,032	231,022
Additions (deductions):		
Policyholder deposits	29,657	21,916
Net investment income	9,442	2,695
Net realized capital gains on investments	15,799	8,954
Net unrealized capital gains on investments	11,473	474
Unrealized gains (losses) due to changes in foreign exchange rates	(7,109)	3,920
Policyholder withdrawals	(40,324)	(20,371)
Business acquisitions [1]	2,844	84,785
Change in segregated fund investment in General Fund	(30)	51
Change in General Fund investment in segregated fund	(22)	234
Net transfer from General Fund	22	9
Non-controlling mutual fund interest	1,635	343
	23,387	103,010
Balance, end of year	357,419	334,032

[1] Insurance and investment contracts on account of segregated fund policyholders acquired through the acquisition of Ark Life in 2021 and the MassMutual acquisition in 2020 (Note 3).

INVESTMENT INCOME ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Years ended December 31,	
	2021	2020
Net investment income	9,442	2,695
Net realized capital gains on investments	15,799	8,954
Net unrealized capital gains on investments	11,473	474
Unrealized gains (losses) due to changes in foreign exchange rates	(7,109)	3,920
Total	29,605	16,043
Change in insurance and investment contract liabilities on account of segregated fund policyholders	29,605	16,043
Net	–	–

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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	249,543	96,575	13,822	359,940

[1] Excludes other liabilities, net of other assets, of $2,521 million.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	224,831	98,424	13,556	336,811

[1] Excludes other liabilities, net of other assets, of $2,779 million.

In 2021 certain foreign equity holdings valued at $2,137 million were transferred from Level 2 to Level 1 ($3,190 million were transferred from Level 1 to Level 2 at December 31, 2020), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings at year-end. Level 2 assets include the assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have access to the underlying asset details within an investment fund.

NOTE 11 Segregated Funds and Other Structured Entities (continued)

As at December 31, 2021, $5,394 million ($9,770 million at December 31, 2020) of the segregated funds were invested in funds managed by IG Wealth Management and Mackenzie Investments, subsidiaries of IGM and related parties.

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

	December 31, 2021	December 31, 2020
Balance, beginning of year	13,556	13,988
Total gains included in segregated fund investment income	415	78
Purchases	333	167
Sales	(482)	(712)
Transfers into Level 3	5	35
Transfers out of Level 3	(5)	–
Balance, end of year	13,822	13,556

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

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

Some of these funds are managed by related parties of Lifeco and Lifeco receives management fees related to these services. Management fees can be variable due to the performance of factors, such as markets or industries, in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management, which is affected by prevailing market conditions, and the inflow and outflow of client assets.

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

Fee income earned by Lifeco resulting from Lifeco's interests in segregated funds and other structured entities was $6,194 million for the year ended December 31, 2021 ($5,034 million in 2020).

Included within other assets (Note 9) at December 31, 2021 is $1,525 million ($557 million at December 31, 2020) of investments by Lifeco in bonds and shares of Putnam-sponsored funds and $146 million ($156 million at December 31, 2020) of investments in shares of sponsored unit trusts in Europe.

NOTE 12 Insurance and Investment Contract Liabilities

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

	December 31, 2021			December 31, 2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	208,378	21,032	187,346	208,902	21,991	186,911
Investment contract liabilities	12,455	106	12,349	9,145	130	9,015
	220,833	21,138	199,695	218,047	22,121	195,926

COMPOSITION OF INSURANCE AND INVESTMENT CONTRACT LIABILITIES AND RELATED SUPPORTING ASSETS

The composition of insurance and investment contract liabilities of Lifeco is as follows:

	December 31, 2021			December 31, 2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Participating						
Canada	50,049	(115)	50,164	46,107	(199)	46,306
United States	10,694	13	10,681	11,090	13	11,077
Europe	141	–	141	155	–	155
Capital and Risk Solutions	886	–	886	912	–	912
Non-participating						
Canada	34,780	207	34,573	35,449	638	34,811
United States	63,938	14,708	49,230	65,703	15,908	49,795
Europe	47,215	6,197	41,018	48,088	5,622	42,466
Capital and Risk Solutions	13,130	128	13,002	10,543	139	10,404
	220,833	21,138	199,695	218,047	22,121	195,926

NOTE 12 Insurance and Investment Contract Liabilities (continued)

The composition of the assets supporting liabilities and equity of Lifeco is as follows:

December 31, 2021	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	21,370	11,166	8,522	4,013	4,978	50,049
United States	4,876	607	76	–	5,135	10,694
Europe	66	–	67	8	–	141
Capital and Risk Solutions	666	8	–	–	212	886
Non-participating liabilities						
Canada	23,620	4,661	3,116	579	2,804	34,780
United States	32,302	4,641	211	–	26,784	63,938
Europe	33,208	5,891	391	2,743	4,982	47,215
Capital and Risk Solutions	6,394	80	–	–	6,656	13,130
Other	7,257	1,202	873	157	369,683	379,172
Total equity	10,853	596	927	263	17,844	30,483
Total carrying value	140,612	28,852	14,183	7,763	439,078	630,488
Fair value	142,653	29,658	14,235	7,763	439,078	633,387

December 31, 2020	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	21,803	10,545	6,152	2,983	4,624	46,107
United States	5,193	593	13	–	5,291	11,090
Europe	84	–	62	9	–	155
Capital and Risk Solutions	688	12	–	–	212	912
Non-participating liabilities						
Canada	23,898	4,498	2,789	360	3,904	35,449
United States	31,631	4,586	46	–	29,440	65,703
Europe	34,941	5,746	332	2,536	4,533	48,088
Capital and Risk Solutions	2,365	52	–	–	8,126	10,543
Other	5,367	1,135	754	141	348,031	355,428
Total equity	11,622	636	852	241	13,664	27,015
Total carrying value	137,592	27,803	11,000	6,270	417,825	600,490
Fair value	140,789	29,633	10,963	6,270	417,825	605,480

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

CHANGE IN INSURANCE CONTRACT LIABILITIES

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	Participating			Non-participating			
December 31, 2021	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	Total net
Balance, beginning of year	58,264	(186)	58,450	150,638	22,177	128,461	186,911
Impact of new business	(78)	–	(78)	10,559	84	10,475	10,397
Normal change in in-force business	3,819	27	3,792	(12,920)	(1,472)	(11,448)	(7,656)
Management actions and changes in assumptions	(223)	57	(280)	(673)	(540)	(133)	(413)
Business movement from/to external parties	–	–	–	(613)	(37)	(576)	(576)
Ark Life acquisition [Note 3]	–	–	–	1,257	1,238	19	19
Impact of foreign exchange rate changes	(12)	–	(12)	(1,640)	(316)	(1,324)	(1,336)
Balance, end of year	61,770	(102)	61,872	146,608	21,134	125,474	187,346

	Participating			Non-participating			
December 31, 2020	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	Total net
Balance, beginning of year	54,619	(235)	54,854	119,902	20,815	99,087	153,941
Impact of new business	(7)	32	(39)	7,028	706	6,322	6,283
Normal change in in-force business	3,883	9	3,874	1,296	750	546	4,420
Management actions and changes in assumptions	55	8	47	161	109	52	99
Business movement from/to external parties	–	–	–	(48)	–	(48)	(48)
MassMutual acquisition [Note 3]	–	–	–	22,316	–	22,316	22,316
Impact of foreign exchange rate changes	(286)	–	(286)	(17)	(203)	186	(100)
Balance, end of year	58,264	(186)	58,450	150,638	22,177	128,461	186,911

Under IFRS, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in the in-force business above.

2021

Effective October 15, 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities. The revised standards include decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term.

In 2021, the major contributor to the increase in net insurance contract liabilities was the impact of new business of $10,397 million. This was partially offset by decreases due to normal change in the in-force business of $7,656 million and foreign exchange rate changes of $1,336 million.

Net non-participating insurance contract liabilities decreased by $133 million due to management actions and changes in assumptions including a $219 million decrease in Europe and $7 million decrease in the U.S., partially offset by increases of $75 million in Canada and $18 million in Capital and Risk Solutions.

The decrease in Europe was primarily due to updated economic and asset-related assumptions of $165 million, updated longevity assumptions of $29 million, and updated policyholder behaviour assumptions of $22 million.

The decrease in the U.S. was primarily due to updated economic assumptions, which includes the net impact of the new standards, of $5 million.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

The increase in Canada was primarily due to updated policyholder behaviour assumptions of $172 million, mortality updates of $44 million, and updated morbidity assumptions of $37 million. This was partially offset by decreases due to updated economic and asset-related assumptions, which include the net impact of the new standards, of $146 million, and modelling refinements of $29 million.

The increase in Capital and Risk Solutions was primarily due to updated expense assumptions of $11 million, and updated life mortality and longevity assumptions of $6 million.

Net participating insurance contract liabilities decreased by $280 million in 2021 due to management actions and changes in assumptions.

2020

In 2020, the major contributors to the increase in net insurance contract liabilities were the MassMutual acquisition of $22,316 million, the impact of new business of $6,283 million, and the normal change in the in-force business of $4,420 million.

Net non-participating insurance contract liabilities increased by $52 million due to management actions and changes in assumptions including a $377 million increase in Canada, partially offset by decreases of $212 million in Europe, $59 million in Capital and Risk Solutions, and $54 million in the U.S.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of $269 million, updated morbidity assumptions of $140 million, of which $114 million is offset by an increase in other assets, and updated economic and asset-related assumptions of $98 million. This was partially offset by decreases due to updated life mortality assumptions of $129 million.

The decrease in Europe was primarily due to updated longevity assumptions of $138 million, modelling refinements of $28 million, updated morbidity assumptions of $24 million, updated policyholder behaviour assumptions of $19 million, and updated economic and asset-related assumptions of $10 million. This was partially offset by an increase due to updated expense and tax assumptions of $6 million.

The decrease in Capital and Risk Solutions was primarily due to updated longevity assumptions of $135 million, updated economic assumptions of $41 million, and modelling refinements of $37 million. This was partially offset by increases due to updated life mortality assumptions of $107 million, updated expense and tax assumptions of $28 million, and updated policyholder behaviour assumptions of $14 million.

The decrease in the U.S. was primarily due to updated economic assumptions of $50 million.

Net participating insurance contract liabilities increased by $47 million in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated economic assumptions of $2,358 million, and updated policyholder behaviour assumptions of $34 million. This was partially offset by decreases due to provisions for future policyholder dividends of $1,899 million, updated expense and tax assumptions of $446 million, and modelling refinements of $5 million.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

CHANGE IN INVESTMENT CONTRACT LIABILITIES MEASURED AT FAIR VALUE

	December 31, 2021			December 31, 2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Balance, beginning of year	9,145	130	9,015	1,656	127	1,529
Normal change in in-force business	3,497	38	3,459	2,489	(20)	2,509
Investment experience	(242)	(62)	(180)	147	26	121
Management actions and changes in assumptions	–	–	–	(4)	–	(4)
MassMutual acquisition [Note 3]	–	–	–	4,984	–	4,984
Ark Life acquisition [Note 3]	43	–	43	–	–	–
Impact of foreign exchange rate changes	12	–	12	(127)	(3)	(124)
Balance, end of year	12,455	106	12,349	9,145	130	9,015

The carrying value of investment contract liabilities approximates their fair value.

GROSS PREMIUM INCOME

	December 31, 2021	December 31, 2020
Direct premiums	26,197	28,082
Assumed reinsurance premiums	31,178	19,652
Total	57,375	47,734

GROSS POLICYHOLDER BENEFITS

	December 31, 2021	December 31, 2020
Direct	20,903	19,538
Assumed reinsurance	28,452	20,067
Total	49,355	39,605

ACTUARIAL ASSUMPTIONS

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

NOTE 12 Insurance and Investment Contract Liabilities (continued)

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

Actuarial assumptions	Methods
Mortality	A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update Lifeco's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product-specific considerations, as well as professional guidance. In addition, appropriate provisions have been made for future mortality deterioration on term insurance. Annuitant mortality is also studied regularly and the results are used to modify established annuitant mortality tables.
Morbidity	Lifeco uses industry-developed experience tables modified to reflect emerging Lifeco experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.
Property and casualty reinsurance	Insurance contract liabilities for property and casualty reinsurance written by entities within Lifeco's Capital and Risk Solutions activities are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in net earnings. Capital and Risk Solutions analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.
Investment returns	The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (refer to Note 22).
Expenses	Contractual policy expenses (e.g., sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the CALM as inflation is assumed to be correlated with new money interest rates.
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 Lifeco has no experience with specific types of policies or its exposure is limited. Lifeco's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided Lifeco's assumptions for these products as Lifeco's own experience is very limited.
Utilization of elective policy options	There are a wide range of elective options embedded in the policies issued by Lifeco. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee resets (segregated fund maturity guarantees). The assumed rates of utilization are based on Lifeco or industry experience when it exists and, when not, on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.
Policyholder dividends and adjustable policy features	Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is Lifeco's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability on net earnings is reflected in the changes in best estimate assumptions above.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

RISK MANAGEMENT

Insurance risk

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions, including mortality, persistency, longevity, morbidity, expense variations and investment returns.

Lifeco is in the business of accepting risk associated with insurance contract liabilities. Lifeco's objective is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of its underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following table provides information about Lifeco's insurance contract liabilities' sensitivities to its management's best estimate of the approximate impact as a result of changes in assumptions used to determine Lifeco's liability associated with these contracts.

	Increase (decrease) in net earnings	
	2021	2020
Mortality – 2% increase	(276)	(288)
Annuitant mortality – 2% decrease	(722)	(756)
Morbidity – 5% adverse change	(262)	(279)
Investment returns		
Parallel shift in yield curve		
1% increase	–	–
1% decrease	–	–
Change in interest rates		
1% increase	197	224
1% decrease	(555)	(920)
Change in publicly traded common share values		
20% increase	21	28
10% increase	13	15
10% decrease	(19)	(51)
20% decrease	(66)	(208)
Change in other non-fixed income asset values		
10% increase	79	34
5% increase	39	6
5% decrease	(30)	(69)
10% decrease	(112)	(108)
Change in best estimate return assumptions for equities		
1% increase	567	556
1% decrease	(649)	(682)
Expenses – 5% increase	(207)	(165)
Policy termination and renewal – 10% adverse change	(1,002)	(1,017)

NOTE 12 Insurance and Investment Contract Liabilities (continued)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

	December 31, 2021			December 31, 2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Canada	84,829	92	84,737	81,556	439	81,117
United States	74,632	14,721	59,911	76,793	15,921	60,872
Europe	47,356	6,197	41,159	48,243	5,622	42,621
Capital and Risk Solutions	14,016	128	13,888	11,455	139	11,316
	220,833	21,138	199,695	218,047	22,121	195,926

Reinsurance risk

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

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

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

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

NOTE 13 Obligations to Securitization Entities

IGM securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC)-sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as IGM retains prepayment risk and certain elements of credit risk. Accordingly, IGM has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as obligations to securitization entities which are carried at amortized cost.

IGM earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, IGM enters into a swap transaction whereby IGM pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a fair value of $5 million at December 31, 2021 (a negative fair value of $1 million in 2020).

NOTE 13 Obligations to Securitization Entities (continued)

All mortgages securitized under the NHA MBS and CMB Programs are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, IGM has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP trusts have no recourse to IGM's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

	December 31, 2021			December 31, 2020		
	Securitized mortgages	Obligations to securitization entities	Net	Securitized mortgages	Obligations to securitization entities	Net
Carrying value						
NHA MBS and CMB Programs	2,653	2,651	2	3,216	3,307	(91)
Bank-sponsored ABCP	2,372	2,407	(35)	2,768	2,867	(99)
Total	5,025	5,058	(33)	5,984	6,174	(190)
Fair value	5,084	5,146	(62)	6,186	6,345	(159)

The carrying value of obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation using an effective interest method.

NOTE 14 Power Corporation's Debentures and Other Debt Instruments

	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
POWER CORPORATION				
Debentures – unsecured				
8.57% debentures due April 22, 2039	150	250	150	259
4.81% debentures due January 31, 2047	249	316	248	327
4.455% debentures due July 27, 2048	248	303	248	317
	647	869	646	903
Other Debt Instruments - unsecured				
Revolving credit facility with interest equal to LIBOR plus 0.70% (0.65% at December 31, 2020)	–	–	110	110
Total Power Corporation	647	869	756	1,013

CHANGES IN OTHER DEBT INSTRUMENTS

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

	December 31, 2021	December 31, 2020
Balance, beginning of the year	756	683
Increase in other debt instruments	–	63
Decrease in other debt instruments	(106)	–
Changes in foreign exchange rates and other	(3)	10
Balance, end of year	647	756

There are no principal repayments on debentures in each of the next five years.

NOTE 15 Non-Recourse Debentures and Other Debt Instruments

A) POWER FINANCIAL, LIFECO AND IGM

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

	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
POWER FINANCIAL				
Debentures – unsecured				
6.90% debentures due March 11, 2033	250	337	250	355
Total Power Financial	250	337	250	355
LIFECO				
Debentures – unsecured				
2.50% debentures due April 18, 2023 (€500 million) [1]	720	743	774	825
1.75% debentures due December 7, 2026 (€500 million) [1]	717	768	771	857
3.337% debentures due February 28, 2028	498	533	498	566
6.40% subordinated debentures due December 11, 2028	100	125	100	135
2.379% debentures due May 14, 2030	597	602	597	637
6.74% debentures due November 24, 2031	195	270	195	287
6.67% debentures due March 21, 2033	394	549	394	575
5.998% debentures due November 16, 2039	342	478	342	504
2.981% debentures due July 8, 2050	493	479	493	514
7.529% capital trust debentures due June 30, 2052 (face value of $150 million)	157	215	158	222
	4,213	4,762	4,322	5,122
Other Debt Instruments – unsecured				
Commercial paper and other short-term debt instruments with interest rates from 0.172% to 0.203% (0.223% to 0.274% at December 31, 2020)	122	122	125	125
Revolving credit facility with interest equal to LIBOR plus 0.70% (US$50 million)(US$165 million at December 31, 2020)	64	64	210	210
Revolving credit facility with interest equal to LIBOR plus 1.00% (US$500 million at December 31, 2020)	–	–	635	635
0.904% senior notes due August 12, 2025 (US$500 million)	632	617	631	638
1.357% senior notes due September 17, 2027 (US$400 million)	506	493	505	512
4.047% senior notes due May 17, 2028 (US$300 million)	379	431	379	446
1.776% senior notes due March 17, 2031 (US$400 million)	506	490	505	521
4.15% senior notes due June 3, 2047 (US$700 million)	874	1,057	874	1,117
4.581% senior notes due May 17, 2048 (US$500 million)	629	820	628	867
3.075% senior notes due September 17, 2051 (US$700 million)	879	899	879	984
	4,591	4,993	5,371	6,055
Total Lifeco	8,804	9,755	9,693	11,177

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

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)

	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
IGM FINANCIAL				
Debentures – unsecured				
3.44% debentures due January 26, 2027	400	423	400	444
6.65% debentures due December 13, 2027	125	154	125	165
7.45% debentures due May 9, 2031	150	203	150	216
7.00% debentures due December 31, 2032	175	238	175	251
7.11% debentures due March 7, 2033	150	207	150	216
6.00% debentures due December 10, 2040	200	274	200	280
4.56% debentures due January 25, 2047	200	241	200	248
4.115% debentures due December 9, 2047	250	284	250	294
4.174% debentures due July 13, 2048	200	230	200	238
4.206% debentures due March 21, 2050	250	290	250	302
Debentures of IGM held by Lifeco as investments	(88)	(105)	(88)	(110)
Total IGM	2,012	2,439	2,012	2,544
Total Power Financial, Lifeco and IGM	11,066	12,531	11,955	14,076

LIFECO

Lifeco made payments of US$400 million on July 2, 2021 and US$100 million on September 29, 2021 on its committed line of credit related to Great-West Life & Annuity's acquisition of the retirement services business from MassMutual on December 31, 2020. As at December 31, 2021 the balance drawn on this line of credit is nil ($635 million as at December 31, 2020).

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)

Capital Trust Debentures

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

Distributions and interest on the capital trust debentures are classified as financing charges in the statements of earnings (Note 24). The fair value for capital trust securities is determined by the bid-ask price.

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

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

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

	December 31, 2021	December 31, 2020
Balance, beginning of the year	11,955	8,242
Issue of debentures and senior notes	–	3,713
Redemption of debentures	–	(500)
Increase in other debt instruments	–	539
Decrease in other debt instruments	(768)	(1)
Changes in foreign exchange rates and other	(121)	(38)
Balance, end of year	11,066	11,955

The principal repayments on debentures and other debt instruments in each of the next five years and thereafter are as follows:

2022	186
2023	720
2024	–
2025	635
2026	720
Thereafter	8,866

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)

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

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

	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
OTHER DEBT INSTRUMENTS				
Investment Funds – secured				
Revolving credit facility up to $70 million, with interest equal to prime rate plus 0.15% (prime rate plus 0.30% at December 31, 2020)	7	7	23	23
Revolving credit facility up to US$75 million, with interest equal to the U.S. base rate minus 0.35% (US$10 million)	13	13	–	–
Revolving loan facility up to $130 million, with interest equal to banker acceptance rate plus 1.85% or LIBOR plus 1.75% ($38 million and US$11 million) [1]	52	52	–	–
Credit facility up to US$100 million, with interest equal to LIBOR plus a margin of 1.90%	–	–	5	5
Renewable Energy – Project debt – secured				
Construction loan facilities due from January 2023 to August 2046, bearing interest at various rates equal to LIBOR plus 2.5%, U.S. base rate plus 1.5%, prime rate plus 1.5% or 3.62% (US$52 million and $253 million at December 31, 2021)(US$90 million and $199 million at December 31, 2020)	319	318	309	326
Loan facilities due from March 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%	598	621	570	614
Loan facilities due from January 2025 to September 2037, bearing interest at various rates from 4.40% to 7.0% or LIBOR plus margin between 2.25% and 3.0% (US$168 million and $75 million at December 31, 2021)(US$100 million and $69 million at December 31, 2020)	287	318	197	219
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	97	102	100	111
Standalone Businesses – secured				
Revolving credit facility and term loan facilities due in November 2024, bearing interest at various rates equal to U.S. base rate or prime rate plus margin from 1.0% to 3.25%	94	94	140	140
Total alternative asset investment platforms and other	1,467	1,525	1,344	1,438

[1] Power Sustainable Energy Infrastructure has a $200 million credit facility consisting of a revolving facility and letter of credit facility ($148 million was undrawn at December 31, 2021).

RENEWABLE ENERGY

Subsequent event

Subsequent to year-end, Potentia, a wholly owned subsidiary of the Corporation, entered into a $322 million non-recourse loan facilities with interest equal to prime rate plus 1.5%, maturing between September 2040 and September 2042.

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)

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

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

	December 31, 2021	December 31, 2020
Balance, beginning of the year	1,344	1,013
Acquisitions	123	145
Derecognition	(204)	(129)
Increase in other debt instruments	635	441
Decrease in other debt instruments	(423)	(130)
Changes in foreign exchange rates and other	(8)	4
Balance, end of year	1,467	1,344

The principal repayments on other debt instruments in each of the next five years and thereafter are as follows:

2022	155
2023	137
2024	144
2025	193
2026	67
Thereafter	794

NOTE 16 Other Liabilities

	December 31, 2021	December 31, 2020
Accounts payable	3,840	3,186
Bank overdraft	407	444
Dividends and interest payable	525	493
Income taxes payable	311	355
Deferred income reserves	314	345
Deposits and certificates	3,968	2,247
Funds held under reinsurance contracts	1,542	1,648
Pension and other post-employment benefits [Note 25]	1,522	2,395
Lease liabilities	886	869
Limited-life and redeemable fund units	1,916	916
Other	3,528	2,814
	18,759	15,712

Other liabilities of $13,118 million as at December 31, 2021 ($9,294 million as at December 31, 2020) are expected to be settled within 12 months.

LEASE LIABILITIES

The changes in the lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Lease liabilities, beginning of year	869	1,022
Additions	97	113
Business acquisitions	11	–
Derecognition	(1)	(134)
Modifications	19	(7)
Lease payments	(143)	(143)
Interest	33	33
Change in foreign exchange rates and other	1	(15)
Lease liabilities, end of year	886	869

The table below presents the contractual undiscounted cash flows for lease obligations in each of the next five years and thereafter:

2022	135
2023	118
2024	105
2025	95
2026	85
Thereafter	648
Total undiscounted lease liabilities at December 31, 2021	1,186

NOTE 17 Income Taxes

INCOME TAXES

The components of income tax expense recognized in the statements of earnings are:

	Years ended December 31,	
	2021	2020
Current taxes	375	457
Deferred taxes		
Origination and reversal of temporary differences	260	(150)
Recovery arising from the recognition of previously net unrecognized tax losses, tax credits and temporary differences	(13)	(236)
Effect of change in tax rates and other	21	6
	268	(380)
	643	77

The following table shows current and deferred taxes relating to items not recognized in the statements of earnings:

	December 31, 2021		December 31, 2020	
	Other comprehensive income	Equity	Other comprehensive income	Equity
Current tax expense (recovery)	(38)	54	28	–
Deferred tax expense (recovery)	196	(21)	3	–
	158	33	31	–

EFFECTIVE INCOME TAX RATE

The Corporation's effective income tax rate is derived as follows:

	Years ended December 31,	
	2021	2020
	%	%
Combined statutory Canadian federal and provincial tax rates	26.5	26.5
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(6.6)	(9.8)
Lower effective tax rates on income not subject to tax in Canada	(7.1)	(10.3)
Share of earnings of investments in jointly controlled corporations and associates	(1.6)	(0.6)
Impact of rate changes on deferred taxes	0.4	0.2
Other [1]	0.5	(3.9)
Effective income tax rate	12.1	2.1

[1] In 2020, Other includes the impact of an increase in the recognized deferred tax asset of one of Lifeco's subsidiaries of $196 million due to the revision by the management of Lifeco of its estimates of future taxable profit, which decreased the effective income tax rate by 5.4%.

NOTE 17 Income Taxes (continued)

DEFERRED TAXES

Composition and changes in net deferred taxes are as follows:

For the year ended December 31, 2021	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
Balance, beginning of year	(320)	(865)	1,521	(1,068)	472	261	1
Recognized in							
Statements of earnings	(236)	48	(31)	(112)	(12)	75	(268)
Statements of comprehensive income	–	63	–	–	(233)	(26)	(196)
Statements of changes in equity	–	3	(2)	20	–	–	21
Business acquisitions	–	(1)	1	(30)	–	(2)	(32)
Foreign exchange rate changes and other	(19)	(14)	(5)	6	–	44	12
Balance, end of year	(575)	(766)	1,484	(1,184)	227	352	(462)

For the year ended December 31, 2020	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
Balance, beginning of year	(999)	(576)	1,151	(921)	406	244	(695)
Recognized in							
Statements of earnings	375	(232)	268	(60)	9	20	380
Statements of comprehensive income	–	(76)	–	–	59	14	(3)
Statements of changes in equity	–	–	–	–	–	–	–
Business acquisitions	300	–	107	(113)	–	18	312
Foreign exchange rate changes and other	4	19	(5)	26	(2)	(35)	7
Balance, end of year	(320)	(865)	1,521	(1,068)	472	261	1

	December 31, 2021	December 31, 2020
Presented on the balance sheets as follows:		
Deferred tax assets	1,131	1,082
Deferred tax liabilities	(1,593)	(1,081)
	(462)	1

Management of the Corporation and of its subsidiaries assess the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2021 are recoverable.

At December 31, 2021, a deferred tax asset of $1,388 million ($1,411 million at December 31, 2020) is recognized by Lifeco on tax loss carry forwards totalling $6,235 million. Of this amount, $4,731 million expires between 2022 and 2041, while $1,504 million has no expiry date. Lifeco will realize this benefit in future years through a reduction in current income taxes payable.

NOTE 17 Income Taxes (continued)

A subsidiary of Lifeco has had a history of losses. The subsidiary has a net deferred tax asset balance of $499 million (US$393 million) as at December 31, 2021 composed principally of net operating losses and future deductions related to goodwill. Management of Lifeco has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income to utilize the unused U.S. losses and deductions for which a deferred tax asset has been recognized.

As at December 31, 2021, the Corporation and its subsidiaries have non-capital losses of $1,397 million ($1,316 million in 2020) available to reduce future taxable income for which the benefits have not been recognized. Of this amount, $1,335 million expires from 2022 to 2041, while $62 million has no expiry date. In addition, the Corporation and its subsidiaries have capital loss carry forwards of $298 million ($340 million in 2020) that can be used indefinitely to offset future capital gains for which the benefits have not been recognized.

As at December 31, 2021, the Corporation and its subsidiaries have deductible temporary differences of $665 million ($518 million in 2020) for which the benefits have not been recognized. As at December 31, 2021 and 2020, no deferred tax liability was recognized in respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation and its subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTE 18 Stated Capital

AUTHORIZED

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

ISSUED AND OUTSTANDING

	December 31, 2021		December 31, 2020	
	Number of shares	Stated capital	Number of shares	Stated capital
		$		$
Non-Participating Shares				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	86,100	4	129,400	6
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Total Non-Participating Shares		954		956
Participating Shares				
Participating Preferred Shares				
Balance, beginning of year	54,860,866	233	48,854,772	27
Issued pursuant to the Reorganization	–	–	6,006,094	206
Balance, end of year	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	622,388,232	9,324	377,614,607	699
Issued pursuant to the Reorganization	–	–	250,628,173	8,687
Issued under Stock Option Plan	3,436,756	107	1,497,952	48
Purchased for cancellation under normal course issuer bid	(4,068,900)	(61)	(7,352,500)	(110)
Balance, end of year	621,756,088	9,370	622,388,232	9,324
Total Participating Shares		9,603		9,557

Non-Participating Shares

The Cumulative Redeemable First Preferred Shares, 1986 Series are entitled to a quarterly cumulative dividend, at a floating rate equal to one quarter of 70% of the average of the prime rates quoted by two major Canadian chartered banks. The shares are redeemable by the Corporation at $50.00 per share, together with all declared and unpaid dividends to, but excluding, the date of redemption. In 2021, 43,300 shares (80,000 shares in 2020) were purchased for cancellation.

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

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

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	($/share)		($/share)
Non-cumulative, fixed rate			
Series A, 5.60%	0.350000	Currently redeemable	25.00
Series B, 5.35%	0.334375	Currently redeemable	25.00
Series C, 5.80%	0.362500	Currently redeemable	25.00
Series D, 5.00%	0.312500	Currently redeemable	25.00
Series G, 5.60%	0.350000	Currently redeemable	25.00

NOTE 18 Stated Capital (continued)

Participating Shares

Participating Preferred Shares are entitled to ten votes per share; and, subject to the rights of holders of the First Preferred Shares, to a non-cumulative dividend of 0.938¢ per share per annum before dividends on the Subordinate Voting Shares and have the further right to participate, share and share alike, with the holders of the Subordinate Voting Shares in any dividends that may be paid with respect to the Subordinate Voting Shares.

Subordinate Voting Shares are entitled to one vote per share. In 2021, 3,436,756 Subordinate Voting Shares (1,497,952 in 2020) were issued under the Corporation's Executive Stock Option Plan for a consideration of $96 million ($42 million in 2020).

Dividends declared on the Corporation's participating shares in 2021 were $1.8375 per share ($1.79 per share in 2020).

Normal Course Issuer Bid

On February 25, 2021, the Corporation commenced a Normal Course Issuer Bid (NCIB) which is effective until the earlier of February 24, 2022 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to the NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 17, 2021 (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding) at market prices.

During the year ended December 31, 2021, the Corporation purchased for cancellation 4,068,900 Subordinate Voting Shares pursuant to its NCIB for a total of $153 million (7,352,500 Subordinate Voting Shares for a total of $193 million in 2020 under the previous NCIB). The Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was $92 million and was recognized as a reduction to retained earnings ($83 million in 2020).

Subsequent event

Subsequent to the year end, the Corporation purchased an additional 703,700 Subordinate Voting Shares pursuant to its NCIB, which expired on February 24, 2022, for a total of $29 million.

On February 28, 2022, the Corporation commenced a new NCIB which is effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding as at February 14, 2022) at market prices. At March 17, 2022, the Corporation has repurchased 2,150,600 Subordinate Voting Shares for a total of $83 million.

The Corporation has entered into an automatic share purchase plan (an "ASPP") with a designated broker to allow for the purchase of Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. The ASPP is effective February 28, 2022, the commencement date of the NCIB.

Reorganization

On February 12, 2020, in connection with the Reorganization, the Corporation issued 6,006,094 Participating Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of $34.27 per Participating Preferred Share, representing a cash consideration of $206 million.

Also, on February 13, 2020, the Corporation acquired 238,693,580 Power Financial Common Shares, in exchange for 1.05 Subordinate Voting Shares of the Corporation and $0.01 per share in cash. The Corporation issued 250,628,173 Subordinate Voting Shares at a price of $34.66 per Subordinate Voting Share and $2 million in cash, for a total consideration of $8.7 billion.

NOTE 19 Share-Based Compensation

STOCK OPTION PLAN

There are 18,770,033 Subordinate Voting Shares and 11,180,842 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation (Stock Option Plans). The plans require that the exercise price of the option must not be less than the market value of a share on the date of the grant of the option.

A summary of the status of the Corporation's Stock Option Plans as at December 31, 2021 and 2020, and changes during the respective years ended is as follows:

	2021		2020	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		$		$
Outstanding, beginning of year	31,484,425	30.70	16,356,062	29.35
Assumption of Power Financial stock option plan	–	–	13,733,786	30.93
Granted	659,112	33.47	3,994,258	34.23
Exercised or surrendered for cash	(4,586,990)	27.48	(1,497,952)	27.89
Forfeited and expired	–	–	(1,101,729)	30.08
Outstanding, end of year	27,556,547	31.30	31,484,425	30.70
Options exercisable, end of year	17,951,463	30.71	19,458,880	29.92

As part of the Reorganization, the Corporation assumed the Power Financial Employee Stock Option Plan. The 13,079,888 options outstanding at February 13, 2020 under the Power Financial Employee Stock Option Plan (Existing Options) were exchanged for 13,733,786 options to acquire Subordinate Voting Shares of the Corporation (Replacement Options). The subscription price is equal to the subscription price at the time of the grant by Power Financial divided by 1.05. The other terms of the Replacement Options are the same as the terms of the Existing Options, including terms with respect to vesting, expiry of options and termination of employment.

The following table summarizes information about stock options outstanding at December 31, 2021:

		Options outstanding			Options exercisable	
Range of exercise prices	Expiry date	Options	Weighted-average remaining life	Weighted-average exercise price	Options	Weighted-average exercise price
$			(yrs)	$		$
24.87 – 33.68	2022	2,311,681	0.4	27.20	2,311,681	27.20
28.24 – 31.03	2023	3,181,814	1.4	28.90	3,181,814	28.90
28.51 – 33.68	2024	2,893,979	2.4	31.39	2,891,734	31.39
31.79 – 36.53	2025	3,637,166	3.2	34.47	2,737,166	34.55
27.30 – 30.79	2026	2,749,160	4.2	30.00	2,749,160	30.00
29.61 – 33.68	2027	2,509,810	5.2	32.78	2,509,810	32.78
28.51 – 30.27	2028	3,179,129	6.2	29.54	1,570,098	29.54
31.12 – 31.84	2029	3,343,066	7.3	31.40	–	–
34.23	2030	3,091,630	8.1	34.23	–	–
33.30 – 42.45	2031	659,112	9.2	33.47	–	–
		27,556,547	4.5	31.30	17,951,463	30.71

NOTE 19 Share-Based Compensation (continued)

TANDEM SHARE APPRECIATION RIGHTS

In 2020, the Corporation amended its Stock Option Plans to authorize the granting, at the option of the Corporation, of tandem share appreciation rights (TSAR or TSARs). The Corporation's Stock Option Plans provide for the granting of TSARs in connection with options granted thereunder, at or after the time of grant of such options. A TSAR entitles the optionee to surrender to the Corporation, unexercised, the right to subscribe for a Subordinate Voting Share pursuant to the related option and to receive from the Corporation cash in an amount equal to the excess of the market value of a Subordinate Voting Share over the subscription price under the related option. During the year ended December 31, 2021, TSARs were attached to 1,230,234 options, of which 1,150,234 were exercised to receive cash from the Corporation and 80,000 were exercised to receive Subordinate Voting Shares at an average exercise price of $26.83. At December 31, 2021 and December 31, 2020, no TSARs were attached to any outstanding options.

COMPENSATION EXPENSE

During the year ended December 31, 2021, Power Corporation granted 659,112 options (3,994,258 options in 2020).

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

	2021	2020
Dividend yield	5.9%	5.1%
Expected volatility	18.0%	16.7%
Risk-free interest rate	1.4%	1.3%
Expected life (years)	9.0	8.1
Fair value per stock option ($/option)	1.67	1.93
Weighted-average exercise price ($/option)	33.47	34.23

Generally, options granted vest on the basis of [i] the first 50%, three years from the date of the grant and [ii] the remaining 50% four years from the date of the grant. Options granted in 2020 have the following vesting conditions:

Maturity	Number of options	Vesting conditions
2030	3,072,892	Vest 1/3 after three years, 1/3 after four years and 1/3 after five years
2030	21,366	Vest 50% after three years and 50% after four years
2025	900,000	Vest 50% after three years and 50% after four years

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

Lifeco, IGM and Wealthsimple have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. Total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to $99 million in 2021 ($71 million in 2020) and is recorded in operating and administrative expenses in the statements of earnings.

PERFORMANCE SHARE UNIT PLAN

Power Corporation established a Performance Share Unit (PSU) Plan for selected employees and officers (participants) to assist in retaining and further aligning the interests of participants with those of the shareholders. Under the terms of the Plan, PSUs may be awarded annually and are subject to time and performance vesting conditions. The value of each PSU is based on the share price of the Corporation's Subordinate Voting Shares. The PSUs are cash settled and vest over a three-year period. Participants can elect at the time of grant to receive a portion of their PSUs in the form of performance deferred share units (PDSUs) which also vest over a three-year period. PDSUs are redeemable when a participant is no longer an employee of the Corporation or any of its affiliates, or in the event of the death of the participant, by a lump-sum cash payment based on the value of the PDSU at that time. Additional PSUs and PDSUs are issued in respect of dividends payable on Subordinate Voting Shares based on the value of the PSU or PDSU at the dividend payment date. At December 31, 2021, the carrying value of the PSU liability was $31 million ($15 million in 2020) and is recorded within other liabilities.

NOTE 19 Share-Based Compensation (continued)

DEFERRED SHARE UNIT PLAN

Power Corporation established a Deferred Share Unit (DSU) Plan for its Directors to promote a greater alignment of interests between Directors and shareholders of the Corporation. Under this Plan, Directors participating in the Plan will receive half of their annual retainer in the form of DSUs and may elect to receive the remainder of their annual retainer entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by the five-day-average closing price on the Toronto Stock Exchange of the Subordinate Voting Shares of the Corporation on the last five days of the fiscal quarter (the value of a DSU). A Director will receive additional DSUs in respect of dividends payable on the Subordinate Voting Shares, based on the value of a DSU on the date on which the dividends were paid on the Subordinate Voting Shares. A DSU is payable, at the time a Director's membership on the Board is terminated (provided the Director is not then a director, officer or employee of an affiliate of the Corporation), or in the event of the death of a Director, by a lump-sum cash payment, based on the value of a DSU at that time. At December 31, 2021, the value of the DSUs outstanding was $38 million ($25 million in 2020) and is recorded within other liabilities. Alternatively, directors may participate in a Share Purchase Plan for Directors.

EMPLOYEE SHARE PURCHASE PROGRAM

Power Corporation established an Employee Share Purchase Program, giving employees the opportunity to subscribe for up to 6% of their gross salary to purchase Subordinate Voting Shares of the Corporation on the open market. Power Corporation invests, on the employee's behalf, up to an equal amount.

OTHER SHARE-BASED AWARDS OF SUBSIDIARIES

Power Financial and other subsidiaries of the Corporation have also established other share-based awards and performance share unit plans (plans) for their directors, management and employees. Some of these plans are cash settled and included within other liabilities. Total compensation expense related to these subsidiary plans amounted to $405 million in 2021, which includes the increase in the put right liability of certain option holders in Wealthsimple, ($162 million in 2020) and is recorded in operating and administrative expenses on the statements of earnings.

NOTE 20 Non-Controlling Interests

The carrying value of non-controlling interests consists of the following:

December 31, 2021	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,800	1,903	–	498	9,201
Preferred shareholders	2,720	–	2,830	–	5,550
Participating account surplus	3,138	–	–	–	3,138
Limited recourse capital notes	1,500	–	–	–	1,500
	14,158	1,903	2,830	498	19,389

December 31, 2020	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,267	1,552	–	292	8,111
Preferred shareholders	2,714	–	2,830	–	5,544
Participating account surplus	2,871	–	–	–	2,871
	11,852	1,552	2,830	292	16,526

The changes in non-controlling interests are as follows:

December 31, 2021	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	11,852	1,552	2,830	292	16,526
Net earnings (losses) attributable to non-controlling interests	1,342	263	136	(37)	1,704
Other comprehensive income (loss) attributable to non-controlling interests	(10)	44	–	(3)	31
Dividends	(625)	(184)	(136)	–	(945)
Issuance of limited recourse capital notes	1,500	–	–	–	1,500
Issuance of equity instruments, net of repurchase of common shares and redemption of preferred shares	103	60	–	295	458
Effect of changes in ownership interest and other [1]	(4)	168	–	(49)	115
Non-controlling interests, end of year	14,158	1,903	2,830	498	19,389

[1] Includes the effect of the Wealthsimple primary and secondary equity offerings and the extinguishment of put rights as described below.

December 31, 2020	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	11,372	1,479	9,307	253	22,411
Net earnings (losses) attributable to non-controlling interests	1,024	238	249	(23)	1,488
Other comprehensive income (loss) attributable to non-controlling interests	35	1	(31)	3	8
Dividends	(607)	(182)	(137)	–	(926)
Repurchase of common shares and redemption of preferred shares, net of issuance of equity instruments	18	1	(6,555)	114	(6,422)
Effect of changes in ownership interest and other	10	15	(3)	(55)	(33)
Non-controlling interests, end of year	11,852	1,552	2,830	292	16,526

NOTE 20 Non-Controlling Interests (continued)

Financial information of Lifeco and IGM as at and for the year ended December 31, 2021 can be obtained from their publicly available financial statements. Summarized financial information for Lifeco and IGM is as follows:

	2021		2020	
	Lifeco	IGM	Lifeco	IGM
Balance sheet				
Assets	630,488	17,661	600,490	16,062
Liabilities	600,005	11,160	573,475	11,019
Equity	30,483	6,501	27,015	5,043
Comprehensive income				
Net earnings	3,563	981	3,154	764
Other comprehensive income (loss)	145	956	(8)	264
Cash flows				
Operating activities	10,373	943	9,610	737
Financing activities	(992)	(1,522)	2,010	(1,358)
Investing activities	(11,212)	1,099	(8,202)	673

POWER FINANCIAL

Preferred Shares

On October 15, 2021, Power Financial issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 at $25.00 per share for gross proceeds of $200 million. The shares are redeemable at the option of Power Financial on or after January 31, 2027 for $25.00 per share plus a premium if redeemed prior to January 31, 2031, in each case together with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of $4 million were charged to retained earnings.

On November 22, 2021, Power Financial redeemed all 8,000,000 of its outstanding 6.00% Non-Cumulative First Preferred Shares, Series I at a redemption price of $25.00 per share, together with any declared and unpaid dividends.

Acquisition of common shares

On February 13, 2020, the Corporation successfully completed the Reorganization and acquired 238,693,580 common shares of Power Financial held by minority interests in consideration of the issuance of 250,628,173 Subordinate Voting Shares of the Corporation and $2 million paid in cash for a total consideration of $8.7 billion. Since then, the Corporation has held 100% of the issued and outstanding common shares of Power Financial. The excess of the purchase price over the carrying value of the non-controlling interests of $6,555 million acquired was recorded as a decrease in retained earnings of $2,847 million and as a reattribution of accumulated other comprehensive income and share-based compensation reserves of $647 million and $66 million in 2020, respectively. Costs of $46 million related to the transaction were charged to retained earnings on the statements of changes in equity in 2020.

LIFECO

Limited Recourse Capital Notes

On August 16, 2021, Lifeco issued $1,500 million aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum, payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026 and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield, plus 2.641%. Commencing November 30, 2026, Lifeco will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. Lifeco will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if Great-West Life & Annuity's acquisition of Prudential's full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement). Transaction costs incurred in connection with the LRCN Series 1 issue of $17 million ($13 million net of income taxes) were charged to retained earnings and non-controlling interests. The LRCN Series 1 had a fair value of $1,475 million at December 31, 2021.

NOTE 20 Non-Controlling Interests (continued)

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

Preferred Shares

On October 8, 2021, Lifeco issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series Y at $25.00 per share for gross proceeds of $200 million. The shares are redeemable at the option of Lifeco on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of $4 million ($3 million net of income taxes) were charged to retained earnings and non-controlling interests.

On December 31, 2021, Lifeco redeemed all 7,740,032 of its outstanding 5.90% Non-Cumulative First Preferred Shares, Series F at a redemption price of $25.00 per share plus an amount equal to all declared and unpaid dividends, less any tax required to be deducted and withheld by Lifeco.

WEALTHSIMPLE

On May 12, 2021, Wealthsimple announced the closing of a $750 million equity offering, consisting of a $250 million primary offering by Wealthsimple, as well as a $500 million secondary offering by the Corporation, IGM and Lifeco pro rata to their respective ownership interests. As a result of the secondary offering, the Corporation received proceeds of $500 million. As well, the existing put rights held by non-controlling interests and option holders of Wealthsimple were extinguished. At the close of the transaction, the Corporation held a combined equity interest of 56.0% in Wealthsimple.

In the first quarter of 2021, the fair value increase in Wealthsimple resulted in charges included in the operating and administrative expenses in the statements of earnings related to the remeasurement of the put right liability of certain of the non-controlling interests and option holders in Wealthsimple to fair value and carried interest payable totalling $332 million.

In the second quarter of 2021, following the close of the primary and secondary offerings and the extinguishment of the put rights, the Corporation recorded an increase in retained earnings of $638 million ($593 million net of income taxes), in share-based compensation reserve of $119 million and in non-controlling interests of $368 million.

On October 14, 2020, Wealthsimple announced the closing of a $114 million investment on a pre-money valuation of $1.4 billion. The investment was led by TCV, one of the largest growth equity investors focused on technology, along with Greylock Partners, Meritech Capital, Allianz X and Two Sigma Ventures. As a result of the investment, these investors acquired an ownership interest of 7.5% on a fully diluted basis. At the closing of the transaction, the Corporation had an undiluted equity interest in Wealthsimple of 74.9%. The impact of the effect of the change in ownership resulted in a gain of $77 million recorded in retained earnings in the statement of changes in equity in 2020.

NOTE 21 Capital Management

POWER CORPORATION

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

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

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

The capital structure of the Corporation consists of debentures, non-participating shares, participating shareholders' equity and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

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

The Corporation itself is not subject to externally imposed regulatory capital requirements. However, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements and they manage their capital as described below.

LIFECO

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

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

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

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

NOTE 21 Capital Management (continued)

Lifeco's subsidiaries Canada Life, Great-West Life & Annuity and entities based in Europe are subject to minimum regulatory capital requirements.

- In Canada, the OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT ratio compares the regulatory capital resources of a company to its required capital defined by OSFI as the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of available capital, surplus allowance and eligible deposits. OSFI has established a supervisory target total ratio of 100%, and a supervisory minimum total ratio of 90%. Canada Life's consolidated LICAT ratio at December 31, 2021 was 124% (129% at December 31, 2020).
- For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2021 and 2020, all Lifeco's European regulated entities met the capital and solvency requirements as prescribed under Solvency II.
- Great-West Life & Annuity is subject to the risk-based capital regulatory regime in the U.S.
- Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2021 and 2020, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

IGM FINANCIAL

IGM's capital management objective is to maximize shareholder returns while ensuring that IGM is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. IGM's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. IGM regularly assesses its capital management practices in response to changing economic conditions.

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

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At December 31, 2021 and 2020, IGM subsidiaries have complied with all regulatory capital requirements.

ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

Certain subsidiaries are subject to regulatory capital requirements, including portfolio managers, asset managers and an order-execution-only broker. These subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At December 31, 2021 and 2020, these subsidiaries have complied with all regulatory capital requirements.

NOTE 22 Risk Management

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

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

Estimates of sensitivities and risk exposure measures are included for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons, including:

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

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

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments including the impacts due to COVID-19. In the first section below, the risk management policies and procedures of Power Corporation, Power Financial and the Corporation's alternative asset investment platforms and other (other subsidiaries) are discussed. Risks related to Lifeco and IGM are discussed in subsequent sections.

NOTE 22 Risk Management (continued)

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

Liquidity risk

Power Corporation is a holding company. As such, the holding company's cash flows are principally derived from dividends received from its subsidiaries and income from investments, less operating expenses, financing charges, income taxes and payment of dividends to its participating and non-participating shareholders. As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. Regulatory requirements may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends. Regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. In the U.K. and Ireland, where some of Lifeco's regulated subsidiaries operate, the regulatory authorities have maintained their guidance that insurance companies should exercise prudence in respect of dividend distributions, share buybacks and similar transactions, but at the end of the third quarter of 2021 the Irish regulator removed the temporary cap that it had also been applying to significant insurance companies. In Canada, on November 4, 2021, the OSFI announced the removal of its expectation that Canadian banks and insurers should suspend share buybacks and not increase dividend payments. The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends, which in turn will depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts.

Power Corporation and Power Financial regularly review their liquidity requirements and seek to maintain sufficient levels of liquidities to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, Power Financial and other subsidiaries to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance and risk profile of Power Corporation, Power Financial and their subsidiaries.

Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of $500 million. The Corporation also maintains an uncommitted line of credit of $100 million, and any advances are at the bank's sole discretion. At December 31, 2021, the Corporation was not utilizing its committed line of credit or uncommitted line of credit ($110 million in 2020). Other subsidiaries also have committed lines of credit of $435 million with Canadian and U.S. banks ($347 million was undrawn at December 31, 2021).

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM discussed below) represent the only significant contractual liquidity requirements. Contractual maturities of certain liabilities were as follows:

	Payments due by period			
December 31, 2021	Less than 1 year	1–5 years	After 5 years	Total
Deposits and certificates	1,748	–	–	1,748
Debentures and other debt instruments	155	541	1,606	2,302
Future lease payments	20	64	184	268
Pension contributions	18	–	–	18
	1,941	605	1,790	4,336

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

Power Corporation, Power Financial and other subsidiaries' management of liquidity risk has not changed materially since December 31, 2020.

Credit risk

Fixed income securities and derivatives are subject to credit risk. Power Corporation and Power Financial mitigate credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum rating and concentration limits.

NOTE 22 Risk Management (continued)

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

Derivatives can also be used to mitigate foreign exchange or equity exposures. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

Other subsidiaries' financial instruments include other loans and are subject to credit risk. Other subsidiaries regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Power Corporation, Power Financial and other subsidiaries' exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2020.

Market risk

Power Corporation and Power Financial and other subsidiaries' financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, other loans, investment funds and hedge funds), derivatives and debentures and other debt instruments.

a) Foreign exchange risk

In managing their own cash and cash equivalents as well as fixed income securities, Power Corporation, Power Financial and other subsidiaries may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2021, approximately 73% (78% as at December 31, 2020) of Power Corporation, Power Financial and other subsidiaries' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Power Corporation, Power Financial and other subsidiaries held other investments either classified as available for sale or as fair value through profit or loss. Unrealized gains and losses on investments classified as available for sale, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. Unrealized gains and losses on investments classified as fair value through profit or loss, resulting from foreign exchange rate variations, are recorded directly in net earnings. As at December 31, 2021, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income or a loss recorded in net earnings of approximately $55 million and $35 million, respectively ($109 million and $16 million at December 31, 2020, respectively). Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

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

Power Financial is exposed to foreign exchange risk on its investment in GBL held through Parjointco as its functional currency is the euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. As at December 31, 2021, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately $214 million ($210 million in 2020).

Power Corporation is also exposed to foreign exchange risk on its investment in ChinaAMC. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. As at December 31, 2021, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately $38 million ($35 million in 2020).

NOTE 22 Risk Management (continued)

b) Interest rate risk

Power Corporation, Power Financial and other subsidiaries' financial instruments do not have significant exposure to interest rate risk.

c) Equity risk

Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the year, the Corporation recorded investment impairment charges on available-for-sale investments of nil ($35 million in 2020). As at December 31, 2021, the impact of a 10% decrease in the value of other investments held by Power Corporation, Power Financial and other subsidiaries would have resulted in an approximate $110 million ($179 million as at December 31, 2020) unrealized loss recorded in other comprehensive income related to investments classified as available for sale and $128 million ($60 million as at December 31, 2020) of loss recorded in net earnings related to investments classified as fair value through profit or loss and investments in jointly controlled corporations and associates measured at fair value through profit or loss..

GBL holds a portfolio of investments which are classified as available for sale. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. As at December 31, 2021, the impact of a 10% decline in equity markets would have resulted in an approximate $395 million ($400 million in 2020) unrealized loss to be recorded in other comprehensive income, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation and Power Financial sponsor a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Power Corporation. Power Corporation and Power Financial hedge their exposure to the equity risk associated with their PSU Plans through the use of total return swaps.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks.

Liquidity risk

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

- Lifeco closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 48% (approximately 48% in 2020) of insurance and investment contract liabilities are non-cashable prior to maturity or claim, with a further approximately 24% (approximately 26% in 2020) of insurance and investment contract liabilities subject to fair value adjustments under certain conditions.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2021, Lifeco maintained $950 million of liquidity at its level through committed lines of credit with Canadian chartered banks. As well, Lifeco maintains a US$500 million revolving credit agreement at Great-West Lifeco U.S. LLC, a US$300 million revolving credit agreement with a syndicate of banks for use by Putnam, and a US$50 million line of credit at Great-West Life & Annuity.

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

	Payments due by period						
December 31, 2021	1 year	2 years	3 years	4 years	5 years	After 5 years	Total
Debentures and other debt instruments	186	720	–	635	720	6,454	8,715
Capital trust debentures [1]	–	–	–	–	–	150	150
Purchase obligations	192	85	44	35	15	65	436
Pension contributions	306	–	–	–	–	–	306
	684	805	44	670	735	6,669	9,607

[1] Payments due have not been reduced to reflect that Lifeco held capital trust securities of $37 million principal amount ($53 million carrying value).

NOTE 22 Risk Management (continued)

Credit risk

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

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the risk committee and the investment committee of the board of directors of Lifeco.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. Lifeco manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating-based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to Lifeco are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in Lifeco's Reinsurance Risk Management Policy. Lifeco seeks to minimize reinsurance credit risk by setting rating-based limits on net ceded exposure by counterparty as well as by seeking protection in the form of collateral or funds-withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

a) Maximum exposure to credit risk

The following table summarizes Lifeco's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	December 31, 2021	December 31, 2020
Cash and cash equivalents	6,075	7,946
Bonds		
Fair value through profit or loss	103,813	102,892
Available for sale	12,123	11,352
Loans and receivables	24,676	23,348
Mortgage loans	28,852	27,803
Loans to policyholders	8,319	8,387
Funds held by ceding insurers [1]	17,194	18,383
Reinsurance assets	21,138	22,121
Interest due and accrued	1,239	1,320
Accounts receivable	3,183	3,080
Premiums in course of collection	1,944	1,702
Trading account assets	1,671	713
Finance leases receivable	433	404
Other financial assets [2]	1,196	965
Derivative assets	967	829
Total balance sheet maximum credit exposure	232,823	231,245

[1] Includes $15,125 million as at December 31, 2021 ($16,325 million as at December 31, 2020) of funds held by ceding insurers where Lifeco retains the credit risk of the assets supporting the liabilities ceded (see Note 6).

[2] Includes items such as income taxes receivable and miscellaneous other assets of Lifeco.

NOTE 22 Risk Management (continued)

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of types of collateral and the valuation parameters. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco has $318 million of collateral received from counterparties as at December 31, 2021 ($211 million as at December 31, 2020) relating to derivative assets.

As at December 31, 2021 $14,512 million of the $21,138 million of reinsurance assets are ceded to Protective Life ($15,690 million of $22,121 million at December 31, 2020). This concentration risk is mitigated by funds held in trust and other arrangements of $15,963 million as at December 31, 2021 ($16,389 million at December 31, 2020).

b) Concentrations of credit risk

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

The following table provides details of the carrying value of bonds of Lifeco by issuer, industry sector and business:

					December 31, 2021
	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	529	109	10,334	4,735	15,707
Government-related	19,501	2,183	8,694	349	30,727
Agency securitized	178	497	–	17	692
Non-agency securitized	2,215	7,788	1,149	165	11,317
Financials	3,794	6,251	5,748	886	16,679
Communications	1,104	1,235	1,032	113	3,484
Consumer products	4,029	5,461	2,412	736	12,638
Energy	2,602	2,634	482	330	6,048
Industrials	2,092	4,707	1,393	348	8,540
Technology	729	1,732	411	319	3,191
Transportation	3,674	1,227	897	135	5,933
Utilities	9,971	5,028	4,480	506	19,985
Short-term bonds	2,854	1,976	644	197	5,671
	53,272	40,828	37,676	8,836	140,612

					December 31, 2020
	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	586	272	10,282	1,372	12,512
Government-related	20,555	2,308	9,287	316	32,466
Agency securitized	178	926	–	17	1,121
Non-agency securitized	2,057	6,550	1,402	136	10,145
Financials	4,361	6,022	5,880	572	16,835
Communications	1,142	1,338	1,124	98	3,702
Consumer products	4,197	6,127	2,816	762	13,902
Energy	2,453	2,450	675	270	5,848
Industrials	2,022	4,585	1,329	406	8,342
Technology	557	1,324	299	263	2,443
Transportation	3,409	1,394	977	154	5,934
Utilities	10,091	4,485	4,811	553	19,940
Short-term bonds	2,332	557	1,066	447	4,402
	53,940	38,338	39,948	5,366	137,592

NOTE 22 Risk Management (continued)

The following table provides details of the carrying value of mortgage loans of Lifeco by business:

December 31, 2021	Single-family residential	Multi-family residential	Equity-release	Commercial	Total
Canada	1,979	4,297	1,063	9,364	16,703
United States	–	2,474	–	3,696	6,170
Europe	–	792	1,546	3,553	5,891
Capital and Risk Solutions	–	38	–	50	88
	1,979	7,601	2,609	16,663	28,852

December 31, 2020	Single-family residential	Multi-family residential	Equity-release	Commercial	Total
Canada	2,063	4,331	759	8,883	16,036
United States	–	2,297	–	3,660	5,957
Europe	–	684	1,261	3,801	5,746
Capital and Risk Solutions	–	41	–	23	64
	2,063	7,353	2,020	16,367	27,803

c) *Asset quality*

Bond Portfolio Quality	December 31, 2021	December 31, 2020
AAA	20,254	21,820
AA	35,460	35,530
A	48,764	45,673
BBB	35,098	33,382
BB and lower	1,036	1,187
	140,612	137,592

Derivative Portfolio Quality	December 31, 2021	December 31, 2020
Over-the-counter contracts (counterparty credit ratings):		
AA	662	424
A	304	369
BBB	–	35
Exchange-traded	1	1
	967	829

d) *Loans past due, but not impaired*

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management of Lifeco has reasonable assurance of collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due, but not impaired:

	December 31, 2021	December 31, 2020
Less than 30 days	164	17
30–90 days	34	28
Greater than 90 days	141	10
	339	55

NOTE 22 Risk Management (continued)

e) Future asset credit losses

The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	December 31, 2021	December 31, 2020
Participating	1,376	1,183
Non-participating	1,895	2,185
	3,271	3,368

Market risk

a) Foreign exchange risk

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases. Lifeco has net investments in foreign operations. Lifeco's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts Lifeco's total equity. Correspondingly, Lifeco's book value per share and capital ratios monitored by rating agencies are also impacted.

The following policies and procedures are in place to mitigate Lifeco's exposure to foreign exchange risk:

- Lifeco uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented investment guidelines include maximum tolerances for unhedged currency mismatch exposures.
- For assets backing liabilities not matched by currency, Lifeco normally converts the assets back to the currency of the liability using foreign exchange contracts.
- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.
- A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.

b) Interest rate risk

The following policies and procedures are in place to mitigate Lifeco's exposure to interest rate risk:

- Lifeco uses a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), Lifeco generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.

NOTE 22 Risk Management (continued)

- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments or equities, as described below.
- The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.11% in 2021 (0.11% in 2020). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk because Lifeco's sensitivity to interest rate movements varies at different terms.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries-prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	December 31, 2021		December 31, 2020	
	1% increase	1% decrease [1]	1% increase	1% decrease [1]
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(219)	678	(289)	1,185
Increase (decrease) in net earnings	197	(555)	224	(920)

[1] For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

c) Equity risk

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

The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards and interest rate derivatives.

NOTE 22 Risk Management (continued)

Some insurance and investment contract liabilities with long-tail cash flows are supported by publicly traded common shares and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private equities, and equity-release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common shares and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger decreases in equity values, relative to the change in equity values. Decreases in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common shares on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	December 31, 2021				December 31, 2020			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
Change in publicly traded common share values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(26)	(16)	22	76	(34)	(18)	62	264
Increase (decrease) in net earnings	21	13	(19)	(66)	28	15	(51)	(208)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	December 31, 2021				December 31, 2020			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(92)	(46)	38	144	(41)	(8)	88	138
Increase (decrease) in net earnings	79	39	(30)	(112)	34	6	(69)	(108)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common shares and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market decreases.

The best estimate return assumptions for publicly traded common shares and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or a 1% decrease in the best estimate assumptions:

	December 31, 2021		December 31, 2020	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	(715)	829	(691)	861
Increase (decrease) in net earnings	567	(649)	556	(682)

Lifeco sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. Lifeco hedges its exposure to the equity risk associated with its PSU Plan through the use of total return swaps.

NOTE 22 Risk Management (continued)

IGM FINANCIAL

The board of directors of IGM provides oversight and carries out its risk management mandate through various committees.

Liquidity risk

IGM's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near-term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and IGM's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity by management and by committees of the board of directors of IGM.

A key liquidity requirement for IGM is the funding of consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

IGM also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS), including sales to Canada Housing Trust under the Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of IGM are approved issuers of NHA MBS and are approved sellers into the CMB Program. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in principal reinvestment accounts.

IGM maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

IGM's contractual maturities of certain liabilities were as follows:

	Payments due by period				
December 31, 2021	Demand	Less than 1 year	1–5 years	After 5 years	Total
Derivative financial instruments	–	7	11	–	18
Deposits and certificates	2,218	–	1	1	2,220
Obligations to securitization entities	–	1,158	3,893	7	5,058
Future lease payments	–	32	98	125	255
Debentures	–	–	–	2,100	2,100
Pension contributions	–	14	–	–	14
Total contractual maturities	2,218	1,211	4,003	2,233	9,665

In addition to IGM's current balance of cash and cash equivalents, liquidity is available through IGM's lines of credit. IGM's lines of credit with various Schedule I Canadian chartered banks totalled $825 million as at December 31, 2021, unchanged from December 31, 2020. The lines of credit as at December 31, 2021 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2020. IGM has accessed its uncommitted lines of credit in the past; however, any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2021 and 2020, IGM was not utilizing its committed lines of credit or its uncommitted lines of credit.

IGM's liquidity position and its management of liquidity risk have not changed materially since December 31, 2020.

Credit risk

IGM's cash and cash equivalents, other investment holdings, mortgage portfolios and derivatives are subject to credit risk. IGM monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

NOTE 22 Risk Management (continued)

At December 31, 2021, IGM's cash and cash equivalents of $1,292 million ($772 million in 2020) consisted of cash balances of $326 million ($77 million in 2020) on deposit with Canadian chartered banks and cash equivalents of $966 million ($695 million in 2020). IGM manages credit risk related to cash and cash equivalents by adhering to its investment policy that outlines credit risk parameters and concentration limits. IGM regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

As at December 31, 2021, residential mortgages recorded on IGM's balance sheets, of $5.4 billion ($6.3 billion in 2020) consisted of $5.0 billion sold to securitization programs ($6.0 billion in 2020), $316 million held pending sale or securitization ($335 million in 2020) and $14 million related to IGM's intermediary operations ($14 million in 2020).

IGM manages credit risk related to residential mortgages through:

- adhering to its lending policy and underwriting standards;
- its loan servicing capabilities;
- use of client-insured mortgage default insurance and mortgage portfolio default insurance held by IGM; and
- its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan™.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling $2.6 billion ($3.2 billion in 2020), IGM is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $2.4 billion ($2.8 billion in 2020) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $68 million ($73 million in 2020) and $34 million ($46 million in 2020), respectively, at December 31, 2021. Cash reserve accounts are reflected on the balance sheets, whereas rights to future net interest income are not reflected on the balance sheets and will be recorded over the life of the mortgages.

At December 31, 2021, residential mortgages recorded on the balance sheets were 53.1% insured (55.3% in 2020). At December 31, 2021, impaired mortgages on these portfolios were $3 million ($5 million in 2020). Uninsured non-performing mortgages over 90 days on these portfolios were $2 million at December 31, 2021 ($2 million in 2020).

IGM also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short Term Income Fund and to the IG Mackenzie Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the balance sheets as IGM has transferred substantially all of the risks and rewards of ownership associated with these loans.

IGM regularly reviews the credit quality of the mortgages and the adequacy of the allowance for credit losses.

IGM's allowance for credit losses was $1 million at December 31, 2021 ($1 million in 2020), and is considered adequate by IGM's management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience; ii) recent trends, including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses; iii) current portfolio credit metrics and other relevant characteristics; iv) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

IGM's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2020.

IGM is exposed to credit risk through the derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain share-based compensation arrangements. These derivatives are discussed more fully under the market risk section below.

To the extent that the fair value of the derivatives is in a gain position, IGM is exposed to the credit risk that its counterparties fail to fulfill their obligations under these arrangements.

NOTE 22 Risk Management (continued)

IGM's derivative activities are managed in accordance with its investment policy, which includes counterparty limits and other parameters to manage counterparty risk. Counterparties are all Canadian Schedule I chartered banks and, as a result, management of IGM has determined that its overall credit risk related to derivatives was not significant at December 31, 2021. Management of credit risk related to derivatives has not changed materially since December 31, 2020.

Market risk

a) Foreign exchange risk

IGM is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in other comprehensive income. As of December 31, 2021, the impact of a 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investment by approximately $36 million ($34 million in 2020).

b) Interest rate risk

IGM is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in IGM's mortgage banking operations.

IGM manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- IGM has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As part of the CMB Program, IGM is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a fair value of $1 million (negative $21 million in 2020) and an outstanding notional value of $0.3 billion at December 31, 2021 ($0.7 billion in 2020). IGM enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled $4 million ($20 million in 2020), on an outstanding notional amount of $1.3 billion at December 31, 2021 ($1.3 billion in 2020). The net fair value of these swaps recorded on the balance sheets was $5 million at December 31, 2021 (negative $1 million in 2020) and had an outstanding notional amount of $1.6 billion at December 31, 2021 ($2.0 billion in 2020).
- IGM is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. IGM enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by IGM pending sale or securitization. The fair value of these swaps was $1 million (negative $1 million in 2020) on an outstanding notional amount of $129 million at December 31, 2021 ($191 million in 2020).

As at December 31, 2021, the impact to net earnings of a 100-basis-point increase in interest rates would have been a decrease of approximately $3 million ($1 million in 2020). IGM's exposure to and management of interest rate risk have not changed materially since December 31, 2020.

c) Equity risk

IGM is exposed to equity risk on its equity investments which are classified as either available for sale or fair value through profit or loss or investments in associates.

IGM sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. IGM hedges its exposure to this risk through the use of forward agreements and total return swaps.

Risks related to assets under management and advisement

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management and advisement. These changes in assets under management and advisement directly impact earnings of IGM.

NOTE 23 Operating and Administrative Expenses

	Years ended December 31, 2021	2020
Salaries and other employee benefits	5,680	4,781
General and administrative expenses	3,118	2,539
Amortization, depreciation and impairment	778	675
Premium taxes	500	480
Restructuring and other	94	219
	10,170	8,694

RESTRUCTURING AND OTHER

Lifeco

Canada Restructuring

In 2020, Lifeco recorded a restructuring provision of $92 million. The restructuring is associated with the 2020 sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie, changes to Lifeco's distribution strategy and vision for advisor-based distribution, and termination of a long-term technology infrastructure-related sharing agreement.

Great-West Life & Annuity Restructuring

During the year ended December 31, 2021, Lifeco recorded integration expenses of $74 million ($5 million in 2020) and restructuring expenses of $10 million ($37 million in 2020). The restructuring is primarily attributable to additional staff reductions and other exit costs related to Lifeco's acquisition of the MassMutual retirement services business. Lifeco expects to incur further restructuring and integration expenses associated with the MassMutual acquisition in 2022 (Note 3).

IGM Financial

During 2020 IGM's incurred restructuring and other charges of $75 million related to ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also to the acquisition of GLC and other changes to IGM's investment management teams. As a result of these initiatives, IGM recorded charges relating to restructuring and downsizing certain sharing activities with Lifeco as well as impairment of redundant internally generated software assets.

At December 31, 2021, the balance of restructuring provisions, including those above, amounts to $104 million ($232 million in 2020) and is recorded in other liabilities. Lifeco and IGM expect to pay out a significant portion of these amounts during 2022.

NOTE 24 Financing Charges

	Years ended December 31, 2021	2020
Interest on debentures and other debt instruments	512	484
Interest on lease liabilities	33	33
Interest on capital trust debentures	11	11
Interest on limited recourse capital notes	20	–
Other	23	27
	599	555

NOTE 25 Pension Plans and Other Post-Employment Benefits

CHARACTERISTICS, FUNDING AND RISKS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors as well as unfunded supplementary employee retirement plans (SERP) for eligible employees. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings; however, the plans of the Corporation and its subsidiaries are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Corporation and its subsidiaries' defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, in most circumstances active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans, and assuming the plans are not terminated. Assets supporting the funded pension plans are held in separate trusteed pension funds. Obligations for the wholly unfunded plans are supported by assets of the Corporation or its subsidiaries, as applicable.

New hires are only eligible for defined contribution benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Corporation and its subsidiaries also provide unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Lifeco's subsidiaries' plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The obligations for these benefits are supported by assets of the Corporation or its subsidiaries, as applicable.

The Corporation and its subsidiaries have pension and benefit committees or a trusteed arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to benefit plans of the Corporation or of its subsidiaries require approval from the respective board of directors or committee thereof.

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

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

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

PLAN ASSETS, BENEFIT OBLIGATION AND FUNDED STATUS

	December 31, 2021		December 31, 2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	8,735	–	8,045	–
Interest income	189	–	213	–
Employee contributions	20	–	17	–
Employer contributions	149	23	210	18
Actual return on assets greater than interest income	572	–	503	–
Benefits paid	(387)	(23)	(365)	(18)
Settlement	(142)	–	(2)	–
Administrative expenses	(8)	–	(9)	–
Foreign exchange and other	(193)	–	123	–
Fair value of plan assets, end of year	8,935	–	8,735	–
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	10,387	474	9,506	448
Current service cost	126	4	121	3
Employee contributions	20	–	17	–
Interest cost	228	12	257	14
Actuarial (gains) losses on:				
Financial assumption changes	(312)	(30)	744	31
Demographic assumption changes	(16)	(10)	(11)	2
Arising from member experience	(17)	(9)	31	(5)
Benefits paid	(387)	(23)	(365)	(18)
Past service cost and plan amendments	–	–	(6)	–
Settlement	(200)	–	(1)	–
Curtailment	(2)	–	(21)	–
Foreign exchange and other	(192)	–	115	(1)
Defined benefit obligation, end of year	9,635	418	10,387	474
Funded status				
Fund deficit	(700)	(418)	(1,652)	(474)
Unrecognized amount due to asset ceiling (see below)	(41)	–	(29)	–
Accrued benefit liability	(741)	(418)	(1,681)	(474)

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

The aggregate defined benefit obligation of pension plans is as follows:

	December 31, 2021	December 31, 2020
Wholly or partly funded plans	8,911	9,604
Wholly unfunded plans	724	783

The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

	December 31, 2021			December 31, 2020		
	Defined benefit pension plans	Other post-employment benefits	Total	Defined benefit pension plans	Other post-employment benefits	Total
Pension benefit assets [Note 9]	363	–	363	240	–	240
Pension and other post-employment benefit liabilities [Note 16]	(1,104)	(418)	(1,522)	(1,921)	(474)	(2,395)
Accrued benefit liability	(741)	(418)	(1,159)	(1,681)	(474)	(2,155)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Corporation and its subsidiaries must assess whether the pension asset has economic benefit to the Corporation and its subsidiaries through future contribution reductions, the present value of future expenses to be paid from the plan, or surplus refunds; in the event the Corporation and its subsidiaries are not entitled to a benefit, a limit or "asset ceiling" is required on the balance sheet. The following provides a breakdown of the changes in the asset ceiling:

	December 31, 2021	December 31, 2020
Asset ceiling, beginning of year	29	37
Interest on beginning-of-period asset ceiling	1	1
Change in asset ceiling	11	(11)
Foreign exchange rate changes	–	2
Asset ceiling, end of year	41	29

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSE

	December 31, 2021		December 31, 2020	
	Pension plans	Other post-employment benefits	Pension plans	Other post-employment benefits
Defined benefit current service cost	126	4	121	3
Net interest cost	40	12	45	14
Past service cost, plan amendments, curtailments and settlements	(60)	–	(26)	–
Administration fees	8	–	9	–
Defined contribution current service cost	191	–	152	–
Expense recognized in net earnings	305	16	301	17
Actuarial (gains) losses recognized	(345)	(49)	764	28
Return on assets greater than discount rate	(572)	–	(503)	–
Change in asset ceiling	11	–	(11)	–
Expense (income) recognized in other comprehensive income (loss)	(906)	(49)	250	28
Total expense (income)	(601)	(33)	551	45

In 2021, the Corporation and its subsidiaries incurred $11 million of actuarial gains ($4 million of actuarial losses in 2020) for pension plan remeasurements not included in the table shown above. This relates to the share of actuarial gains (losses) for investments in jointly controlled corporations and associates.

ASSET ALLOCATION BY MAJOR CATEGORY WEIGHTED BY PLAN ASSETS

	Defined benefit pension plans	
Percentage (%)	December 31, 2021	December 31, 2020
Equity securities	41	42
Debt securities	50	47
All other assets	9	11
	100	100

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Lifeco's plan assets include investments in segregated and other funds managed by subsidiaries of Lifeco of $6,980 million at December 31, 2021 ($6,871 million at December 31, 2020) of which $6,902 million ($6,790 million at December 31, 2020) are included in the balance sheets. Plan assets do not include any property occupied or other assets used by Lifeco. IGM's plan assets are invested in IGM's mutual funds. A portion of Power Corporation and Power Financial's plan assets are invested in segregated funds managed by a subsidiary of Lifeco.

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

DETAILS OF DEFINED BENEFIT OBLIGATION

Portion of defined benefit obligation subject to future salary increases

	December 31, 2021		December 31, 2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Benefit obligation without future salary increases	8,695	418	9,587	474
Effect of assumed future salary increases	940	–	800	–
Defined benefit obligation	9,635	418	10,387	474

Allocation of defined benefit obligation by membership

	December 31, 2021		December 31, 2020	
Percentage (%)	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Actives	41	20	40	22
Deferred vesteds	16	–	18	–
Retirees	43	80	42	78
Total	100	100	100	100
Weighted average duration of defined benefit obligation (in years)	17.3	11.9	18.2	12.1

CASH FLOW INFORMATION

The expected employer contributions for the year 2022 are as follows:

	Pension plans	Other post-employment benefits
Funded (wholly or partly) defined benefit plans	98	–
Unfunded defined benefit plans	42	25
Defined contribution plans	188	–
Total	328	25

ACTUARIAL ASSUMPTIONS AND SENSITIVITIES

Actuarial assumptions

	December 31, 2021		December 31, 2020	
Percentage (%)	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Range of discount rates				
To determine benefit cost	2.1 – 2.7	2.4 – 2.6	2.6 – 3.2	3.1 – 3.2
To determine accrued benefit obligation at year-end	2.6 – 3.3	3.0 – 3.3	2.1 – 2.7	2.4 – 2.6
Weighted average assumptions used to determine benefit cost [1]				
Discount rate	2.4	2.5	2.9	3.1
Rate of compensation increase	3.0	–	3.0	–
Weighted average assumptions used to determine accrued benefit obligation at year-end [1]				
Discount rate	2.9	3.1	2.4	2.5
Rate of compensation increase	3.2	–	3.0	–
Weighted average healthcare trend rates [1]				
Initial healthcare trend rate		4.8		4.8
Ultimate healthcare trend rate		4.1		4.1
Year ultimate trend rate is reached		2039		2039

[1] Weighted based on the obligations of each plan.

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

Sample life expectancies based on mortality assumptions

	December 31, 2021		December 31, 2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Weighted average life expectancies based on mortality assumptions [1]:				
Male				
Age 65 in fiscal year	22.6	22.5	22.7	22.5
Age 65 for those age 35 in the fiscal year	24.5	24.0	24.6	24.0
Female				
Age 65 in fiscal year	24.8	24.9	24.8	24.7
Age 65 for those age 35 in the fiscal year	26.6	26.2	26.7	26.2

[1] Weighted based on the obligations of each plan.

Mortality assumptions are significant in measuring the defined benefit obligation for defined benefit plans. The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty and judgment is required in establishing this assumption. The mortality assumptions applied by the Corporation and its subsidiaries take into consideration average life expectancy, including allowances for future longevity improvements as appropriate, and reflect variations in such factors as age, gender and geographic location.

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

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of $294 million for the defined benefit pension plans and $13 million for the other post-employment benefits.

Impact of changes to assumptions on defined benefit obligation

	December 31, 2021	
	1% increase	1% decrease
Defined benefit pension plans:		
Impact of a change to the discount rate	(1,446)	1,856
Impact of a change to the rate of compensation increase	339	(306)
Impact of a change to the rate of inflation	657	(586)
Other post-employment benefits:		
Impact of a change to the discount rate	(41)	50
Impact of a change to assumed medical cost trend rates	27	(24)

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions and therefore the sensitivity analysis presented may not be representative of the actual change.

NOTE 26 Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Corporation and its subsidiaries are end-users of various derivative financial instruments. Contracts are either exchange traded or over-the-counter with counterparties that are credit-worthy financial intermediaries.

The following tables summarize the portfolio of derivative financial instruments of the Corporation and its subsidiaries:

	Notional amount					
December 31, 2021	1 year or less	1–5 years	Over 5 years	Total	Maximum credit risk	Total fair value
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	1,247	1,946	3,823	7,016	219	159
Options purchased	11	96	–	107	–	–
Futures – long	1	–	–	1	–	–
Futures – short	147	–	–	147	–	–
	1,406	2,042	3,823	7,271	219	159
Foreign exchange contracts						
Cross-currency swaps	2,574	4,298	13,462	20,334	539	(420)
Forward contracts	2,464	–	–	2,464	10	(4)
Options written	79	–	–	79	–	–
	5,117	4,298	13,462	22,877	549	(424)
Other derivative contracts						
Equity contracts	1,993	62	96	2,151	79	76
Futures – long	15	–	–	15	–	–
Futures – short	578	–	–	578	1	(2)
Other forward contracts	1,488	–	–	1,488	3	3
	4,074	62	96	4,232	83	77
	10,597	6,402	17,381	34,380	851	(188)
Fair value hedges						
Foreign exchange contracts						
Forward contracts	78	–	–	78	–	(1)
Cash flow hedges						
Interest rate contracts						
Swaps	–	42	499	541	11	10
Foreign exchange contracts						
Forward contracts	274	99	–	373	–	(5)
Other derivative contracts						
Equity contracts	71	129	93	293	122	122
	345	270	592	1,207	133	127
Net investment hedges						
Foreign exchange contracts						
Cross-currency swaps	–	–	2,320	2,320	25	–
Forward contracts	1,409	518	–	1,927	40	48
	1,409	518	2,320	4,247	65	48
	12,429	7,190	20,293	39,912	1,049	(14)

NOTE 26 Derivative Financial Instruments (continued)

	Notional amount					
December 31, 2020	1 year or less	1–5 years	Over 5 years	Total	Maximum credit risk	Total fair value
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	1,296	1,817	2,664	5,777	349	269
Options purchased	41	166	14	221	–	–
Futures – long	6	3	–	9	–	–
Futures – short	190	4	–	194	–	–
	1,533	1,990	2,678	6,201	349	269
Foreign exchange contracts						
Cross-currency swaps	896	3,068	11,222	15,186	388	(783)
Forward contracts	3,710	–	–	3,710	38	32
	4,606	3,068	11,222	18,896	426	(751)
Other derivative contracts						
Equity contracts	661	76	–	737	128	127
Futures – long	17	–	–	17	–	–
Futures – short	682	–	–	682	1	(4)
Other forward contracts	4,318	–	–	4,318	9	8
	5,678	76	–	5,754	138	131
	11,817	5,134	13,900	30,851	913	(351)
Fair value hedges						
Foreign exchange contracts						
Forward contracts	74	–	–	74	3	3
Cash flow hedges						
Interest rate contracts						
Swaps	–	40	234	274	14	11
Other derivative contracts						
Equity contracts	27	156	–	183	27	25
	27	196	234	457	41	36
Net investment hedges						
Foreign exchange contracts						
Forward contracts	786	530	–	1,316	16	15
	12,704	5,860	14,134	32,698	973	(297)

The amount subject to maximum credit risk is limited to the current fair value of the instruments which are in a gain position. The maximum credit risk represents the total cost of all derivative contracts with positive values and does not reflect actual or expected losses. The total fair value represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this would not result in a gain or loss to the Corporation and its subsidiaries as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

NOTE 26 Derivative Financial Instruments (continued)

The Corporation and its subsidiaries use the following derivatives:

Type	Purpose
Interest rate contracts	Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities and to reduce the impact of fluctuating interest rates on the mortgage banking operations, intermediary operations and debt instruments. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Corporation and its subsidiaries the right to enter into a swap with predetermined fixed rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees and debt instruments.
Foreign exchange contracts	Cross-currency swaps are used in combination with other investments to manage foreign exchange risk associated with investment activities and insurance and investment contract liabilities. Under these swaps, principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Corporation and its subsidiaries may also enter into certain foreign exchange forward contracts to hedge certain product liabilities, cash and cash equivalents and cash flows. Cross-currency swaps are also used to hedge the Corporation and its subsidiaries' net investment in foreign operations.
Other derivative contracts	Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage the potential credit risk impact of significant declines in certain equity markets. Equity forward agreements and total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Forward agreements and total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these instruments are not designated as hedges. Equity call options and warrants are also used as part of the Corporation’s investment activities.

The ineffective portion of the cash flow hedges during 2021, which includes interest rate contracts and foreign exchange contracts, and the anticipated net gains (losses) expected to be reclassified out of other comprehensive income within the next twelve months, is not significant. The maximum time frame for which variable cash flows are hedged is 23 years.

ENFORCEABLE MASTER NETTING AGREEMENTS OR SIMILAR AGREEMENTS

The Corporation and its subsidiaries enter into the International Swaps and Derivative Association’s (ISDA’s) master agreements for transacting over-the-counter derivatives. The Corporation and its subsidiaries receive and pledge collateral according to the related ISDA’s Credit Support Annexes. The ISDA’s master agreements do not meet the criteria for offsetting on the balance sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

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

NOTE 26 Derivative Financial Instruments (continued)

Lifeco's reverse repurchase agreements are also subject to right of set-off in the event of default. These transactions and agreements include master netting arrangements which provide for the netting of payment obligations between Lifeco and its counterparties in the event of default.

The following disclosure shows the potential effect on the balance sheets of financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the balance sheets.

				December 31, 2021
		Related amounts not set off in the balance sheet		
	Gross amount of financial instruments presented in the balance sheet	Offsetting counterparty position [1]	Financial collateral received / pledged [2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	1,049	(548)	(293)	208
	1,049	(548)	(293)	208
Financial instruments (liabilities)				
Derivative financial instruments	1,063	(548)	(279)	236
	1,063	(548)	(279)	236

				December 31, 2020
		Related amounts not set off in the balance sheet		
	Gross amount of financial instruments presented in the balance sheet	Offsetting counterparty position [1]	Financial collateral received / pledged [2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	973	(631)	(154)	188
Reverse repurchase agreements [3]	4	–	(4)	–
	977	(631)	(158)	188
Financial instruments (liabilities)				
Derivative financial instruments	1,270	(631)	(361)	278
	1,270	(631)	(361)	278

[1] Includes counterparty amounts recognized on the balance sheets where the Corporation and its subsidiaries have a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheets, excluding collateral.

[2] Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. Financial collateral received on reverse repurchase agreements is held by a third party. At December 31, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $318 million ($211 million at December 31, 2020), received on reverse repurchase agreements was nil ($4 million at December 31, 2020), and pledged on derivative liabilities was $480 million ($560 million at December 31, 2020).

[3] Assets related to reverse repurchase agreements are included in bonds on the balance sheets.

NOTE 27 Fair Value Measurement

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

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	▪ actively exchange-traded equity securities; ▪ exchange-traded futures; ▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions; ▪ open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.
Level 2	Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other-than-quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.	▪ assets and liabilities priced using a matrix which is based on credit quality and average life; ▪ government and agency securities; ▪ restricted shares; ▪ certain private bonds and investment funds; ▪ most investment-grade and high-yield corporate bonds; ▪ most asset-backed securities; ▪ most over-the-counter derivatives; ▪ most mortgage and other loans; ▪ deposits and certificates; ▪ most debentures and other debt instruments; ▪ most of the investment contracts that are measured at fair value through profit or loss.
Level 3	Utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single-broker quotes, internal pricing models, external appraisers or by discounting projected cash flows.	▪ certain bonds; ▪ certain asset-backed securities; ▪ certain private equities; ▪ certain mortgage and other loans, including equity-release mortgages; ▪ investments in mutual and segregated funds where there are redemption restrictions; ▪ certain over-the-counter derivatives; ▪ investment properties; ▪ obligations to securitization entities; ▪ certain other debt instruments; ▪ certain limited-life and redeemable fund units.

NOTE 27 Fair Value Measurement (continued)

The Corporation's assets and liabilities recorded or disclosed at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies (Note 2) and above, are presented below. Fair values represent management's estimates and are generally calculated using market information at a specific point in time and may not reflect future fair values. The calculations are subjective in nature and involve uncertainties and matters of significant judgment. The following tables distinguish between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed.

These tables exclude fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

December 31, 2021	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	103,708	–	103,608	100	103,708
Available for sale	12,603	–	12,603	–	12,603
Mortgage and other loans					
Fair value through profit or loss	2,724	–	57	2,667	2,724
Shares					
Fair value through profit or loss	13,975	11,721	14	2,240	13,975
Available for sale	1,343	741	37	565	1,343
Investment properties	7,763	–	–	7,763	7,763
Funds held by ceding insurers	14,999	336	14,663	–	14,999
Derivative instruments	1,049	1	1,036	12	1,049
Reinsurance assets	106	–	106	–	106
Other assets	1,890	383	976	531	1,890
	160,160	13,182	133,100	13,878	160,160
Assets disclosed at fair value					
Bonds					
Loans and receivables	24,676	–	26,668	49	26,717
Mortgage and other loans					
Loans and receivables	31,542	–	27,319	5,087	32,406
Funds held by ceding insurers	126	–	–	126	126
	56,344	–	53,987	5,262	59,249
Total	216,504	13,182	187,087	19,140	219,409
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	12,455	–	12,455	–	12,455
Derivative instruments	1,063	3	1,054	6	1,063
Limited-life and redeemable fund units	1,916	–	911	1,005	1,916
Other liabilities	227	76	93	58	227
	15,661	79	14,513	1,069	15,661
Liabilities disclosed at fair value					
Obligations to securitization entities	5,058	–	–	5,146	5,146
Power Corporation's debentures and other debt instruments	647	–	869	–	869
Non-recourse debentures and other debt instruments	12,533	186	13,870	–	14,056
Deposits and certificates	3,968	–	3,968	–	3,968
Other liabilities	110	–	–	110	110
	22,316	186	18,707	5,256	24,149
Total	37,977	265	33,220	6,325	39,810

NOTE 27 Fair Value Measurement (continued)

December 31, 2020	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	102,782	–	102,709	73	102,782
Available for sale	11,897	–	11,897	–	11,897
Mortgage and other loans					
Fair value through profit or loss	2,095	–	3	2,092	2,095
Shares					
Fair value through profit or loss	10,697	8,828	194	1,675	10,697
Available for sale	1,839	1,030	70	739	1,839
Investment properties	6,270	–	–	6,270	6,270
Funds held by ceding insurers	16,188	245	15,943	–	16,188
Derivative instruments	973	1	868	104	973
Reinsurance assets	130	–	130	–	130
Other assets	980	381	541	58	980
	153,851	10,485	132,355	11,011	153,851
Assets disclosed at fair value					
Bonds					
Loans and receivables	23,348	–	26,488	57	26,545
Mortgage and other loans					
Loans and receivables	32,546	–	27,953	6,654	34,607
Shares					
Available for sale [1]	124	–	–	124	124
Funds held by ceding insurers	137	–	–	137	137
	56,155	–	54,441	6,972	61,413
Total	210,006	10,485	186,796	17,983	215,264
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	9,145	–	9,145	–	9,145
Derivative instruments	1,270	5	1,242	23	1,270
Limited-life and redeemable fund units	916	–	160	756	916
Other liabilities	311	79	188	44	311
	11,642	84	10,735	823	11,642
Liabilities disclosed at fair value					
Obligations to securitization entities	6,174	–	–	6,345	6,345
Power Corporation’s debentures and other debt instruments	756	–	1,013	–	1,013
Non-recourse debentures and other debt instruments	13,299	970	14,544	–	15,514
Deposits and certificates	2,247	–	2,247	–	2,247
Other liabilities	35	–	–	35	35
	22,511	970	17,804	6,380	25,154
Total	34,153	1,054	28,539	7,203	36,796

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

There were no significant transfers between Level 1 and Level 2 in 2021 and 2020.

NOTE 27 Fair Value Measurement (continued)

Additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the years ended December 31, 2021 and 2020 is presented below.

	Bonds	Mortgages and other loans	Shares					
December 31, 2021	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss[2]	Available for sale	Investment properties	Derivatives, net	Other assets (liabilities)[3]	Total
Balance, beginning of year	73	2,092	1,675	739	6,270	81	(742)	10,188
Total gains (losses)								
In net earnings	4	(91)	418	161	615	6	(363)	750
In other comprehensive income [1]	(5)	(30)	5	45	(52)	(1)	19	(19)
Purchases	28	92	1,099	105	970	15	597	2,906
Issues	–	954	–	–	–	–	(754)	200
Sales	–	–	(316)	(568)	(40)	–	(140)	(1,064)
Settlements	–	(178)	–	–	–	7	172	1
Derecognition	–	(263)	(182)	-	-	-	546	101
Transfers into Level 3	–	2	189	92	–	–	(26)	257
Transfers out of Level 3	–	(19)	(540)	(9)	–	(102)	57	(613)
Other	–	108	(108)	–	–	–	102	102
Balance, end of year	100	2,667	2,240	565	7,763	6	(532)	12,809

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

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

[3] Includes limited-life and redeemable fund units.

NOTE 27 Fair Value Measurement (continued)

December 31, 2020	Bonds Fair value through profit or loss	Mortgages and other loans Fair value through profit or loss	Shares Fair value through profit or loss[3]	Shares Available for sale	Investment properties	Derivatives, net	Other assets (liabilities)[4]	Total
Balance, beginning of year	67	1,314	796	689	5,887	(1)	(390)	8,362
Total gains (losses)								
In net earnings	2	156	94	52	(74)	75	(88)	217
In other comprehensive income [1]	4	15	(2)	41	21	–	19	98
Purchases	–	33	678	92	481	2	–	1,286
Issues	–	622	–	–	–	–	(379)	243
Sales	–	–	(214)	(127)	(73)	–	–	(414)
Settlements	–	(87)	–	–	–	5	54	(28)
Transferred from owner-occupied properties [2]	–	–	–	–	28	–	–	28
Transfers into Level 3	–	39	376	1	–	–	58	474
Transfers out of Level 3	–	–	(53)	(9)	–	–	–	(62)
Other	–	–	–	–	–	–	(16)	(16)
Balance, end of year	73	2,092	1,675	739	6,270	81	(742)	10,188

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

[2] As a result of the sale of Irish Progressive Services International Limited, a property with a fair value of $28 million was reclassified from owner-occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of $11 million and income tax expense of $1 million in the statements of comprehensive income.

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

[4] Includes limited-life and redeemable fund units.

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

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 virus had impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. As a result of these restrictions, Lifeco's investment in these funds with a fair value of $357 million was transferred on March 20, 2020 from Level 1 to Level 3.

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, Lifeco's investment in these funds with a fair value of $457 million was transferred on April 19, 2021 from Level 3 to Level 1.

NOTE 27 Fair Value Measurement (continued)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.3% – 12.4%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 3.5% – 7.0%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.5%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans – equity-release mortgages (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 3.5% – 4.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 28 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Year ended December 31, 2021	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	730	1,033	1,984	(969)	(28)	2,750
Other comprehensive income (loss)	(483)	(186)	(63)	495	11	(226)
Other	–	–	55	–	–	55
Balance, end of year	247	847	1,976	(474)	(17)	2,579

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Year ended December 31, 2020	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	361	694	1,031	(575)	(15)	1,496
Other comprehensive income (loss)	316	15	417	(137)	(4)	607
Reattribution on acquisition of non-controlling interest in Power Financial [Note 20]	53	324	535	(257)	(8)	647
Other	–	–	1	–	(1)	–
Balance, end of year	730	1,033	1,984	(969)	(28)	2,750

NOTE 29 Earnings Per Share

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

	Years ended December 31,	
	2021	2020
Earnings		
Net earnings attributable to shareholders	2,969	2,046
Dividends on non-participating shares	(52)	(52)
Net earnings attributable to participating shareholders	2,917	1,994
Dilutive effect of subsidiaries' outstanding stock options	(6)	–
Net earnings adjusted for dilutive effect	2,911	1,994
Number of participating shares [millions]		
Weighted average number of participating shares outstanding – Basic	676.8	647.5
Potential exercise of outstanding stock options	4.8	0.1
Weighted average number of participating shares outstanding – Diluted	681.6	647.6
Net earnings per participating share		
Basic	4.31	3.08
Diluted	4.27	3.08

For 2021, no stock options were excluded from the computation of diluted earnings per share as there were no options that were anti-dilutive (30 million were excluded from calculations in 2020 as they were anti-dilutive).

NOTE 30 Related Parties

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions: subsidiaries provide insurance benefits, sub-advisory services, distribution of insurance products and/or other administrative services to other subsidiaries of the group and to the Corporation; sale of residential mortgage loans; loans to employees; as well as capital commitments to investment funds, performance fees and base management fees paid to alternative asset managers of the group. In all cases, these transactions are in the normal course of operations and have been recorded at fair value. Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Corporation and related parties are disclosed below.

During the first quarter of 2021, management of Sagard acquired an interest in Sagard Holdings Management Inc., a subsidiary of Sagard. This transaction was at market terms and conditions and was reviewed by the relevant related party and conduct review committees.

During the fourth quarter of 2021, Lifeco and Sagard completed an agreement for a long-term strategic relationship, which included the sale of Lifeco's subsidiaries EverWest Real Estate Investors, LLC and EverWest Advisors, LLC to Sagard. In exchange, Lifeco received a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. The transaction was reviewed and approved by the relevant related party and conduct review committees.

In 2021, certain existing operating assets and projects under development, and the related project debt, were transferred to Power Sustainable Energy Infrastructure from Potentia and Nautilus Solar in exchange for consideration in cash and an interest in the fund.

On February 13, 2020, Power Corporation and Power Financial successfully completed the Reorganization pursuant to which each common share of Power Financial held by holders other than Power Corporation and its wholly owned subsidiary was exchanged for 1.05 Subordinate Voting Shares of Power Corporation and $0.01 in cash. Since then, the Corporation has held 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX. In connection with the Reorganization, Pansolo Holding Inc., a corporation controlled by the Desmarais Family Residuary Trust, purchased 6 million participating preferred shares on February 12, 2020. (Notes 2, 18 and 20).

In 2020, Lifeco completed the sale of GLC to Mackenzie. Also, Great-West Life & Annuity completed the acquisition of 100% of the equity of Personal Capital. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM. In addition, Lifeco and Mackenzie jointly acquired a non-controlling interest in Northleaf, a premier global private equity, private credit and infrastructure fund manager.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries.

NOTE 30 Related Parties (continued)

KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The persons included in the key management personnel are the members of the Board of Directors of the Corporation, as well as certain management executives of the Corporation and its subsidiaries.

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

	Years ended December 31,	
	2021	2020
Compensation and employee benefits	25	27
Post-employment benefits	2	10
Share-based payments	15	14
	42	51

NOTE 31 Contingent Liabilities

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

NOTE 32 Commitments and Guarantees

GUARANTEES

In the normal course of operations, the Corporation and its subsidiaries execute agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions and performance contract obligations. The Corporation and its subsidiaries have also agreed to indemnify their directors and certain of their officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation and its subsidiaries could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

LETTERS OF CREDIT

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities at Lifeco is US$1.9 billion, of which US$1.6 billion were issued as of December 31, 2021.

The Capital and Risk Solutions activities also periodically use letters of credit as collateral under certain reinsurance contracts for on-balance-sheet policy liabilities.

Potentia and Power Sustainable Energy Infrastructure had issued letters of credit totalling $88 million with one-year terms to support required lender reserves, performance guarantees for operating solar assets and awarded wind power purchase agreements, as well as commitments for projects under construction.

INVESTMENT COMMITMENTS

With respect to Lifeco, commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines and that are to be disbursed upon fulfilment of certain contract conditions were $4,027 million as at December 31, 2021, with $3,831 million maturing within one year, $188 million maturing within two years, $2 million maturing within three years and $6 million maturing in over five years.

The Corporation and other subsidiaries have outstanding commitments of $497 million representing future capital contributions to investment funds and other investments.

PLEDGING OF ASSETS FOR REINSURANCE AGREEMENTS

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

(i) The amount of assets included in the Corporation's balance sheets which have a security interest by way of pledging is $1,263 million ($1,421 million at December 31, 2020) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

(ii) Lifeco has pledged, in the normal course of business, $63 million ($75 million at December 31, 2020) of its assets for the purpose of providing collateral for the counterparty.

ENERGY SALES CONTRACTS

Potentia has entered into various power purchase agreements (PPA) to sell substantially all electricity produced from its solar and wind projects to credit-rated counterparties. The contract rates are fixed for a period of 20 to 25 years.

Potentia signed a 25-year PPA for 200 MW of wind electricity with Saskatchewan Power Corporation and three 20-year PPAs for 307 MW of wind electricity in Alberta. Contracts will be effective when the wind farms are commissioned. Commercial operations of certain projects are expected to commence in 2022.

Potentia has entered into construction and turbine purchase contracts related to the Saskatchewan and Alberta wind projects under development of $716 million.

Power Energy and Power Sustainable Energy Infrastructure have issued certain indemnifications and guarantees in relation to projects in operation and under construction. These guarantees are non-recourse to the Corporation.

NOTE 33 Segmented Information

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

As a holding company, the Corporation evaluates the performance of each operating segment based on its contribution to earnings. The contribution to the earnings attributable to participating shareholders from Lifeco, IGM, GBL, and alternative asset investment platforms and other, including the effect of consolidation, represents the Corporation's share of their net earnings. The Corporation also presents the holding company's balance sheets with its investments in its consolidated publicly traded operating companies, Lifeco and IGM, as well as other controlled entities held within the investment platforms, using the equity method of accounting. These entities are consolidated in the Corporation's consolidated balance sheets. As well, commonly held investments in Lifeco, IGM, and alternative asset investment platforms and other (inter-segment investments) are presented in their respective segmented assets.

The Corporation's reportable segments include Lifeco, IGM Financial and GBL, which represent the Corporation's investments in publicly traded operating companies. These reportable segments, in addition to the holding company (previously referred to as "corporate") and asset management activities through the investment platforms, reflect Power Corporation's management structure and internal financial reporting.

- Lifeco is a financial services holding company with interests in life insurance, health insurance, retirement and investment management services, asset management and reinsurance businesses primarily in Canada, the U.S. and Europe.
- IGM Financial is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors through North America, Europe and Asia.
- GBL is indirectly held through Parjointco. GBL is a Belgian holding company focused on long-term and sustainable value creation. GBL relies on a stable and supportive family shareholder base. Its portfolio is comprised of global industrial and services companies, leaders in their markets, in which GBL plays its role of professional shareholder.

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

- Alternative asset management businesses, Sagard and Power Sustainable;
- Entities managed by the alternative assets managers which are required to be consolidated under IFRS; and
- Standalone businesses representing a subsidiary, a jointly controlled corporation and associates which are managed to realize value over time.

Holding company activities comprise the corporate activities of the Corporation and Power Financial, on a combined basis, and present the investment activities of the Corporation as a holding company. The segmented assets present the activities of the holding company, including its investments in consolidated entities, Lifeco and IGM, as well as other controlled entities, using the equity method of accounting. The holding company activities also present the corporate assets and liabilities managed, including the cash and non-participating shares. Holding company cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes and non-participating and participating share dividends.

Effect of consolidation includes the consolidation elimination entries.

In the fourth quarter of 2021, the Corporation enhanced the presentation of its segmented assets to present the activities of the holding company, including its investments in consolidated entities, Lifeco and IGM, as well as other controlled entities, using the equity method of accounting. This presentation better aligns with how the holding company manages its investments. As these investments (including inter-segment investments) were not previously presented in segmented assets using an equity basis, the comparative segmented assets have been restated. The changes had no impact on the segmented earnings and cash flows in the comparative period.

Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

NOTE 33 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

For the year ended December 31, 2021	Lifeco	IGM [1]	GBL	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Revenues							
Total net premiums	52,813	–	–	–	–	(22)	52,791
Net investment income	4,265	23	–	882	38	38	5,246
Fee income [2]	7,294	3,565	–	285	–	(189)	10,955
Other revenues	–	–	–	569	–	–	569
Total revenues	64,372	3,588	–	1,736	38	(173)	69,561
Expenses							
Total paid or credited to policyholders	50,295	–	–	–	–	–	50,295
Commissions [2]	2,664	1,296	–	–	–	(50)	3,910
Operating and administrative expenses	7,263	1,106	–	1,763	166	(128)	10,170
Financing charges	328	114	–	89	54	14	599
Total expenses	60,550	2,516	–	1,852	220	(164)	64,974
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,822	1,072	–	(116)	(182)	(9)	4,587
Share of earnings of investments in jointly controlled corporations and associates	45	196	172	413	62	(159)	729
Earnings before income taxes	3,867	1,268	172	297	(120)	(168)	5,316
Income taxes	304	287	–	24	26	2	643
Net earnings	3,563	981	172	273	(146)	(170)	4,673
Attributable to							
Non-controlling interests	1,490	507	–	(259)	136	(170)	1,704
Non-participating shareholders	–	–	–	–	52	–	52
Participating shareholders [3][4]	2,073	474	172	532	(334)	–	2,917
	3,563	981	172	273	(146)	(170)	4,673

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Effect of consolidation".

[2] Dealer compensation expenses at IGM are included in commission expenses.

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

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

NOTE 33 Segmented Information (continued)

TOTAL ASSETS AND LIABILITIES

December 31, 2021	Lifeco	IGM [2]	GBL	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Cash and cash equivalents	6,075	1,292	–	759	1,635	(252)	9,509
Investments	198,898	5,488	–	1,926	260	81	206,653
Investments in Lifeco, IGM and alternative asset investment platforms and other	672	2,284	–	–	21,868	(24,824)	–
Investments in jointly controlled corporations and associates	159	1,028	4,278	1,237	766	(44)	7,424
Other assets	52,670	3,410	–	3,857	347	(231)	60,053
Goodwill and intangible assets	15,025	4,164	–	1,384	2	–	20,575
Investments on account of segregated fund policyholders	357,419	–	–	–	–	–	357,419
Total assets [1]	630,918	17,666	4,278	9,163	24,878	(25,270)	661,633
Insurance and investment contract liabilities	220,833	–	–	–	–	–	220,833
Obligation to securitization entities	–	5,058	–	–	–	–	5,058
Power Corporation's debentures and other debt instruments	–	–	–	–	647	–	647
Non-recourse debentures and other debt instruments	8,804	2,100	–	1,467	250	(88)	12,533
Other liabilities	12,949	4,002	–	3,854	1,090	(480)	21,415
Insurance and investment contracts on account of segregated fund policyholders	357,419	–	–	–	–	–	357,419
Total liabilities	600,005	11,160	–	5,321	1,987	(568)	617,905

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

[2] Assets reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Effect of consolidation".

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2021	Canada	United States	Europe	Total
Investments and cash and cash equivalents	101,614	60,239	54,309	216,162
Investments in jointly controlled corporations and associates	2,534	264	4,626	7,424
Other assets	10,942	32,419	16,692	60,053
Goodwill and intangible assets	11,455	5,983	3,137	20,575
Investments on account of segregated fund policyholders	101,537	116,919	138,963	357,419
Total assets	228,082	215,824	217,727	661,633
Total revenues	23,785	31,027	14,749	69,561

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2021	Lifeco	IGM	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Operating activities	10,373	943	(234)	1,312	(1,341)	11,053
Financing activities	(992)	(1,522)	689	(1,572)	2,435	(962)
Investing activities	(11,212)	1,099	(237)	669	(898)	(10,579)
Effect of changes in exchange rates on cash and cash equivalents	(40)	–	(4)	–	1	(43)
Increase (decrease) in cash and cash equivalents	(1,871)	520	214	409	197	(531)
Cash and cash equivalents, beginning of the year	7,946	772	545	1,226	(449)	10,040
Cash and cash equivalents, end of year	6,075	1,292	759	1,635	(252)	9,509

NOTE 33 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

For the year ended December 31, 2020	Lifeco	IGM [1]	GBL	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Revenues							
Total net premiums	43,019	–	–	–	–	(20)	42,999
Net investment income	11,637	78	–	574	19	(162)	12,146
Fee income [2]	5,902	3,084	–	101	–	(145)	8,942
Other revenues	–	–	–	529	–	–	529
Total revenues	60,558	3,162	–	1,204	19	(327)	64,616
Expenses							
Total paid or credited to policyholders	48,487	–	–	–	–	–	48,487
Commissions [2]	2,396	1,088	–	–	–	(45)	3,439
Operating and administrative expenses	6,344	1,148	–	1,111	175	(84)	8,694
Financing charges	284	111	–	86	55	19	555
Total expenses	57,511	2,347	–	1,197	230	(110)	61,175
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,047	815	–	7	(211)	(217)	3,441
Share of earnings of investments in jointly controlled corporations and associates	25	150	27	25	43	(100)	170
Earnings before income taxes	3,072	965	27	32	(168)	(317)	3,611
Income taxes	(82)	201	–	(14)	(52)	24	77
Net earnings	3,154	764	27	46	(116)	(341)	3,534
Attributable to							
Non-controlling interests	1,362	360	33	(59)	133	(341)	1,488
Non-participating shareholders	–	–	–	–	52	–	52
Participating shareholders [3] [4]	1,792	404	(6)	105	(301)	–	1,994
	3,154	764	27	46	(116)	(341)	3,534

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in “Effect of consolidation”.

[2] Dealer compensation expenses at IGM are included in commission expenses.

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

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

NOTE 33 Segmented Information (continued)

TOTAL ASSETS AND LIABILITIES

December 31, 2020	Lifeco	IGM [2]	GBL	Alternative asset investment platforms and other [3]	Holding company	Effect of consolidation	Total
Cash and cash equivalents	7,946	772	–	545	1,226	(449)	10,040
Investments	190,530	6,383	–	2,550	246	276	199,985
Investments in Lifeco, IGM and alternative asset investment platforms and other	409	1,543	–	–	20,425	(22,377)	–
Investments in jointly controlled corporations and associates	113	969	4,216	561	715	(45)	6,529
Other assets	53,069	2,270	–	2,860	280	(203)	58,276
Goodwill and intangible assets	14,821	4,126	–	1,293	2	–	20,242
Investments on account of segregated fund policyholders	334,032	–	–	–	–	–	334,032
Total assets [1]	600,920	16,063	4,216	7,809	22,894	(22,798)	629,104
Insurance and investment contract liabilities	218,047	–	–	–	–	–	218,047
Obligation to securitization entities	–	6,174	–	–	–	–	6,174
Power Corporation's debentures and other debt instruments	–	–	–	–	756	–	756
Non-recourse debentures and other debt instruments	9,693	2,100	–	1,344	250	(88)	13,299
Other liabilities	11,703	2,745	–	2,709	1,067	(161)	18,063
Insurance and investment contracts on account of segregated fund policyholders	334,032	–	–	–	–	–	334,032
Total liabilities	573,475	11,019	–	4,053	2,073	(249)	590,371

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

[2] Assets reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Effect of consolidation".

[3] Alternative asset investment platforms and other includes the Corporation's investments managed within each platform.

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2020	Canada	United States	Europe	Total
Investments and cash and cash equivalents	97,325	55,162	57,538	210,025
Investments in jointly controlled corporations and associates	1,881	295	4,353	6,529
Other assets	8,297	30,790	19,189	58,276
Goodwill and intangible assets	11,272	5,846	3,124	20,242
Investments on account of segregated fund policyholders	90,680	117,982	125,370	334,032
Total assets	209,455	210,075	209,574	629,104
Total revenues	24,160	28,289	12,167	64,616

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2020	Lifeco	IGM	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Operating activities	9,610	737	(94)	1,299	(1,451)	10,101
Financing activities	2,010	(1,358)	1,117	(1,270)	1,139	1,638
Investing activities	(8,202)	673	(849)	(195)	158	(8,415)
Effect of changes in exchange rates on cash and cash equivalents	(100)	–	11	–	–	(89)
Increase (decrease) in cash and cash equivalents	3,318	52	185	(166)	(154)	3,235
Cash and cash equivalents, beginning of the year	4,628	720	360	1,392	(295)	6,805
Cash and cash equivalents, end of year	7,946	772	545	1,226	(449)	10,040

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Power Corporation of Canada

Opinion

We have audited the consolidated financial statements of Power Corporation of Canada (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities – Refer to Notes 2 and 12 to the financial statements

Key Audit Matter Description

Great-West Lifeco Inc., a publicly traded operating subsidiary of the Corporation (thereafter, "Lifeco"), has insurance contract liabilities representing a significant portion of the Corporation's total liabilities. Insurance contract liabilities are determined in accordance with generally accepted actuarial practices established by the Canadian Institute of Actuaries using the Canadian Asset Liability Method ("CALM"). This method requires the use of complex valuation models incorporating projections of cash inflows and outflows using the best estimate of future experience together with a margin for adverse deviation.

While there are many assumptions which management of Lifeco makes, the assumptions with the greatest estimation uncertainty are those related to mortality, including the impact, if any, of the COVID-19 pandemic, and policyholder behaviour. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Company and industry experience data, and (ii) the historical experience may not be a good indicator of the future. Auditing of certain valuation models, mortality and policyholder behaviour assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Key Audit Matter was Addressed in the Audit

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

- With the assistance of actuarial specialists, tested the appropriateness of certain valuation models used in the estimation process by:
  - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.
  - Testing the accuracy of certain valuation models for changes in key assumptions.

INDEPENDENT AUDITOR'S REPORT (continued)

- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions, by:
  - Evaluating whether management of Lifeco's assumptions were determined in accordance with actuarial principles and practices under the Canadian actuarial standards of practice.
  - Testing experience studies and other inputs used in the determination of the mortality and policyholder behaviour assumptions.
  - Analyzing management of Lifeco's interpretation and judgment of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions and considering industry and other external sources of benchmarking where applicable.

Income taxes – Refer to Notes 2 and 17 to the financial statements

Key Audit Matter Description

The Corporation and its subsidiaries recognize deferred income taxes for the tax expected to be payable or recoverable on differences arising between the financial statement and tax basis of assets and liabilities, and is recorded at enacted or substantively enacted tax rates in effect for the years in which the differences are expected to be realized.

Certain of Lifeco's subsidiaries have had a history of losses and have a deferred income tax asset comprised principally of net operating losses and judgment is applied in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections. Lifeco has concluded that through the use of certain tax planning opportunities, it is probable that sufficient taxable income will be generated to utilize certain of the unused losses.

The determination of the recoverability of deferred tax assets in Lifeco's subsidiaries required management of Lifeco to make judgements related to the assessment of management's planned implementation of tax strategies. In addition, management of Lifeco makes significant estimates and assumptions in projecting future taxable income, specifically the revenue growth rates and projected expense margins and in the determination of whether the deferred tax asset will be realized. Auditing these judgements required a high degree of auditor judgment as the estimations made by management of Lifeco contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve income tax and other specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the tax strategies, revenue growth rates and projected expense margins, and the determination of whether the deferred tax assets in Lifeco's subsidiaries will be realized included the following, among others:

- With the assistance of income tax specialists, analyzed the reasonableness of Lifeco management's projected future taxable income available to determine whether the models properly factored in the impact of the tax planning strategies.
- Tested the reasonableness of the revenue growth rates and projected expense margins used to project future taxable income that was available to realize the deferred tax asset by:
  - Assessing the key factors influencing management of Lifeco's revenue growth rates and projected expense margins used in the projections through both market and internally entity specific driven evidence.
  - Performing a retrospective analysis of projected future taxable income against actual results from prior years.
- With the assistance of income tax and other specialists, evaluated the proposed tax planning strategies considered in the recoverability analysis to assess whether the deferred tax asset will be realized.

Massachusetts Mutual Life Insurance Acquisition - Refer to Note 3 to the financial statements

On December 31, 2020, Lifeco purchased the retirement services business of Massachusetts Mutual Life Insurance Company ("MassMutual") via indemnity reinsurance and recognized the assets acquired and the liabilities assumed at their acquisition-date fair values, including customer contract intangible assets ("intangible assets") and certain insurance contract liabilities ("insurance contract liabilities"). During the measurement period in 2021, management of Lifeco finalized the purchase price allocation of the MassMutual acquisition.

Management of Lifeco used discounted cash flow models to determine the fair value of the intangible assets. While there are several assumptions and estimates required, those with the highest degree of subjectivity are the forecasted revenues and earnings and discount rates.

INDEPENDENT AUDITOR'S REPORT (continued)

There are many components embedded in the determination of the fair value of the insurance contract liabilities that required management of Lifeco to make judgments and assumptions relating to (1) the appropriate accounting treatment and (2) appropriateness of valuation models that incorporate projections of cash inflows and outflows using the best estimate of future experience together with the discount rates. The judgments and assumptions with the greatest subjectivity are the determination of the appropriate accounting treatment, appropriateness of the valuation models, policyholder behaviour and discount rate assumptions.

Auditing these judgments, assumptions and estimates required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, actuarial and financial instrument specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to these judgments, assumptions and estimates used to determine the fair value of intangible assets and insurance contract liabilities included the following, among others:

Intangible assets:

- Evaluated the reasonableness of forecasted revenue and earnings by comparing the forecasts to:
  - Historical results of the acquired entity.
  - Actual results of the acquired entity post acquisition.
  - Underlying analyses detailing business strategies and growth plans including estimated revenue and cost per participant.
  - Third-party reports and comparable company performance.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management of Lifeco.

Insurance contract liabilities:

- With the assistance of financial instrument specialists evaluated management of Lifeco's assessment related to the accounting treatment of the insurance contract liabilities by:
  - Assessing the executed contracts to understand the nature of the products and to determine whether all key facts and circumstances were incorporated into management of Lifeco's assessment.
  - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.
- With the assistance of actuarial specialists, tested the appropriateness of the valuation models used in the estimation process by:
  - Testing the valuation models for the incorporation of the key assumptions.
  - Recalculating management of Lifeco's estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.
- With the assistance of actuarial specialists, tested the reasonableness of policyholder behaviour assumptions, by:
  - Evaluating whether management of Lifeco's assumptions were determined in accordance with actuarial principles and practices.
  - Testing experience studies and other inputs used in the determination of the policyholder behaviour assumptions.
  - Analyzing management of Lifeco's interpretation and judgments based on the relative inputs, considering reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information and methodology underlying the determination of the discount rates and compared it to the discount rates selected.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Benoit B. Patry.

Signed,
Deloitte LLP [1]

[1] CPA auditor, CA, public accountancy permit No. A110092

March 17, 2022

Montréal, Québec

FIVE-YEAR FINANCIAL SUMMARY

December 31, [in millions of Canadian dollars, except per share amounts] (unaudited)	2021	2020	2019	2018	2017
Consolidated Balance Sheets					
Cash and cash equivalents	9,509	10,040	6,805	6,441	5,903
Total assets	661,633	629,104	477,250	452,303	445,521
Shareholders' equity	24,339	22,207	14,174	15,118	14,615
Consolidated Statements of Earnings					
Revenues					
Total net premiums	52,791	42,999	24,489	35,440	33,880
Net investment income	5,246	12,146	13,442	3,069	8,074
Fee income	10,955	8,942	10,081	8,776	8,510
Other revenues	569	529	829	813	898
Total revenues	69,561	64,616	48,841	48,098	51,362
Expenses					
Total paid or credited to policyholders	50,295	48,487	33,091	32,068	35,643
Commissions	3,910	3,439	3,480	3,512	3,712
Operating and administrative expenses	10,170	8,694	8,341	8,175	8,132
Financing charges	599	555	544	462	512
Total expenses	64,974	61,175	45,456	44,217	47,999
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,587	3,441	3,385	3,881	3,363
Share of earnings of investments in jointly controlled corporations and associates	729	170	212	164	214
Earnings before income taxes	5,316	3,611	3,597	4,045	3,577
Income taxes	643	77	554	578	543
Net earnings	4,673	3,534	3,043	3,467	3,034
Attributable to					
Non-controlling interests	1,704	1,488	1,883	2,128	1,696
Non-participating shareholders	52	52	52	52	52
Participating shareholders	2,917	1,994	1,108	1,287	1,286
	4,673	3,534	3,043	3,467	3,034
Per share					
Net earnings attributable to participating shareholders	4.31	3.08	2.53	2.77	2.77
Adjusted net earnings attributable to participating shareholders [1]	4.77	3.07	2.92	2.46	3.36
Dividends declared on participating shares	1.84	1.79	2.00	1.50	1.41
Book value per participating share	34.56	31.38	30.98	30.38	29.40
Market price (Participating shares)					
High	43.86	34.66	34.42	32.56	33.68
Low	29.15	17.62	24.47	23.57	28.65
Year-end	41.80	29.23	33.45	24.53	32.37

[1] Adjusted net earnings in 2020 has been restated to reflect the charge related to the remeasurement of the put liability of certain of the non-controlling interests in Wealthsimple to fair value.

QUARTERLY FINANCIAL INFORMATION

[in millions of Canadian dollars, except per share amounts] (unaudited)	Fourth quarter	Third quarter	Second quarter	First quarter
2021				
Total revenues	19,475	18,584	19,318	12,184
Net earnings	980	1,268	1,557	868
Net earnings attributable to participating shareholders	626	741	994	556
Earnings per share attributable to participating shareholders				
– Basic	0.93	1.09	1.47	0.82
– Diluted	0.91	1.08	1.46	0.82
2020				
Total revenues	17,954	14,682	20,631	11,349
Net earnings	979	898	1,107	550
Net earnings attributable to participating shareholders	623	505	666	200
Earnings per share attributable to participating shareholders				
– Basic	0.92	0.75	0.99	0.36
– Diluted	0.92	0.75	0.99	0.36

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Great-West Lifeco Inc.

PART B

Management's Discussion and Analysis

Financial Statements and Notes

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

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

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

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

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 twelve months ended December 31, 2021 and includes a comparison to the corresponding periods in 2020, to the three months ended September 30, 2021, and to the Company's financial condition as at December 31, 2020, as applicable. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions.

Businesses of Lifeco

Lifeco has operations in Canada, the United States (U.S.) and Europe through The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A), Putnam Investments, LLC (Putnam) and Irish Life Group Limited (Irish Life).

In Canada, Canada Life offers a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations through two primary business units: Individual Customer and Group Customer. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual customers. These products are distributed through multiple channels: Advisor Solutions, managing general agencies (MGAs) and national accounts, and Financial Horizons Group. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada. These products are distributed through an extensive network of group sales offices located across the country through brokers, consultants and financial security advisors.

In the U.S., Empower is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors that offers employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. This includes the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual) acquired on December 31, 2020. Personal Capital Corporation is a hybrid wealth manager that combines a leading-edge digital experience with personalized advice. Empower's products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. Putnam provides investment management services and related administrative functions and distribution services, through a broad range of investment products, including the Putnam Funds, its own family of mutual funds, which are offered to individual and institutional investors.

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany, offering protection and wealth management products, including payout annuity products. The U.K. and Germany business units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand.

The Capital and Risk Solutions segment includes the Reinsurance business unit, which operates primarily in the U.S., Barbados, Bermuda and Ireland. Reinsurance products are provided through Canada Life and its subsidiaries. This includes both reinsurance and retrocession business transacted directly with clients or through reinsurance brokers. As a retrocessionaire, the Company provides reinsurance to other reinsurers to enable those companies to manage their insurance risk.

Lifeco currently has no other material holdings and carries on no business or activities unrelated to its holdings in Canada Life, GWL&A, Putnam, Irish Life and their subsidiaries. However, Lifeco is not restricted to investing in those companies and may make other investments in the future.

Basis of Presentation and Summary of Accounting Policies

The consolidated 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) 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 annual consolidated financial statements for the period ended December 31, 2021.

Cautionary Note Regarding Forward-Looking Information

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, climate-related goals, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost (including deferred consideration), benefits, timing of integration activities and revenue and expense synergies of acquisitions and divestitures, including but not limited to the proposed acquisition of the full-service retirement business of Prudential Financial Inc. (Prudential) and the acquisitions of Personal Capital Corporation (Personal Capital) and the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), the timing and completion of the proposed acquisition of the retirement business of Prudential, expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions), the expected benefits of the Company's strategic relationship with Sagard Holdings, the timing and completion of the joint venture between Allied Irish Banks plc and Canada Life Irish Holding Company Limited, the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the coronavirus (COVID-19) and related economic and market impacts on the Company's business operations, financial results and financial condition.

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

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

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

Cautionary Note Regarding Non-GAAP Financial Measures and Ratios

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

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information

(in Canadian $ millions, except for per share amounts)	As at or for the three months ended Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	For the twelve months ended Dec. 31 2021	Dec. 31 2020
Earnings					
Base earnings (1)	$ 825	$ 870	$ 741	$ 3,260	$ 2,669
Net earnings – common shareholders	765	872	912	3,128	2,943
Per common share					
Basic:					
Base earnings (2)	0.887	0.934	0.799	3.507	2.878
Net earnings	0.822	0.938	0.983	3.365	3.173
Diluted net earnings	0.820	0.936	0.983	3.360	3.172
Dividends paid (3)	0.490	0.438	0.438	1.804	1.752
Book value (4)	24.71	24.40	22.97		
Base return on equity (2)	14.6%	14.5%	12.8%		
Return on equity (4)	14.0%	14.9%	14.1%		
Total net premiums	$ 12,989	$ 14,921	$ 11,747	$ 52,813	$ 43,019
Total premiums and deposits (1)	47,654	39,282	40,831	168,803	171,345
Fee and other income	1,885	1,858	1,569	7,294	5,902
Net policyholder benefits, dividends and experience refunds	12,241	10,915	9,916	47,252	38,159
Total assets per financial statements	$ 630,488	$ 614,962	$ 600,490		
Proprietary mutual funds and institutional assets (4)	377,155	365,764	350,943		
Total assets under management (1)	1,007,643	980,726	951,433		
Other assets under administration (4)	1,271,931	1,213,074	1,024,414		
Total assets under administration (1)	$ 2,279,574	$ 2,193,800	$ 1,975,847		
Total equity	$ 30,483	$ 30,232	$ 27,015		
The Canada Life Assurance Company consolidated LICAT Ratio (5)	124%	123%	129%		

(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) In 2021, Lifeco made dividend payments to common shareholders on each of March 31, June 30 and September 30 in the amount of $0.438 per share. On November 15, 2021, Lifeco announced an increase to the quarterly dividend of $0.052 per share. On December 31, 2021, Lifeco made a dividend payment to common shareholders in the amount of $0.490 per share.

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

(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.

Lifeco 2021 Highlights

Financial Performance

- For the twelve months ended December 31, 2021, base earnings per common share were $3.507 compared to $2.878 a year ago, an increase of 22%, reflecting the strong performance of recent acquisitions as well as growth in all segments. For the twelve months ended December 31, 2021, base earnings of $3,260 million were up $591 million or 22% compared to 2020 base earnings of $2,669 million.
- For the twelve months ended December 31, 2021, net earnings per common share were $3.365, compared to $3.173 for the previous year, primarily reflecting growth in base earnings. In 2021, in addition to base earnings, Lifeco's net earnings included transaction costs of $189 million, compared to $78 million in 2020, related to acquisitions in the United States and Europe segments. 2021 net earnings also included $66 million of restructuring and integration costs, which is comparable to $67 million incurred in 2020. In 2020, net earnings also included a net gain of $94 million related to the sale of Irish Progressive Services International Limited (IPSI), a net gain of $143 million related to the sale of GLC Asset Management Group Ltd. (GLC) and restructuring and integration costs of $67 million related to the acquisitions of Personal Capital Corporation (Personal Capital) and the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual or MassMutual transaction) as well as strategic initiatives in the Canadian segment. In addition, 2020 net earnings include the positive impact of the revaluation of a deferred tax asset of $196 million as a result of higher expected U.S. segment earnings due to 2020 acquisitions.
- Recent acquisitions made in 2020 in the United States and Europe have performed well, resulting in pre-tax contingent consideration provisions of US$80 million and $14 million, respectively, recorded in 2021. These contingent consideration provisions are included within transaction costs related to acquisitions, which are excluded from base earnings.
- In November 2021, Lifeco announced an additional dividend of $0.052 per share for an increase of 12% to $0.490 per share. This additional dividend follows the announcement by the Office of the Superintendent of Financial Institutions (OSFI) on November 4, 2021 that it has withdrawn its expectation that all federally regulated financial institutions halt dividend increases.
- The Company maintained its strong capital position as evidenced by a Life Insurance Capital Adequacy Test (LICAT) Ratio at December 31, 2021 of 124% for Canada Life, Lifeco's major operating subsidiary, which exceeded the OSFI Supervisory Target Total Ratio of 100%, and Supervisory Minimum Total Ratio of 90%.
- The Company's financial leverage ratio at December 31, 2021 was 33.2% compared to 33.8% in the previous year. The decrease was primarily due to retained earnings growth and repayment on the Company's committed line of credit related to GWL&A's acquisition of the retirement services business of MassMutual, partially offset by the impact of pre-financing a portion of planned acquisitions in 2022. As part of Lifeco's announcement on July 21, 2021, that its U.S. subsidiary, Empower, had reached a definitive agreement to acquire Prudential's full-service retirement business, Lifeco announced that the transaction was expected to be funded with a combination of Limited Recourse Capital Notes (LRCN Series 1), up to US$1.0 billion of short-term debt and existing resources. On August 16, 2021, Lifeco issued $1.5 billion (US$1.19 billion) LRCN Series 1.

Developments

Medium Term Financial Objectives

The Company introduced medium-term financial objectives during 2021, with medium-term defined as 3 to 5 years. The Company aims to create value through disciplined capital deployment to achieve, over the medium-term, 8-10% base EPS growth per annum, 14-15% base return on equity (ROE) and to deliver strong cash generation.

The Company has achieved or exceeded the objectives for the year ended December 31, 2021.

	1-Year	3-Year
Medium-Term Financial Objectives	**Base** (1)	**Base** (1)
8-10% base EPS growth per annum (1)	21.9%	13.4% CAGR
14-15% base ROE (1)	14.6%	13.6% average
Target dividend payout ratio		
45-55% of base earnings (1)	51.4%	56.7% average
Net Financial Highlights	**Net**	**Net**
Net EPS growth per annum	6.1%	3.9% CAGR
Net ROE	14.0%	13.3% average
Dividend payout ratio (2)	53.6%	58.4% average

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

Strategic Highlights and Transactions

The Company announced the following strategic business transactions in the U.S., Canada and Ireland to add scale and grow and extend their businesses.

United States

On July 21, 2021, a Lifeco subsidiary, Great-West Life & Annuity Insurance Company (GWL&A), which operates primarily as 'Empower', announced a definitive agreement to acquire Prudential Financial, Inc.'s (Prudential) full-service retirement business. The acquisition will add significant scale and capabilities and further solidify Empower's position as the second largest retirement plan service provider in the United States and is expected to strengthen Empower's overall offering for participants and sponsors through additional expertise, an expanded product offering and new technology from Prudential. It also is expected to increase the synergy potential of Empower's 2020 acquisition of hybrid wealth manager, Personal Capital, across a larger combined business.

The total transaction value of US$3.55 billion includes purchase price consideration of US$1.12 billion, reinsurance ceding commission of US$0.33 billion and US$2.1 billion of required capital to support the business. The Company issued $1.5 billion (US$1.19 billion) of LRCN Series 1 on August 16, 2021 (see Capital Transactions below) and intends to fund the remaining purchase price with up to US$1.0 billion short-term debt and existing internal resources.

In the first quarter of 2021, the Company completed its acquisition of the retirement services business of Truist Bank, a former private-label recordkeeping client. This acquisition brings approximately 300 retirement plans, consisting of more than 73,000 plan participants.

Canada

On September 1, 2021, a Lifeco subsidiary, The Canada Life Assurance Company (Canada Life) completed the acquisition of ClaimSecure Inc., an industry-leading healthcare management firm that provides health and dental claim management services to private and public businesses in Canada.

Europe

In the second quarter of 2021, a 50:50 joint venture agreement was reached by Allied Irish Banks plc (AIB) and Canada Life Irish Holding Company Limited to form a new life assurance company. The new life assurance company, which is expected to launch over the next twelve months, will offer AIB customers a range of life protection, pensions, savings and investment options enhanced by integrated digital solutions with continued access to qualified financial advisors. Once established, the existing distribution agreement between AIB and Irish Life will cease. The joint venture agreement is subject to customary regulatory approval and authorization processes.

On November 1, 2021, a Lifeco subsidiary, Irish Life Group Limited (Irish Life), completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for a total cash consideration of €230 million. The acquisition adds scale to Irish Life's retail division and enhances Irish Life's ability to provide customers with market-leading wealth and insurance solutions.

Lifeco

On November 19, 2021, the Company completed the sale of its United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest was a wholly-owned subsidiary of Canada Life and its principal activity is real estate investment management services. As part of the transaction, the Company has made a capital commitment of approximately US$500 million into certain Sagard strategies. The Company has also committed to investing a further approximately US$2 billion in real estate investments to support EverWest's future growth within Sagard.

Capital Transactions

The Company made payments of US$500 million in the third quarter of 2021 on its committed line of credit related to GWL&A's acquisition of the retirement services business of MassMutual on December 31, 2020, reducing the balance drawn on this line of credit to nil.

On August 16, 2021, the Company issued $1.5 billion aggregate principal amount 3.60% LRCN Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081. The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026 and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield as defined in the trust indenture governing the LRCN Series 1, plus 2.641%. Commencing November 30, 2026, the Company will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. The Company will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if GWL&A's acquisition of Prudential's full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement).

On October 8, 2021, the Company issued 8,000,000, 4.50% Non-Cumulative First Preferred Shares, Series Y at $25.00 per share for gross proceeds of $200 million. The shares are redeemable at the option of the Company on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

The Company redeemed all of the outstanding 5.90% Non-Cumulative First Preferred Shares, Series F on December 31, 2021 at a redemption rate of $25.00 per share, for a total of $194 million, plus an amount equal to all declared and unpaid dividends, less any tax required to be deducted and withheld by the Company.

COVID-19 Pandemic Impacts

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

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

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

Outlook for 2022

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

- Lifeco is continuing to focus on its core strategies: delivering financial security and wellness through the workplace, providing advice-centered wealth management, delivering strong investment and asset management and leveraging risk and capital management expertise. The Company intends to invest strategically, both organically and through acquisitions, to drive growth and productivity, while maintaining strong risk and expense discipline, to deliver sustainable long-term value to its customers and shareholders.
- With the acquisitions announced and completed in 2020 and 2021, the Company will continue to focus on completing and integrating acquisitions to enhance the customer experience and realize target synergies to maximize contributions to base and net earnings in 2022. This includes GWL&A's acquisition of Prudential's full-service retirement business expected to close in the first half of 2022.
- The Company will remain focused on future regulatory changes, including the implementation of accounting changes related to IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments.* The Company will continue executing on its global implementation plan during 2022 and will be compliant with these standards, which are effective on January 1, 2023 for the Company.
- In Canada, the Company will continue to leverage the strength of the Canada Life brand to develop innovative products and services, broaden and deepen its distribution channels and ultimately, better serve its customers. Specifically, in its Group Customer business, Canada Life will continue to invest in new digital capabilities and innovative benefits solutions, driving enhanced personalization and insights for its clients and their plan members. In its Individual Customer business, Canada Life will continue to advance on its strong advisor value proposition across all channels, ensuring the best tools and strategies are in place to drive long-term financial security for its customers. Operational resiliency and disciplined expense management will also be key to delivering strong financial results in 2022.
- In the U.S., the Company will focus on the successful closing of the acquisition of the full-service retirement business of Prudential Financial, Inc., which will add significant expertise, a broader set of capabilities and an expanded product portfolio to Empower and further solidify its position as the second largest player in the U.S. retirement market. The Company will also focus on the continued integration of Personal Capital and MassMutual, which are expected to generate further synergies in 2022 and provide new capabilities to better serve customers' financial needs and goals. At Putnam, efforts will continue to drive growth and market share through innovative product and service offerings, strong investment performance and enhanced brand recognition.
- In the U.K., the Company is focusing on the growing retirement market by developing solutions for individuals who require additional pension flexibility and expanding its presence in the bulk annuity market. In Ireland, the focus will be on strengthening positions in the wealth and employee benefits consulting markets following recent acquisitions in 2020 and 2021. In Germany, the Company plans to grow its assets under management and market share through the continued investment and innovation in product development, service enhancement and distribution.
- In Capital and Risk Solutions, the Reinsurance business unit will continue to explore opportunities in new geographies where the Company's innovative reinsurance solutions can be deployed to support clients' evolving needs.

Net Earnings

Consolidated base earnings and net earnings of Lifeco include the base earnings and net earnings of Canada Life and its operating subsidiaries, GWL&A and Putnam, together with Lifeco's Corporate operating results.

Base earnings [1] and Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings (loss) [1]					
Canada	$ **317**	$ 312	$ 348	$ **1,220**	$ 1,206
United States	**156**	221	90	**671**	273
Europe	**213**	232	195	**830**	688
Capital and Risk Solutions	**145**	107	124	**547**	536
Lifeco Corporate	**(6)**	(2)	(16)	**(8)**	(34)
Lifeco base earnings [1]	$ **825**	$ 870	$ 741	$ **3,260**	$ 2,669
Items excluded from base earnings					
Actuarial assumption changes and other management actions [2]	$ **23**	$ 69	$ (23)	$ **134**	$ 113
Market-related impacts on liabilities [2]	**20**	47	(31)	**24**	(127)
Transaction costs related to acquisitions [3]	**(74)**	(90)	(47)	**(189)**	(78)
Restructuring and integration costs	**(15)**	(24)	(67)	**(66)**	(67)
Tax legislative changes impact on liabilities	**–**	–	–	**(21)**	–
Net gain/charge on business dispositions [4]	**(14)**	–	143	**(14)**	237
Revaluation of deferred tax asset	**–**	–	196	**–**	196
Items excluded from Lifeco base earnings	$ **(60)**	$ 2	$ 171	$ **(132)**	$ 274
Net earnings (loss) – common shareholders					
Canada	$ **307**	$ 305	$ 300	$ **1,187**	$ 1,070
United States	**92**	168	208	**499**	380
Europe	**239**	357	253	**976**	913
Capital and Risk Solutions	**133**	102	167	**532**	614
Lifeco Corporate	**(6)**	(60)	(16)	**(66)**	(34)
Lifeco net earnings – common shareholders	$ **765**	$ 872	$ 912	$ **3,128**	$ 2,943

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

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

(3) The transaction costs relate to acquisitions in the U.S. segment (the full-service retirement business of Prudential, Personal Capital and the retirement services business of MassMutual) as well as acquisitions in the Europe segment. In addition, the twelve months ended December 31, 2021 included a provision for payments relating to the Company's acquisition of Canada Life.

(4) For the three and twelve months ended December 31, 2021, net gain/charge on business dispositions includes a $14 million net charge on business disposition in the Europe Corporate business unit. Included in the three and twelve months ended December 31, 2020 is a net gain of $143 million on the sale of GLC in the Canada Corporate business unit. Included in the twelve months ended December 31, 2020 is a net gain of $94 million related to the sale of IPSI in the Europe Ireland business unit.

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

Base earnings

Base earnings for the fourth quarter of 2021 of $825 million ($0.887 per common share) increased by $84 million or 11% from $741 million ($0.799 per common share) a year ago. The increase was primarily due to MassMutual business related base earnings of $55 million (US$44 million), the impact of higher equity markets across all jurisdictions and business growth in the Capital and Risk Solutions segment. The Company acquired the retirement services business of MassMutual on December 31, 2020. The Company also had less adverse claims experience in the life business in the Capital and Risk Solutions segment as well as favourable morbidity experience in the Europe segment. These items were partially offset by less favourable morbidity experience in the Canada segment.

For the twelve months ended December 31, 2021, Lifeco's base earnings were $3,260 million ($3.507 per common share) compared to $2,669 million ($2.878 per common share) a year ago. The 22% increase was primarily due to MassMutual business related base earnings of $234 million (US$188 million) as well as the impact of higher equity markets across all jurisdictions and business growth in the Capital and Risk Solutions segment. The Company also had favourable investment and morbidity experience and a pension settlement gain in the Europe segment as well as favourable morbidity experience in the Canada segment. These items were partially offset by higher life mortality claims and a net loss estimate of $61 million after-tax primarily for estimated claims resulting from the impact of recent major weather events recorded in the third quarter of 2021 in the Capital and Risk Solutions segment.

Net earnings

Lifeco's net earnings for the three month period ended December 31, 2021 of $765 million ($0.822 per common share) decreased by $147 million or 16% compared to $912 million ($0.983 per common share) a year ago. The decrease was primarily due to the positive impact of the revaluation of a deferred tax asset of $196 million in the U.S. segment and a net gain of $143 million related to the sale of GLC recorded in the fourth quarter of 2020. The decrease was partially offset by an increase in base earnings, lower restructuring and integration costs in the Canada and U.S. segments as well as favourable market-related impacts on liabilities.

For the twelve months ended December 31, 2021, Lifeco's net earnings were $3,128 million ($3.365 per common share) compared to $2,943 million ($3.173 per common share) a year ago. The 6% increase was primarily due to an increase in base earnings and favourable market-related impacts on liabilities. The increase was partially offset by the positive impact in 2020 of the revaluation of a deferred tax asset and the net gain on the sale of GLC discussed in the in-quarter results, as well as a net gain of $94 million related to the sale of IPSI in the third quarter of 2020. In addition, the Company had higher transaction costs related to the MassMutual and Personal Capital acquisitions and a provision for payments relating to the Company's acquisition of The Canada Life Assurance Company.

Lifeco's net earnings for the three months period ended December 31, 2021 of $765 million ($0.822 per common share) decreased by $107 million or 12% compared to $872 million ($0.938 per common share) in the previous quarter. The decrease in net earnings was primarily due to less favourable actuarial assumption changes, higher expenses in the U.S. segment and less favourable market-related impacts on liabilities.

Actuarial Assumption Changes and Other Management Actions

For the three months ended December 31, 2021, actuarial assumption changes and other management actions resulted in a positive net earnings impact of $23 million. This compares to a negative impact of $23 million for the same quarter last year and a positive impact of $69 million for the previous quarter.

In Europe, net earnings were positively impacted by $46 million, primarily due to updated economic assumptions. In Canada, net earnings were negatively impacted by $13 million, primarily due to mortality updates. In Capital and Risk Solutions, net earnings were negatively impacted by $12 million, primarily due to updated assumptions for expenses. In the U.S., net earnings were positively impacted by $2 million, due to updated longevity assumptions.

For the twelve months ended December 31, 2021, actuarial assumption changes and other management actions resulted in a positive net earnings impact of $134 million, compared to positive $113 million for the same period in 2020. Effective October 15, 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities. The revised standards include decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term. The Company adopted these standard changes in the third quarter of 2021, which resulted in a negative net earnings impact of $33 million, which is included in the actuarial assumption changes and other management action for the twelve months ended December 31, 2021.

Market-Related Impacts

In the regions where the Company operates, average equity market indices for the three months ended December 31, 2021 were up by 29% in the U.S. (as measured by S&P 500), 25% in Canada (as measured by S&P TSX), 23% in broader Europe (as measured by EURO STOXX 50) and 17% in the U.K. (as measured by FTSE 100) compared to the same period in 2020. The major equity indices finished the fourth quarter of 2021 up 11% in the U.S., 6% in Canada, 6% in broader Europe and 4% in the U.K. compared to September 30, 2021. For the twelve months ended December 31, 2021, average equity market levels were higher in the U.S., Canada, the U.K. and broader Europe compared to the same period in 2020.

Market-related impacts on liabilities positively impacted net earnings by $20 million in the fourth quarter of 2021 (negative impact of $31 million in the fourth quarter of 2020), primarily reflecting updated cash flow projections for real estate which support insurance contract liabilities in Europe.

For the twelve months ended December 31, 2021, market-related impacts on liabilities positively impacted net earnings by $24 million (negative impact of $127 million in 2020). The 2021 year-to-date positive impact was primarily due to the same reasons discussed for the in-quarter results. While equity markets rebounded during the second to fourth quarters of 2020, the 2020 year-to-date negative impact reflects the significant decline and volatility in equity markets and interest rates in the first quarter of 2020, driven by the onset of the COVID-19 pandemic. This impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness and was only partially recovered during 2020.

In countries where the Company operates, interest rates increased during 2021, which had an immaterial impact on net earnings. In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, including the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss which was mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosure as a result of current market conditions, refer to "Financial Instruments Risk Management", note 8 to the Company's consolidated financial statements for the period ended December 31, 2021.

Foreign Currency

The average currency translation rate for the fourth quarter of 2021 decreased for the U.S. dollar, the British pound and the euro compared to the fourth quarter of 2020. The overall impact of currency movement on the Company's net earnings for the three months ended December 31, 2021 was a decrease of $18 million (decrease of $68 million year-to-date) compared to translation rates a year ago.

From September 30, 2021 to December 31, 2021, the market rates at the end of the reporting period used to translate euro assets and liabilities to the Canadian dollar decreased, while the U.S. dollar and British pound were comparable. 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 $15 million in-quarter ($286 million net unrealized loss year-to-date) recorded in other comprehensive income.

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

Credit Markets

Credit markets impact on common shareholders' net earnings (after-tax)

	Impairment (charges) / recoveries	Changes in provisions for future credit losses (1)	Total	Impairment (charges) / recoveries	Changes in provisions for future credit losses (1)	Total
	For the three months ended December 31, 2021			**For the twelve months ended December 31, 2021**		
Canada	$ (2)	$ –	$ (2)	$ (11)	$ (1)	$ (12)
United States	–	–	–	–	(1)	(1)
Europe	–	3	3	(3)	(3)	(6)
Capital and Risk Solutions	–	–	–	–	(1)	(1)
Total	**$ (2)**	**$ 3**	**$ 1**	**$ (14)**	**$ (6)**	**$ (20)**
	For the three months ended December 31, 2020			For the twelve months ended December 31, 2020		
Total	$ (3)	$ –	$ (3)	$ (13)	$ (66)	$ (79)

(1) Impact of changes in credit ratings in the Company's fixed income portfolio on provisions for future credit losses in insurance contract liabilities.

As a result of the COVID-19 pandemic, many areas of the credit markets exhibited extreme volatility in March of 2020 with spreads widening in investment grade and high yield markets. However, since March 2020, credit spreads narrowed significantly. Some downgrades have been seen across industries from the rating agencies, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced a smaller negative impact from rating changes during 2021 compared to a larger negative impact from downgrades in 2020. There could be a negative impact from downgrades in future periods if economies that are currently open are shut down or restricted due to a resurgence of COVID-19 cases.

In the fourth quarter of 2021, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $2 million ($3 million net negative impact in the fourth quarter of 2020). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable. Separately, related to non-impaired invested assets, changes in credit ratings in the Company's fixed income portfolio resulted in a net decrease to provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $3 million (negligible impact in the fourth quarter of 2020), primarily due to upgrades of various corporate and government bond holdings.

For the twelve months ended December 31, 2021, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $14 million ($13 million net negative impact in 2020), primarily due to a commercial mortgage impairment. Separately, related to non-impaired invested assets, changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $6 million year-to-date ($66 million net negative impact in 2020), primarily due to net downgrades of various corporate bond holdings.

Income Taxes

The Company's effective income tax rate is generally lower than the statutory income tax rate of 26.50% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

Effective income tax rate

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings – Common shareholders (1)	**9.4%**	9.6%	13.3%	**9.5%**	10.1%
Net earnings – Common shareholders	**9.8%**	8.4%	(20.4)%	**9.9%**	(0.9)%
Base earnings – Total Lifeco (1)	**3.7%**	10.9%	11.0%	**7.6%**	8.7%
Net earnings – Total Lifeco	**3.8%**	9.8%	(24.4)%	**7.9%**	(2.7)%

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

In the fourth quarter of 2021, the effective income tax rate on base earnings for the shareholder account of 9.4% was down from 13.3% in the fourth quarter of 2020, primarily due to changes in certain tax estimates. The effective income tax rate on base earnings for the total Company of 3.7%, was lower than 9.4% for the shareholder account, primarily due to non-taxable investment income attributable to the participating account.

In the fourth quarter of 2021, the Company had an overall effective income tax rate on net earnings of 3.8%, up from negative 24.4% in the fourth quarter of 2020. The increase was primarily due to the revaluation of a deferred tax asset related to losses in a U.S. subsidiary and non-taxable gains on the sale of shares of GLC in the fourth quarter of 2020, which resulted in a decrease in the effective income tax rate in the fourth quarter of 2020 by 31.7 points. Excluding the impact of these two items, the overall effective income tax rate for the fourth quarter of 2021 of 3.8% was down from 7.3% in the fourth quarter of 2020, primarily due to changes in certain tax estimates.

The Company had an effective income tax rate on base earnings of 7.6% for the twelve months ended December 31, 2021, down from 8.7% for the same period last year, primarily due to changes in certain tax estimates.

The Company had an overall effective income tax rate on net earnings of 7.9% for the twelve months ended December 31, 2021, up from negative 2.7% for the same period last year. The increase was primarily due to the impact in 2020 of the revaluation of the deferred tax asset discussed for the in-quarter results and the non-taxable gains on the sale of the shares of GLC and IPSI, which decreased the 2020 overall effective income tax rate by 8.5 points. Excluding the impact of these 2020 items, the overall effective income tax rate for the twelve months ended December 31, 2021 of 7.9% was up from 5.8% for the same period last year, primarily due to jurisdictional mix of earnings.

Refer to note 26 to the Company's consolidated financial statements for the period ended December 31, 2021 for further details.

Total Net Premiums, Premiums and Deposits and Sales

Total net premiums

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Canada	**$ 4,114**	$ 3,300	$ 3,628	**$ 13,900**	$ 13,188
United States	**611**	1,116	1,386	**4,518**	6,773
Europe	**1,042**	1,942	1,397	**4,862**	3,651
Capital and Risk Solutions	**7,222**	8,563	5,336	**29,533**	19,407
Total net premiums	**$ 12,989**	$ 14,921	$ 11,747	**$ 52,813**	$ 43,019

Premiums and deposits (1)

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Canada	**$ 7,918**	$ 6,945	$ 7,017	**$ 29,357**	$ 25,838
United States	**24,932**	16,269	20,582	**79,896**	93,479
Europe	**7,582**	7,505	7,896	**30,017**	32,621
Capital and Risk Solutions	**7,222**	8,563	5,336	**29,533**	19,407
Total premiums and deposits (1)	**$ 47,654**	$ 39,282	$ 40,831	**$ 168,803**	$ 171,345

Sales (2) (3)

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Canada	**$ 4,881**	$ 3,466	$ 3,729	**$ 16,425**	$ 12,271
United States	**40,104**	29,173	27,439	**204,584**	136,884
Europe	**6,493**	6,968	6,874	**26,613**	28,996
Total sales (3)	**$ 51,478**	$ 39,607	$ 38,042	**$ 247,622**	$ 178,151

(1) This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
(2) Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.
(3) Refer to the "Glossary" section of this document for additional details on the composition of this measure.

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

Net Investment Income

Net investment income

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Investment income earned (net of investment properties expenses)	**$ 1,647**	$ 1,610	$ 1,380	**$ 6,481**	$ 5,664
Allowances for credit losses on loans and receivables	**(2)**	4	(6)	**(30)**	(16)
Net realized gains (losses)	**42**	32	220	**139**	466
Regular investment income	**1,687**	1,646	1,594	**6,590**	6,114
Investment expenses	**(50)**	(57)	(34)	**(197)**	(151)
Regular net investment income	**1,637**	1,589	1,560	**6,393**	5,963
Changes in fair value through profit or loss	**1,611**	(936)	1,984	**(2,083)**	5,699
Total net investment income	**$ 3,248**	$ 653	$ 3,544	**$ 4,310**	$ 11,662

Total net investment income in the fourth quarter of 2021 decreased by $296 million compared to the same quarter last year. The changes in fair value in the fourth quarter of 2021 were an increase of $1,611 million compared to $1,984 million for the fourth quarter of 2020. In the fourth quarter of 2021, the net increase to fair values was primarily due to an increase in Canadian equity markets and a decline in long duration Canadian bond yields. In the fourth quarter of 2020, the net increase to fair values was primarily due to a decline in bond yields across all geographies and an increase in Canadian equity markets.

Regular net investment income in the fourth quarter of 2021 of $1,637 million increased by $77 million compared to the same quarter last year. The increase was primarily due to income earned on bonds and mortgages acquired through the MassMutual transaction on December 31, 2020, partially offset by lower net realized gains. Net realized gains include gains on available-for-sale securities of $8 million for the fourth quarter of 2021 compared to $13 million for the same quarter last year.

For the twelve months ended December 31, 2021, total net investment income decreased by $7,352 million compared to the same period last year. The changes in fair value for the twelve month period in 2021 were a decrease of $2,083 million compared to an increase of $5,699 million during the same period in 2020. The changes in fair value were primarily due to an increase in bond yields across all geographies, partially offset by an increase in Canadian equity markets in 2021, compared to a decline in bond yields across all geographies in 2020.

Regular net investment income for the twelve months ended December 31, 2021 of $6,393 million increased by $430 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results. Net realized gains include gains on available-for-sale securities of $27 million for the twelve months ended December 31, 2021 compared to $141 million for the same period last year.

Fee and Other Income

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

Fee and other income

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Canada					
Segregated funds, mutual funds and other	**$ 452**	$ 457	$ 407	**$ 1,765**	$ 1,568
Administrative services only (ASO) contracts	**69**	52	54	**226**	188
	521	509	461	**1,991**	1,756
United States					
Segregated funds, mutual funds and other	**998**	995	754	**3,880**	2,769
Europe					
Segregated funds, mutual funds and other	**364**	352	351	**1,415**	1,366
Capital and Risk Solutions					
Reinsurance and other	**2**	2	3	**8**	11
Total fee and other income	**$ 1,885**	$ 1,858	$ 1,569	**$ 7,294**	$ 5,902

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

Net Policyholder Benefits, Dividends and Experience Refunds

Net policyholder benefits, dividends and experience refunds

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Canada	**$ 2,522**	$ 2,486	$ 2,556	**$10,171**	$ 9,276
United States	**1,654**	1,344	1,072	**7,310**	5,028
Europe	**1,000**	947	1,003	**3,909**	3,948
Capital and Risk Solutions	**7,065**	6,138	5,285	**25,862**	19,907
Total	**$12,241**	$ 10,915	$ 9,916	**$47,252**	$ 38,159

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

For the three months ended December 31, 2021, net policyholder benefits, dividends and experience refunds were $12.2 billion, an increase of $2.3 billion from the same period in 2020 driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements as well as volume changes relating to existing business in the Capital and Risk Solutions segment as well as higher surrender benefits in the U.S segment, driven by the acquisition of the MassMutual retirement services business.

For the twelve months ended December 31, 2021, net policyholder benefits, dividends and experience refunds were $47.3 billion, an increase of $9.1 billion from the same period in 2020 driven by higher net policyholder benefits. The increase in benefit payments was primarily due to the same reasons discussed for the in-quarter results as well as higher group insurance claims in the Canada segment.

Other Benefits And Expenses

Other benefits and expenses

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Operating and administrative expenses	**$ 1,688**	$ 1,557	$ 1,498	**$ 6,337**	$ 5,492
Commissions	**717**	631	657	**2,664**	2,396
Premium taxes	**134**	122	124	**500**	480
Amortization of finite life intangible assets and impairment reversal	**89**	82	63	**336**	238
Financing charges	**89**	83	79	**328**	284
Restructuring and integration expenses	**21**	32	134	**90**	134
Total	**$ 2,738**	$ 2,507	$ 2,555	**$10,255**	$ 9,024

Other benefits and expenses for the fourth quarter of 2021 of $2,738 million increased by $183 million compared to the fourth quarter of 2020. The increase was primarily due to higher operating and administrative expenses, driven by transaction costs related to acquisitions in the U.S. and Europe segments as well as MassMutual related expenses and higher commissions, driven by higher sales in the U.S. and Canada segments. The increase was partially offset by lower restructuring and integration expenses in the Canada and U.S. segments, driven by the after-tax impact of $68 million of a restructuring provision for strategic activities in Canada included in the fourth quarter of 2020 as well as lower restructuring and integration expenses related to the acquisitions of Personal Capital and MassMutual compared to the same quarter last year.

For the twelve months ended December 31, 2021, other benefits and expenses increased by $1,231 million to $10,255 million compared to the same period last year, primarily due to higher operating and administrative expenses driven by MassMutual and Personal Capital related expenses and by transaction costs related to acquisitions in the U.S. and Europe segments. In addition, commissions were higher compared to the same period last year driven by the same reasons discussed for the in-quarter results. Restructuring and integration expenses decreased compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Consolidated Financial Position

Assets

Assets under administration (1)

	December 31, 2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 92,400	$ 55,376	$ 48,669	$ 9,359	$ 205,804
Goodwill and intangible assets	5,722	5,826	3,047	–	14,595
Other assets	4,323	30,090	10,220	8,037	52,670
Investments on account of segregated fund policyholders	101,537	116,919	138,963	–	357,419
Total assets	203,982	208,211	200,899	17,396	630,488
Proprietary mutual funds and institutional assets (2)	5,742	310,933	60,480	–	377,155
Total assets under management (1)	209,724	519,144	261,379	17,396	1,007,643
Other assets under administration (2)	17,597	1,241,974	12,360	–	1,271,931
Total assets under administration (1)	$ 227,321	$ 1,761,118	$ 273,739	$ 17,396	$ 2,279,574

	December 31, 2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 87,732	$ 54,522	$ 50,793	$ 5,951	$ 198,998
Goodwill and intangible assets	5,625	5,729	3,037	–	14,391
Other assets	3,661	30,347	10,151	8,910	53,069
Investments on account of segregated fund policyholders	90,680	117,982	125,370	–	334,032
Total assets	187,698	208,580	189,351	14,861	600,490
Proprietary mutual funds and institutional assets (2)	7,311	284,251	59,381	–	350,943
Total assets under management (1)	195,009	492,831	248,732	14,861	951,433
Other assets under administration (2)	18,554	994,989	10,871	–	1,024,414
Total assets under administration (1)	$ 213,563	$ 1,487,820	$ 259,603	$ 14,861	$ 1,975,847

(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.

Total assets under administration (AUA) at December 31, 2021 increased by $303.7 billion to $2.3 trillion compared to December 31, 2020, primarily due to the impact of equity market movement and new business growth primarily with respect to other assets under administration, partially offset by the impact of currency movement.

During the fourth quarter of 2021, the Company completed its comprehensive valuation of the fair value of the net assets acquired from MassMutual and the purchase price allocation. For additional details on assets acquired through business acquisitions, refer to "Business Acquisitions and Other Transactions", note 3 in the Company's consolidated financial statements for the period ended December 31, 2021.

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.

Invested asset distribution

	December 31, 2021					
	Canada	United States	Europe	Capital and Risk Solutions	Total	
Bonds						
Government & related	$ 21,863	$ 4,313	$ 19,411	$ 5,289	$ 50,876	25%
Corporate & other	31,409	36,515	18,265	3,547	89,736	43
Sub-total bonds	**53,272**	**40,828**	**37,676**	**8,836**	**140,612**	**68**
Mortgages	16,703	6,170	5,891	88	28,852	14
Stocks	13,036	673	474	–	14,183	7
Investment properties	4,913	8	2,842	–	7,763	4
Sub-total portfolio investments	**87,924**	**47,679**	**46,883**	**8,924**	**191,410**	**93**
Cash and cash equivalents	1,392	2,581	1,784	318	6,075	3
Loans to policyholders	3,084	5,116	2	117	8,319	4
Total invested assets	**$ 92,400**	**$ 55,376**	**$ 48,669**	**$ 9,359**	**$ 205,804**	**100%**

	December 31, 2020					
	Canada	United States	Europe	Capital and Risk Solutions	Total	
Bonds						
Government & related	$ 23,014	$ 4,006	$ 20,300	$ 2,069	$ 49,389	25%
Corporate & other	30,926	34,332	19,648	3,297	88,203	44
Sub-total bonds	53,940	38,338	39,948	5,366	137,592	69
Mortgages	16,036	5,957	5,746	64	27,803	14
Stocks	10,125	448	427	–	11,000	6
Investment properties	3,626	6	2,638	–	6,270	3
Sub-total portfolio investments	83,727	44,749	48,759	5,430	182,665	92
Cash and cash equivalents	962	4,544	2,032	408	7,946	4
Loans to policyholders	3,043	5,229	2	113	8,387	4
Total invested assets	$ 87,732	$ 54,522	$ 50,793	$ 5,951	$ 198,998	100%

At December 31, 2021, total invested assets were $205.8 billion, an increase of $6.8 billion from December 31, 2020. The increase in invested assets was primarily due to stock market value increases and net purchases of bonds and stocks. The distribution of assets has not changed significantly and remains heavily weighted to bonds and mortgages.

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 $140.6 billion or 68% of invested assets at December 31, 2021 compared to $137.6 billion or 69% at December 31, 2020. The increase in the bond portfolio was primarily due to net purchases, partially offset by a decline in fair values resulting from an increase in bond yields across all geographies. The increase in the Capital and Risk Solutions bond portfolio was primarily driven by new reinsurance agreements. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 74% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to December 31, 2021. Management continues to closely monitor bond rating agency activity and general market conditions as economies emerge from the pandemic.

Bond portfolio quality

	December 31, 2021		December 31, 2020	
AAA	$ 20,254	14%	$ 21,820	16%
AA	35,460	25	35,530	26
A	48,764	35	45,673	33
BBB	35,098	25	33,382	24
BB or lower	1,036	1	1,187	1
Total	**$ 140,612**	**100%**	$ 137,592	100%

At December 31, 2021, non-investment grade bonds were $1.0 billion or 0.7% of the bond portfolio compared to $1.2 billion or 0.9% of the bond portfolio at December 31, 2020.

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in both the Canada and Europe 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

	December 31, 2021				December 31, 2020	
	Insured (1)	Non-insured	Total		Total	
Mortgage loans by type						
Single family residential	**$ 476**	**$ 1,503**	**$ 1,979**	**7%**	$ 2,063	7%
Multi-family residential	**2,930**	**4,671**	**7,601**	**26**	7,353	27
Equity release	**–**	**2,609**	**2,609**	**9**	2,020	7
Commercial	**218**	**16,445**	**16,663**	**58**	16,367	59
Total	**$ 3,624**	**$ 25,228**	**$ 28,852**	**100%**	$ 27,803	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 $28.9 billion or 14% of invested assets at December 31, 2021, compared to $27.8 billion or 14% of invested assets at December 31, 2020. The increase in the mortgage portfolio was primarily due to originations of equity release mortgages. Total insured loans were $3.6 billion or 13% of the mortgage portfolio. The equity release mortgages had a weighted average loan-to-value, calculated as the weighted average of the total outstanding loan balance divided by the appraised value of the properties, of 31% (26% at December 31, 2020).

Commercial mortgages

	December 31, 2021				
	Canada	U.S.	Europe	Capital and Risk Solutions	Total
Retail & shopping centres	**$ 3,770**	**$ 521**	**$ 991**	**$ 2**	**$ 5,284**
Industrial	**3,126**	**1,430**	**617**	**30**	**5,203**
Office buildings	**2,088**	**1,282**	**1,209**	**18**	**4,597**
Other	**380**	**463**	**736**	**–**	**1,579**
Total	**$ 9,364**	**$ 3,696**	**$ 3,553**	**$ 50**	**$ 16,663**

	December 31, 2020				
	Canada	U.S.	Europe	Capital and Risk Solutions	Total
Retail & shopping centres	$ 3,799	$ 731	$ 1,116	$ 3	$ 5,649
Industrial	2,516	1,097	774	1	4,388
Office buildings	2,252	1,327	1,369	19	4,967
Other	316	505	542	–	1,363
Total	$ 8,883	$ 3,660	$ 3,801	$ 23	$ 16,367

Equity portfolio – The total equity portfolio was $21.9 billion or 11% of invested assets at December 31, 2021 compared to $17.3 billion or 9% of invested assets at December 31, 2020. The equity portfolio consists of publicly traded stocks, privately held stocks and investment properties. The increase in publicly traded stocks of $2.2 billion and the increase in privately held stocks of $1.0 billion were primarily due to purchases and market value increases. The increase in investment properties of $1.5 billion was mainly the result of property acquisitions and market value increases.

Equity portfolio

	December 31, 2021		December 31, 2020	
Equity portfolio by type				
Publicly traded stocks	$ 12,424	57%	$ 10,208	59%
Privately held stocks	1,759	8	792	5
Sub-total	14,183	65	11,000	64
Investment properties	7,763	35	6,270	36
Total	$ 21,946	100%	$ 17,270	100%

Investment properties (1)

	December 31, 2021				December 31, 2020			
	Canada	U.S.	Europe	Total	Canada	U.S.	Europe	Total
Industrial	$ 1,740	$ –	$ 1,009	$ 2,749	$ 861	$ –	$ 812	$ 1,673
Office buildings	1,384	–	626	2,010	1,328	–	637	1,965
Retail	227	–	848	1,075	198	–	814	1,012
Other	1,562	8	359	1,929	1,239	6	375	1,620
Total	$ 4,913	$ 8	$ 2,842	$ 7,763	$ 3,626	$ 6	$ 2,638	$ 6,270

(1) The Capital and Risk Solutions segment does not hold any investment properties.

Impaired investments – Impaired investments include bonds in default, mortgages in default or in the process of foreclosure, investment properties acquired by foreclosure and other assets where management no longer has reasonable assurance that all contractual cash flows will be received.

Impaired investments

	December 31, 2021				December 31, 2020			
	Gross amount	Impairment recovery	Impairment provision	Carrying amount	Gross amount	Impairment recovery	Impairment provision	Carrying amount
Fair value through profit or loss	$ 18	$ 1	$ (5)	$ 14	$ 23	$ 2	$ (5)	$ 20
Available-for-sale	6	1	–	7	16	1	–	17
Loans and receivables	99	–	(28)	71	80	–	(57)	23
Total	$ 123	$ 2	$ (33)	$ 92	$ 119	$ 3	$ (62)	$ 60

The gross amount of impaired investments totaled $123 million or 0.1% of invested assets at December 31, 2021 compared to $119 million or 0.1% at December 31, 2020, a net increase of $4 million. The increase in impaired investments was primarily due to the impairment of a commercial mortgage, partly offset by the disposal of previously impaired commercial mortgages.

The impairment recovery at December 31, 2021 was $2 million, which reflects the improvement in market values of certain investments from the date at which they became impaired. The impairment provision at December 31, 2021 was $33 million compared to $62 million at December 31, 2020. The decrease was primarily due to the disposal of previously impaired commercial mortgages, partially offset by a commercial mortgage impairment. While the fair values have improved on certain impaired assets, these assets remain impaired based on other impairment factors as described in the "Summary of Critical Accounting Estimates" section of this document and in note 2 of the Company's December 31, 2021 annual consolidated financial statements.

Provision for future credit losses

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

At December 31, 2021, the total actuarial provision for future credit losses in insurance contract liabilities was $3,271 million compared to $3,368 million at December 31, 2020, a decrease of $97 million, primarily due to interest rate movements, partially offset by normal business activity.

The aggregate of impairment provisions of $33 million ($62 million at December 31, 2020) and actuarial provisions for future credit losses in insurance contract liabilities of $3,271 million ($3,368 million at December 31, 2020) represents 1.8% of bond and mortgage assets, including funds held by ceding insurers, at December 31, 2021 (1.9% at December 31, 2020).

Derivative Financial Instruments

There were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments in 2021. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, 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 Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At December 31, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $318 million ($211 million at December 31, 2020) and pledged on derivative liabilities was $480 million ($560 million at December 31, 2020). Collateral received on derivatives assets increased and collateral pledged on derivative liabilities decreased, primarily driven by the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars.

During the twelve month period ended December 31, 2021, the outstanding notional amount of derivative contracts increased by $6.5 billion to $36.6 billion, primarily due to regular hedging activities and increases to net investment hedges. During the twelve month period, the Company entered into net investment hedges, with notional amounts of €1 billion and £0.5 billion, to reduce the volatility of its Canadian dollar exposure to net investments in foreign operations in the Europe segment.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $967 million at December 31, 2021 from $829 million at December 31, 2020. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars. There were no changes to derivative counterparty ratings during the fourth quarter of 2021 and all had investment grade ratings as of December 31, 2021. Refer to "Financial Instruments Risk Management", note 8 in the Company's December 31, 2021 annual consolidated financial statements for details of the Company's derivative counterparties' ratings.

Goodwill and Intangible Assets

Goodwill and intangible assets

	December 31	
	2021	2020
Goodwill	**$ 9,081**	$ 10,106
Indefinite life intangible assets	**2,786**	2,798
Finite life intangible assets	**2,728**	1,487
Total	**$14,595**	$ 14,391

The Company's goodwill and intangible assets relate primarily to its acquisitions of London Life, Canada Life, Putnam, Irish Life, Personal Capital and MassMutual. Goodwill and intangible assets of $14.6 billion at December 31, 2021 were comparable to December 31, 2020. Goodwill decreased by $1.0 billion and finite life intangible assets increased by $1.2 billion, primarily due to the recognition and measurement of finite life intangible assets related to the completion of the comprehensive evaluation of the fair value of the net assets acquired from MassMutual and the purchase price allocation.

IFRS principles require the Company to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and indefinite life intangible assets at least annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. Finite life intangible assets are reviewed annually to determine if there are indications of impairment and assess whether the amortization periods and methods are appropriate. In the fourth quarter of 2021, the Company conducted its annual impairment testing of goodwill and intangible assets based on September 30, 2021 asset balances. It was determined that the recoverable amounts of cash generating unit (CGU) groupings for goodwill and CGUs for intangible assets were in excess of their carrying values and there was no evidence of impairment. Recoverable amount is based on fair value less cost of disposal.

Refer to note 10 in the Company's December 31, 2021 annual consolidated financial statements for further details of the Company's goodwill and intangible assets. Also, refer to the "Summary of Critical Accounting Estimates" section of this document for details on impairment testing of these assets.

Other General Fund Assets

Other general fund assets

	December 31	
	2021	2020
Reinsurance assets	**$ 21,138**	$ 22,121
Funds held by ceding insurers	**17,194**	18,383
Premiums in course of collection, accounts and interest receivable	**6,366**	6,102
Other assets	**4,522**	3,347
Deferred tax assets	**1,057**	975
Derivative financial instruments	**967**	829
Owner occupied properties	**736**	741
Fixed assets	**422**	426
Current income taxes	**268**	145
Total	**$ 52,670**	$ 53,069

Total other general fund assets at December 31, 2021 were $52.7 billion, a decrease of $0.4 billion from December 31, 2020. The decrease was primarily due to a decrease of $1.2 billion in funds held by ceding insurers and a decrease of $1.0 billion in reinsurance assets. The decrease was partially offset by an increase of $1.2 billion in other assets, driven by an increase in Putnam trading account assets.

Other assets comprise several items including prepaid expenses and accounts receivable. Refer to note 12 in the Company's December 31, 2021 annual consolidated financial statements for a breakdown of other assets.

Investments on Account of Segregated Fund Policyholders

Segregated funds

	December 31	
	2021	2020
Stock and units in unit trusts	**$134,568**	$112,675
Mutual funds	**133,916**	127,577
Bonds	**60,647**	65,338
Investment properties	**12,776**	12,430
Cash and other	**10,010**	11,836
Mortgage loans	**2,377**	2,686
Sub-total	**$354,294**	$332,542
Non-controlling mutual funds interest	**3,125**	1,490
Total	**$357,419**	$334,032

Investments on account of segregated fund policyholders, which are measured at fair value, increased by $23.4 billion to $357.4 billion at December 31, 2021 compared to December 31, 2020. The increase was primarily due to the combined impact of market value gains and investment income of $36.7 billion and $2.8 billion related to the Ark Life acquisition. The increase was partially offset by net withdrawals of $10.7 billion and the impact of currency movement of $7.1 billion.

Proprietary Mutual Funds and Institutional Assets (1)

Proprietary mutual funds and institutional assets

	December 31	
	2021	2020
Mutual funds		
Blend equity	**$ 22,334**	$ 23,478
Growth equity	**26,605**	23,523
Equity value	**30,479**	24,341
Fixed-income	**46,246**	52,009
Exchange Traded Funds	**58**	–
Money market	**199**	317
Empower Funds (2)	**57,749**	42,514
Sub-total	**$183,670**	$166,182
Institutional assets		
Equity	**$126,064**	$112,439
Fixed-income	**60,681**	63,681
Other	**6,740**	8,641
Sub-total	**$193,485**	$184,761
Total proprietary mutual funds and institutional assets	**$377,155**	$ 350,943

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

(2) At December 31, 2021, Empower funds exclude $24.9 billion of Putnam managed funds ($21.3 billion at December 31, 2020), which are included in the categories above.

At December 31, 2021, total proprietary mutual funds and institutional assets include $310.9 billion at Putnam and GWL&A, $60.5 billion at Irish Life and $5.7 billion at Canada Life Investment Management Ltd. (CLIML). Proprietary mutual funds and institutional assets under management increased by $26.2 billion, primarily due to market movement, partially offset by net cash outflows and the impact of currency movement. GWL&A includes proprietary mutual funds related to Empower including assets acquired in the Personal Capital and MassMutual transactions.

Liabilities

Total liabilities

	December 31	
	2021	2020
Insurance and investment contract liabilities	**$220,833**	$218,047
Other general fund liabilities	**21,753**	21,396
Investment and insurance contracts on account of segregated fund policyholders	**357,419**	334,032
Total	**$600,005**	$573,475

Total liabilities increased by $26.5 billion to $600.0 billion at December 31, 2021 from December 31, 2020.

Investment and insurance contracts on account of segregated fund policyholders increased by $23.4 billion, primarily due to the combined impact of market value gains and investment income of $36.7 billion and $2.8 billion related to the Ark Life acquisition, partially offset by net withdrawals of $10.7 billion and the impact of currency movement of $7.1 billion. Insurance and investment contract liabilities increased by $2.8 billion, primarily due to the impact of new business and the acquisition of Ark Life, partially offset by fair value adjustments, the impact of currency movement and normal business movements.

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.

Assets supporting insurance and investment contract liabilities

	Participating Account	Non-Participating Canada	United States	Europe	Capital and Risk Solutions	Total
December 31, 2021						
Bonds	**$ 26,978**	**$ 23,620**	**$ 32,302**	**$ 33,208**	**$ 6,394**	**$ 122,502**
Mortgage loans	**11,781**	**4,661**	**4,641**	**5,891**	**80**	**27,054**
Stocks	**8,665**	**3,116**	**211**	**391**	**–**	**12,383**
Investment properties	**4,021**	**579**	**–**	**2,743**	**–**	**7,343**
Other assets [(1)]	**10,325**	**2,804**	**26,784**	**4,982**	**6,656**	**51,551**
Total	**$ 61,770**	**$ 34,780**	**$ 63,938**	**$ 47,215**	**$ 13,130**	**$ 220,833**
Total insurance and investment contract liabilities	**$ 61,770**	**$ 34,780**	**$ 63,938**	**$ 47,215**	**$ 13,130**	**$ 220,833**
December 31, 2020						
Bonds	$ 27,768	$ 23,898	$ 31,631	$ 34,941	$ 2,365	$ 120,603
Mortgage loans	11,150	4,498	4,586	5,746	52	26,032
Stocks	6,227	2,789	46	332	–	9,394
Investment properties	2,992	360	–	2,536	–	5,888
Other assets [(1)]	10,127	3,904	29,440	4,533	8,126	56,130
Total	$ 58,264	$ 35,449	$ 65,703	$ 48,088	$ 10,543	$ 218,047
Total insurance and investment contract liabilities	$ 58,264	$ 35,449	$ 65,703	$ 48,088	$ 10,543	$ 218,047

(1) Other assets include reinsurance assets, premiums in the course of collection, interest due and accrued, other investment receivables, deferred acquisition costs, accounts receivable, current income taxes and prepaid expenses. Reinsurance assets include assets recognized as a result of the indemnity reinsurance agreement with Protective Life Insurance Company (Protective Life).

Asset and liability cash flows are matched within established limits to minimize the financial effects of a shift in interest rates and mitigate the changes in the Company's financial position due to interest rate volatility.

Other General Fund Liabilities

Other general fund liabilities

	December 31 2021	2020
Debentures and other debt instruments	**$ 8,804**	$ 9,693
Other liabilities	**6,063**	5,147
Accounts payable	**3,032**	2,698
Funds held under reinsurance contracts	**1,542**	1,648
Deferred tax liabilities	**1,089**	646
Derivative financial instruments	**1,030**	1,221
Current income taxes	**193**	343
Total	**$ 21,753**	$ 21,396

Total other general fund liabilities at December 31, 2021 were $21.8 billion, an increase of $0.4 billion from December 31, 2020. The increase was primarily due to an increase of $0.9 billion in other liabilities and an increase of $0.4 billion in deferred tax liabilities, partially offset by a decrease of $0.9 billion in debentures and other debt instruments. The Company made payments of US$500 million in the third quarter of 2021 on its committed line of credit related to GWL&A's acquisition of the retirement services business of MassMutual on December 31, 2020, reducing the balance drawn on this line of credit to nil.

Other liabilities of $6.1 billion include pension and other post-employment benefits, lease liabilities, deferred income reserve, bank overdraft and other liability balances. Refer to note 17 in the Company's December 31, 2021 annual consolidated financial statements for a breakdown of the other liabilities balance and note 15 in the Company's December 31, 2021 annual consolidated financial statements for details of the debentures and other debt instruments.

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 that are tied to the market values of the investment funds.

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

In the U.S., the Company offers group variable annuities with guaranteed minimum withdrawal benefits (GMWB) and group standalone GMDB products which mainly provide return of premium on death.

In Europe, the Company offers UWP products, which are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds, as well as a GMWB product in Germany.

The 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 minimum level of income may increase depending upon the level of growth in the market value of the policyholder's funds. Where the market value of the policyholder's funds is ultimately insufficient to meet the level of guarantee purchased by the policyholder, the Company is obligated to make up the shortfall.

London Reinsurance Group Inc. (LRG) has a closed portfolio of GMAB and guaranteed minimum income benefits (GMIB) that it has reinsured from other U.S. and Canadian life insurance and reinsurance companies.

These products involve cash flows of which the magnitude and timing are uncertain and are dependent on the level of equity and fixed-income market returns, interest rates, currency markets, market volatility, policyholder behaviour and policyholder longevity.

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. The program methodology quantifies both the embedded option value and its sensitivity to movements in equity markets, currency markets and interest rates. Equity derivative instruments, currency derivative instruments and interest rate derivative instruments are used to mitigate changes in the embedded option value attributable to movements in equity markets, currency markets and interest rates respectively. The hedging program, by its nature, requires continuous monitoring and rebalancing to avoid over or under hedged positions. Periods of heightened market volatility will increase the frequency of hedge rebalancing.

By their nature, certain risks associated with the GMWB product either cannot be hedged or cannot be hedged on a cost-effective basis. These risks include policyholder behaviour, policyholder longevity, basis risk and market volatility. Consequently, the hedging program will not mitigate all risks to the Company associated with the GMWB products and may expose the Company to additional risks including the operational risk associated with the reliance upon sophisticated models, and counterparty credit risk associated with the use of derivative instruments.

Other risk management processes are in place aimed at appropriately limiting the Company's exposure to the risks it is not hedging or are otherwise inherent in its GMWB hedging program. In particular, the GMWB product has been designed with specific regard to limiting policyholder anti-selection, and the array of investment funds available to policyholders has been determined with a view to minimizing underlying basis risk.

Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2021, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $3,316 million ($3,375 million at December 31, 2020).

Segregated fund and variable annuity guarantee exposure

		December 31, 2021			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total (1)
Canada	$ 36,808	$ –	$ 9	$ 18	$ 18
United States	21,521	2	–	21	23
Europe	11,645	2	–	732	732
Capital and Risk Solutions (2)	908	189	–	–	189
Total	**$ 70,882**	**$ 193**	**$ 9**	**$ 771**	**$ 962**

(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 December 31, 2021.

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

Investment deficiency at December 31, 2021 decreased by $355 million to $962 million compared to December 31, 2020, primarily due to increases in market values. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on December 31, 2021 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 $3 million in-quarter (nil for the fourth quarter of 2020) and $10 million year-to-date ($20 million year-to-date for 2020), with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business. The market value increased by $5,592 million to $70,882 million compared to December 31, 2020, primarily due to the year-to-date increase in equity markets.

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 December 31, 2021, debentures and other debt instruments decreased by $889 million to $8,804 million compared to December 31, 2020.

During 2021, the Company made payments of US$500 million on its committed line of credit related to GWL&A's acquisition of the retirement services business of MassMutual on December 31, 2020, reducing the balance drawn on its line of credit to nil.

Refer to note 15 in the Company's December 31, 2021 annual consolidated financial statements for further details of the Company's debentures and other debt instruments.

Capital Trust Securities

At December 31, 2021, the Company had $150 million principal outstanding of Canada Life Capital Trust Securities – Series B (CLiCS – Series B). Included in the Company's invested assets at December 31, 2021 were CLiCS – Series B with a fair value of $53 million and principal value of $37 million (fair value of $55 million at December 31, 2020).

Each holder of the CLiCS – Series B is entitled to receive a semi-annual non-cumulative fixed cash distribution of $37.645 per CLiCS – Series B, representing an annual yield of 7.529% payable out of Canada Life Capital Trust's (CLCT) distributable funds. Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time and the CLiCS – Series B are callable at par on June 30, 2032.

Equity

Share capital outstanding at December 31, 2021 was $9,968 million, which comprises $5,748 million of common shares and $2,720 million of preferred shares and $1,500 million LRCN Series 1 discussed below. Preferred shares included $2,470 million of non-cumulative First Preferred Shares and $250 million of 5-year rate reset First Preferred Shares.

On August 16, 2021, the Company issued $1.5 billion aggregate principal amount 3.60% LRCN Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081. The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, up to but excluding December 31, 2026. On December, 2026, and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield as defined in the trust indenture governing the LRCN Series 1, plus 2.641%. Commencing November 30, 2026, the Company will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. The Company will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if GWL&A's acquisition of Prudential's full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement).

Common shares

At December 31, 2021, the Company had 930,620,338 common shares outstanding with a stated value of $5,748 million compared to 927,853,106 common shares with a stated value of $5,651 million at December 31, 2020.

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2021 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. During the twelve months ended December 31, 2021, the Company did not purchase any common shares under the current NCIB (nil for the twelve months ended December 31, 2020, under the previous NCIB).

Subsequent to December 31, 2021, in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes, the Company announced a new NCIB commencing January 27, 2022 and terminating January 26, 2023 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

Preferred shares

At December 31, 2021, the Company had 11 series of fixed rate First Preferred Shares and one series of 5-year rate reset First Preferred Shares outstanding with aggregate stated values of $2,470 million and $250 million, respectively.

On October 8, 2021, the Company issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series Y at $25.00 per share for gross proceeds of $200 million. The shares are redeemable at the option of the Company on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

On December 31, 2021, the Company redeemed all of its issued and outstanding 5.90% Non-Cumulative First Preferred Shares, Series F for $25.00 per share for a total of $194 million.

The terms and conditions of the outstanding First Preferred Shares are set out in the table below:

	Series G	Series H	Series I	Great-West Lifeco Inc. Series L	Series M	Series N	Series P
General Type	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	5-Year Rate Reset	Fixed Rate
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Sep 14, 2004	Aug 12, 2005	Apr 12, 2006	Oct 2, 2009	Mar 4, 2010	Nov 23, 2010	Feb 22, 2012
Shares Outstanding	12,000,000	12,000,000	12,000,000	6,800,000	6,000,000	10,000,000	10,000,000
Amount Outstanding (Par)	$300,000,000	$300,000,000	$300,000,000	$170,000,000	$150,000,000	$250,000,000	$250,000,000
Yield	5.20%	4.85%	4.50%	5.65%	5.80%	1.749%	5.40%
Earliest Issuer Redemption Date	Dec 31, 2009	Sep 30, 2010	Jun 30, 2011	Dec 31, 2014	Mar 31, 2015	Dec 31, 2020	March 31, 2017

	Series Q	Series R	Series S	Great-West Lifeco Inc. Series T	Series Y
General Type	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Jul 6, 2012	Oct 11, 2012	May 22, 2014	May 18, 2017	Oct 8, 2021
Shares Outstanding	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Amount Outstanding (Par)	$200,000,000	$200,000,000	$200,000,000	$200,000,000	$200,000,000
Yield	5.15%	4.80%	5.25%	5.15%	4.50%
Earliest Issuer Redemption Date	Sep 30, 2017	Dec 31, 2017	Jun 30, 2019	Jun 30, 2022	Dec 31, 2026

The terms and conditions of the First Preferred Shares do not allow the holder to convert to common shares of the Company or to otherwise cause the Company to redeem the shares. Preferred shares issued by the Company are commonly referred to as perpetual and represent a form of financing that does not have a fixed term.

Non-Controlling Interests

The Company's non-controlling interests include participating account surplus in subsidiaries and non-controlling interests in subsidiaries. Refer to note 18 in the Company's December 31, 2021 annual consolidated financial statements for further details of the Company's non-controlling interests.

Non-controlling interests

	December 31 2021	2020
Participating account surplus in subsidiaries:		
Canada Life	**$ 3,126**	$ 2,858
GWL&A	**12**	13
	$ 3,138	$ 2,871
Non-controlling interests in subsidiaries	**$ 129**	$ 116

At December 31, 2021, the carrying value of non-controlling interests increased by $280 million to $3,267 million compared to December 31, 2020. For the twelve months ended December 31, 2021, net earnings attributable to participating account before policyholder dividends were $1,708 million and policyholder dividends were $1,406 million.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

Total Liquid Assets

	December 31, 2021		
	On-balance sheet assets	**Non-liquid/ Pledged**	**Net liquid assets**
Cash and cash equivalents (1)	**$ 6,075**	**$ 32**	**$ 6,043**
Short-term bonds (2)	**5,671**	**1,923**	**3,748**
Cash, cash equivalents and short-term bonds	**$ 11,746**	**$ 1,955**	**$ 9,791**
Government bonds (2)	**$ 47,126**	**$ 11,795**	**$ 35,331**
Corporate bonds (2)	**87,815**	**37,324**	**50,491**
Stocks (1)	**14,183**	**1,759**	**12,424**
Mortgage loans (1)	**28,852**	**25,446**	**3,406**
Other assets and marketable securities	**$ 177,976**	**$ 76,324**	**$ 101,652**
Total assets	**$ 189,722**	**$ 78,279**	**$ 111,443**

	December 31, 2020		
	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
Cash and cash equivalents (1)	$ 7,946	$ 27	$ 7,919
Short-term bonds (2)	4,402	1,124	3,278
Cash, cash equivalents and short-term bonds	$ 12,348	$ 1,151	$ 11,197
Government bonds (2)	$ 46,099	$ 12,464	$ 33,635
Corporate bonds (2)	87,091	34,508	52,583
Stocks (1)	11,000	792	10,208
Mortgage loans (1)	27,803	24,018	3,785
Other assets and marketable securities	$ 171,993	$ 71,782	$ 100,211
Total assets	$ 184,341	$ 72,933	$ 111,408

(1) Refer to the consolidated balance sheet in the Company's December 31, 2021 annual consolidated financial statements for on-balance sheet amounts.
(2) Refer to note 8(ii) in the Company's December 31, 2021 annual consolidated financial statements for on-balance sheet amounts.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At December 31, 2021, the Company and its operating subsidiaries held liquid cash, cash equivalents and short-term bonds of $9.8 billion ($11.2 billion at December 31, 2020) and other liquid assets and marketable securities of $101.7 billion ($100.2 billion at December 31, 2020). Included in the cash, cash equivalents and short-term bonds at December 31, 2021 was $0.6 billion ($0.9 billion at December 31, 2020) 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. On November 4, 2021, OSFI withdrew its guidance provided in March 2020 at the outset of the COVID-19 pandemic that Canadian banks and insurers should suspend share buybacks and not increase dividend payments. In the U.K. and Ireland, where some of the Company's regulated subsidiaries operate, the regulatory authorities have maintained their guidance that insurance companies should exercise prudence in respect of dividend distributions, share buybacks and similar transactions, but at the end of the third quarter of 2021 the Irish regulator removed the temporary cap that it had also been applying to significant insurance companies such as Irish Life Assurance plc. Refer to "Risk Management – COVID-19 Pandemic Impact" section for additional discussion of the impact of the current environment.

Cash Flows

Cash flows

	For the three months ended December 31		For the twelve months ended December 31	
	2021	2020	**2021**	2020
Cash flows relating to the following activities:				
Operations	**$ 1,829**	$ 1,896	**$ 10,373**	$ 9,610
Financing	**(425)**	381	**(992)**	2,010
Investment	**(2,201)**	464	**(11,212)**	(8,202)
	(797)	2,741	**(1,831)**	3,418
Effects of changes in exchange rates on cash and cash equivalents	**(18)**	(167)	**(40)**	(100)
Increase (decrease) in cash and cash equivalents in the period	**(815)**	2,574	**(1,871)**	3,318
Cash and cash equivalents, beginning of period	**6,890**	5,372	**7,946**	4,628
Cash and cash equivalents, end of period	**$ 6,075**	$ 7,946	**$ 6,075**	$ 7,946

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

In the fourth quarter of 2021, cash and cash equivalents decreased by $815 million from September 30, 2021. Cash flows provided by operations during the fourth quarter of 2021 of $1,829 million were comparable to the fourth quarter of 2020. Cash flows used in financing were $425 million, primarily used for the payment of dividends to common and preferred shareholders of $491 million. For the three months ended December 31, 2021, cash flows were used by the Company to acquire an additional $2,201 million of investment assets.

For the twelve months ended December 31, 2021, cash and cash equivalents decreased by $1,871 million from December 31, 2020. Cash flows provided by operations were $10,373 million, an increase of $763 million compared to the same period in 2020. Cash flows used in financing of $992 million were primarily used for the payment of dividends to common and preferred shareholders of $1,811 million and a decrease in the line of credit of a subsidiary of $764 million, partially offset by the issuance of the LRCN Series 1 of $1,500 million. For the twelve months ended December 31, 2021, cash flows were used by the Company to acquire an additional $11,212 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations

	Payments due by period						
At December 31, 2021	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
1) Debentures and other debt instruments	$ 8,529	$ –	$ 720	$ –	$ 635	$ 720	$ 6,454
2) Lease obligations	664	83	71	63	55	52	340
3) Purchase obligations	436	192	85	44	35	15	65
4) Credit-related arrangements							
(a) Contractual commitments	4,027	3,831	188	2	–	–	6
(b) Letters of credit	see note 4(b) below						
5) Pension contributions	306	306	–	–	–	–	–
Total contractual obligations	**$ 13,962**	**$ 4,412**	**$ 1,064**	**$ 109**	**$ 725**	**$ 787**	**$ 6,865**

(1) Refer to note 15 in the Company's December 31, 2021 annual consolidated financial statements. Excluded from debentures and other debt instruments are unamortized transaction costs.

(2) For a further description of the Company's lease obligations, refer to note 17 in the Company's December 31, 2021 annual consolidated financial statements.

(3) Purchase obligations are commitments to acquire goods and services, essentially related to information services.

(4) (a) Contractual commitments are essentially commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions.

(b) Letters of credit (LC) are written commitments provided by a bank. The total amount of LC facilities is US$1,904 million of which US$1,599 million were issued as of December 31, 2021. There are six primary facilities within Lifeco.

The Reinsurance business unit periodically uses LC as collateral under certain reinsurance contracts for on-balance sheet policy liabilities. The Company may be required to seek collateral alternatives if it is unable to renew existing LCs on maturity.

A total of US$1,313 million has been issued to subsidiaries or branches of Canada Life and the additional US$70 million has been issued to Great-West Life & Annuity Insurance Company of South Carolina.

The remaining US$217 million has been issued to external parties. Clients residing in the United States are required pursuant to their insurance regulations to obtain LCs issued on the Company's behalf from approved banks in order to further secure the Company's obligations under certain reinsurance contracts.

(5) Pension contributions include funding estimates for defined benefit pension plans, defined contribution pension plans and other post-employment plans. These contributions are subject to change, as contribution decisions are affected by many factors including market performance, regulatory requirements and management's ability to change funding policy. Funding estimates beyond 2022 are excluded due to the significant variability in the assumptions required to project the timing of future contributions.

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.

The Board of Directors reviews and approves an annual capital plan as well as capital transactions undertaken by management pursuant to the plan. The capital plan is designed to ensure that the Company maintains adequate capital, taking into account the Company's strategy, risk profile and business plans. 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. In addition to undertaking capital transactions, the Company uses and provides traditional and structured reinsurance to support capital and risk management.

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 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%. The internal target range of the LICAT Ratio for Lifeco's major Canadian operating subsidiaries is 110% to 120% (on a consolidated basis).

Canada Life's consolidated LICAT Ratio at December 31, 2021 was 124% (129% at December 31, 2020). The LICAT Ratio does not take into account any impact from $0.6 billion of liquidity at the Lifeco holding company level at December 31, 2021 ($0.9 billion at December 31, 2020).

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

LICAT Ratio

	Dec. 31 2021	Dec. 31 2020
Tier 1 Capital	**$12,584**	$ 11,593
Tier 2 Capital	**4,417**	4,568
Total Available Capital	**17,001**	16,161
Surplus Allowance & Eligible Deposits	**13,225**	14,226
Total Capital Resources	**$30,226**	$ 30,387
Required Capital	**$24,323**	$ 23,607
Total Ratio (OSFI Supervisory Target = 100%) (1)	**124%**	129%

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

The LICAT Ratio increased one point in the quarter but decreased five points year-to-date. The phasing in of the impact of the LICAT interest rate scenario shifts in North America which occurred during 2020 and 2021 (described below) contributed three points of the year-to-date ratio decrease. The remainder of the year-to-date decrease in the LICAT Ratio was due to additional capital requirements arising from market movements and new business growth, partly offset by the favourable impact of net earnings.

GWL&A, Lifeco's regulated U.S. operating company, has established an internal target Risk-Based Capital (RBC) ratio of 400-425% of the Company Action Level set by the National Association of Insurance Commissioners, based upon an assessment of the risks within its businesses as well as business needs to support future growth. Accordingly, GWL&A's target RBC ratio may change as future risks and business needs change. GWL&A reports its RBC ratio annually to U.S. Insurance Regulators. The RBC ratio is included for information only and is not intended as a means to rank insurers generally or for any other purposes.

At December 31, 2021, GWL&A's RBC ratio is estimated to be well in excess of 400% as it includes prefunded capital consideration for the Prudential full-service retirement business acquisition expected to close in the first half of 2022.

LICAT Sensitivities

Caution Related to Sensitivities

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

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

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

LICAT sensitivities are rounded to the nearest full point.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at December 31, 2021. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values

	December 31, 2021			
	20% increase	10% increase	10% decrease	20% decrease
Potential increase (decrease) on LICAT Ratio	(1 point)	0 points	1 point	(1 point)

PART B GREAT-WEST LIFECO INC.

Interest Rates

Canada Life's consolidated LICAT Ratio will generally increase in an environment of declining interest rates and vice-versa. Lower interest rates will increase the value of the Company's surplus assets and other regulatory capital resources. These sensitivity estimates are illustrative. Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. These sensitivities do not include a change in the ultimate interest rates outlined in Actuarial Standards or the impact of a LICAT interest rate risk scenario shift.

Immediate parallel shift in yield curve

	December 31, 2021	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(3 points)	3 points

LICAT Interest Rate Scenario Shift

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

In the third quarter of 2020, the Company experienced a shift in the most adverse interest rate scenario in North America. The cumulative impact of the third quarter of 2020 scenario change was a decrease of approximately 5.5 points to the LICAT Ratio. The six quarter smoothing period is now complete. The Company experienced another shift in the interest rate scenario in North America during the current quarter. The net impact to the LICAT Ratio during the quarter for smoothing in the impact of this scenario shift and the third quarter of 2020 interest rate scenario shift was immaterial.

As a result of the scenario change this quarter, a smoothing of the impact of reduced requirements for participating interest rate risk will occur over the next five quarters. The Canada Life LICAT Ratio is expected to increase by approximately one point per quarter as a result of the smoothing calculation assuming the Company remains on the now current scenario.

OSFI Regulatory Capital Initiatives

OSFI issued an Advisory effective for January 1, 2021, which confirmed the interest rate risk smoothing calculation on participating insurance, and provided clarification of available capital for certain participating insurance blocks. The Advisory will remain in effect until January 1, 2023, when it will be subsequently incorporated into the LICAT guideline.

The International Accounting Standards Board (IASB) has issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* with an effective date of January 1, 2023. IFRS 17 includes new requirements for the recognition, measurement, presentation and disclosure of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition from insurance contracts and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline. Refer to the "Accounting Policies – International Financial Reporting Standards" section for further details.

During the quarter, the Company participated in the OSFI public consultation of its OSFI Quantitative Impact Study for IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*. The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as OSFI finalizes the adaptations related to the IFRS 17 and IFRS 9 accounting standards for the 2023 LICAT Guideline. The Company will also work with OSFI in its developments relating to future Segregated Fund Guarantee Risk requirements.

Return On Equity (ROE) (1)

Base Return on Equity (2)	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020
Canada	**17.2%**	17.3%	18.5%
U.S. Financial Services	**12.2%**	11.6%	8.6%
U.S. Asset Management (Putnam)	**5.3%**	4.7%	0.7%
Europe	**14.6%**	13.2%	11.8%
Capital and Risk Solutions	**33.7%**	33.9%	38.8%
Total Lifeco Base Earnings Basis (2)	**14.6%**	14.5%	12.8%

Return on Equity (1)	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020
Canada	**16.7%**	16.3%	16.4%
U.S. Financial Services	**8.7%**	7.7%	5.6%
U.S. Asset Management (Putnam)	**5.0%**	15.6%	11.6%
Europe	**17.2%**	16.1%	15.7%
Capital and Risk Solutions	**32.8%**	36.5%	44.4%
Total Lifeco Net Earnings Basis (1)	**14.0%**	14.9%	14.1%

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

The Company reported base return on equity of 14.6% at December 31, 2021, compared to 14.5% at September 30, 2021 and 12.8% at December 31, 2020. The Company reported return on equity of 14.0% at December 31, 2021, compared to 14.9% at September 30, 2021 and 14.1% at December 31, 2020.

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

Ratings

Lifeco maintains ratings from five independent ratings companies. Credit ratings 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 2021, the existing credit ratings for Lifeco and its major operating subsidiaries were unchanged. Lifeco also obtained three new subordinated debt ratings from DBRS Morningstar, Fitch Ratings, and S&P Global Ratings, for its LRCN Series 1 issued on August 16, 2021 (set out in table below). 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. 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.

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 2021.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	GWL&A
A.M. Best Company	Financial Strength		A+		A+
DBRS Morningstar	Issuer Rating	A (high)	AA		
	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-		

As part of Lifeco's announcement on July 21, 2021, that its U.S. subsidiary, Empower, had reached a definitive agreement to acquire Prudential's full-service retirement business, Lifeco announced that the transaction was expected to be funded with a combination of Limited Recourse Capital Notes, up to US$1.0 billion of short-term debt and existing resources. On August 16, 2021, Lifeco issued $1.5 billion (US$1.19 billion) LRCN Series 1. In addition, Lifeco noted that the short-term financing would facilitate leverage ratio reduction as the business generates meaningful earnings and cash.

Following the July 21, 2021 announcement, and having regard to the financing plan and its impact on leverage in the near-term, all five rating agencies affirmed the ratings as set out above. Four of the five agencies affirmed the rating outlook as stable; Fitch's rating outlook remains negative.

SEGMENTED OPERATING RESULTS

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

TRANSLATION OF FOREIGN CURRENCY

For the United States, Europe and Capital and Risk Solutions segments, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the 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. There are two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada.

BUSINESS PROFILE

INDIVIDUAL CUSTOMER

Individual Customer comprises both insurance and wealth management product lines sold to individual customers.

Individual insurance includes individual life, disability and critical illness insurance products and services. Individual wealth management includes individual wealth savings and income products and services. The Company is a leader in Canada for all insurance and wealth management products and services and utilizes diverse, complementary distribution channels: Advisor Solutions, managing general agencies (MGAs) and national accounts, including IG Wealth Management, a member of the Power Financial Corporation group of companies. Through Financial Horizons Group, the Company participates in the MGA channel, distributing products from across the insurance industry.

By offering this broad suite of products and services through multiple distribution channels, the Company is able to provide advice and product solutions to meet the needs of Canadians at all phases of their lives.

GROUP CUSTOMER

Group Customer includes group life and health benefits, group creditor, and group retirement and investment product lines.

Through its group life and health benefits product lines, the Company offers effective benefit solutions for small, medium and large plan sponsors. The Company offers a wide range of traditional group products and services including life, accidental death and dismemberment, critical illness, disability, health and dental as well as specialty products. In addition, specialty product development has been a focus over the past several years as the Company seeks to provide customized solutions to increasingly unique customer needs. Products to address the needs of mental health in the workplace, high cost medications, optional products purchased by plan members directly and wellness programs are examples of this focus. Traditional group products are generally offered on an insured or an ASO basis, where clients self-insure the products and Group Customer administers on their behalf. With the acquisition of ClaimSecure, Group Customer's ASO capabilities have been significantly enhanced.

The Company's creditor business offers creditor insurance products through large financial institutions and credit card companies. Canada Life is a leader in the creditor insurance business in Canada.

Group retirement and investment product lines include group Registered Retirement Savings Plans (RRSP), Tax-Free Savings Accounts (TFSA), Registered Education Savings Plans (RESP), group retirement income products, and institutional investment services. The Company is focused on innovation within its savings and investment product lines.

Through the Company's extensive network of Group sales offices located across the country, it distributes its products through brokers, consultants and financial security advisors.

Market Overview

Products and Services

Individual Customer

The Company provides an array of individual insurance and individual wealth management products that are distributed through multiple sales channels.

Market Position

- A leader in individual life insurance sales measured by new annualized premium with 17.3% market share (1)
- A significant provider of individual disability and critical illness insurance with 13.9% market share of new sales (1)
- An industry leader with 25.5% market share of individual segregated fund assets (2)

Products and Services

Individual Life Insurance
- Term life
- Universal life
- Participating life

Living Benefits
- Disability
- Critical illness

Individual Wealth Management
- Savings plans
  - RRSPs
  - Non-registered savings programs
  - TFSAs
  - RESPs

  Invested in:
  - Segregated funds
  - Mutual funds
  - Guaranteed investment options
- Retirement Income Plans
  - Retirement income funds
  - Life income funds
  - Payout annuities
  - Deferred annuities
- Residential mortgages
- Banking products

Distribution (3) (4)

Advisor Solutions
- 4,306 financial security advisors

Affiliated Partnerships
- 7,090 independent brokers associated with 32 MGAs
- 1,214 advisors associated with 14 national accounts
- 1,616 IG Wealth Management consultants who actively sell Canada Life products
- 84 direct brokers and producer groups

Financial Horizons Group (5)
- 5,300 independent brokers selling products from across the insurance industry, including Canada Life

Quadrus Investment Services Ltd.
(also included in Advisor Solutions advisor counts):
- 3,049 investment representatives

(1) Nine months ended September 30, 2021.
(2) As at November 30, 2021.
(3) As at December 31, 2021.
(4) Advisor Solutions includes all contracted advisors. Affiliated Partnerships and Financial Horizons Group include advisors who placed new business in 2021.
(5) Financial Horizons Group advisors that placed Canada Life business in 2021 are also included in the MGA independent broker count.

Group Customer

The Company provides an array of life, health and creditor insurance as well as retirement and investment products that are distributed primarily through Group sales offices across the country.

Market Position

- Employee benefits to over 27,800 plan sponsors (1)
- 21% market share for employee benefit plans (2)
- Leading market share for creditor products with coverage provided to 7.0 million plan members (1)
- 19% market share of group capital accumulation plans (2)

Products and Services

Group Life & Health Benefits
- Life
- Disability
- Critical illness
- Accidental death & dismemberment
- Dental
- Expatriate coverage
- Extended health care

Group Creditor
- Life
- Disability
- Job loss
- Critical illness

Group Retirement & Investment Services
- Group Capital Accumulation Plans including:
  - Defined contribution pension plans
  - Group RRSPs, RESPs & TFSAs
  - Deferred profit sharing plans
  - Non-registered savings programs

  Invested in:
  - Segregated funds
  - Guaranteed investment options
  - Single company stock
- Retirement Income Plans
  - Payout annuities
  - Deferred annuities
  - Retirement income funds
  - Life income funds
- Investment management services only plans

  Invested in:
  - Segregated funds
  - Guaranteed investment options
  - Securities

Specialty Products and Services
- Dialogue™
- Best Doctors™
- Contact
- Individual Health

Distribution

- Group Life and Health Benefits and Group Retirement and Investment Services are distributed through brokers, consultants, third party administrators/payers and financial security advisors. Sales and service support are provided by an integrated team of over 610 employees, located in 24 offices across the country, including 112 account executives (1).
- Group Creditor products and services are distributed primarily though large financial institutions and serviced through a dedicated sales and service organization.

(1) As at December 31, 2021.
(2) As at December 31, 2020.

Competitive Conditions

Individual Customer

Competition in the Canadian individual insurance market focuses on service, technology, product features, price and financial strength, as indicated by ratings issued by nationally recognized agencies. The Company's broad spectrum of distribution associates, including exclusive and independent channels, provide important strategic advantages within the Canadian market.

The individual wealth management marketplace is also very competitive. The Company's main competitors include mutual fund companies, insurance companies, banks and investment advisors as well as other service and professional organizations. New financial technology (Fintech) competitors have entered the marketplace leading to increased competition. Competition focuses on ease of doing business through technology, service, variety of investment options, investment performance, product features, price (fees) and financial strength. Individual wealth management's broad spectrum of distribution associates, including exclusive and independent channels, provide important strategic advantages within the Canadian market.

Group Customer

The group life and health benefits market in Canada mainly comprises three large group insurance carriers with significant market positions, a number of smaller companies operating nationally and several regional and niche competitors. The Company has a significant market share of 21%, which is supported by an extensive distribution network who have access to a wide range of products and services. This strong market share position is a distinct advantage for competing successfully in the Canadian group insurance market.

The group capital accumulation plan market is also very competitive. Three major insurance companies hold a significant market share while several smaller insurance companies have an important market presence.

The pension risk transfer business continues to grow in the Canadian marketplace as more companies with defined benefit pension plans (open or closed) look to transfer the investment and longevity risk to insurance companies. Helping the market with the capacity to meet this demand, existing companies have increased their presence in the marketplace, including major independent and bank-owned insurance companies with strong balance sheets and new entrants.

2021 Developments

- On December 1, 2021, Canada Life was awarded the Public Service Health Care Plan (PSHCP) in the largest sale in the history of the Canadian group benefit market. As a result, effective July 1, 2023, Group Customer will support the well-being of 1.5 million more Canadians, covering eligible public servants and their dependents from coast to coast. The Company expects to administer an estimated $26 billion in claims on behalf of the PSHCP over a 12-year contract. The PSHCP represents over 3% of the group benefit market.
- On September 1, 2021, Canada Life completed the acquisition of ClaimSecure Inc., an industry-leading healthcare management firm that provides health and dental claim management services to private and public businesses in Canada. The acquisition increases the number of plan members served by Canada Life by 1.25 million individuals, with annual claims payments of more than $1.2 billion.
- During 2021, Canada Life launched new funds that seek to invest in companies that demonstrate strong environmental, social and governance (ESG) practices:
  - Canada Life Sustainable Portfolios launched on September 20, 2021, gives investors access to investments diversified across asset classes, regions and responsible investing strategies.
  - Canada Life Sustainable Target Date Funds launched on December 7, 2021, gives plan sponsors and members sustainable investing options to help members meet their retirement savings goals. The funds are the first of their kind in the Canadian group plan marketplace and exclusive to Canada Life.
- During 2021, Canada Life launched new products and services to improve customer experience and help customers meet their financial and wellness objectives:
  - On December 2, 2021, Dialogue's internet-based cognitive behavioural therapy (iCBT) program was made available to all Consult+ users across Canada, allowing access to timely mental health support.
  - Canada Life began providing HumanisRx's MedCheckUp program to its customers who are receiving disability benefits and have complex or unique medication needs. Canada Life is the first national insurer to offer medication reviews for disability.
  - *My Term* launched on April 5, 2021, a new customizable product allowing customers to choose the coverage option that works for them.
- During 2021, Canada Life delivered new platforms to support advisors to build better businesses and serve more Canadians:
  - An innovative, digital financial planning platform, through a partnership with Conquest Planning Inc., which empowers its Advisor Solutions network to streamline the planning process and efficiently build plans to meet unique client goals.
  - An intuitive digital sales platform, through a partnership with CapIntel, which helps streamline advisors' compliance activities, allowing them to maximize their time with clients.
- On July 1, 2021, the home of the Winnipeg Jets and Manitoba Moose was officially renamed Canada Life Centre™. The 10-year sponsorship agreement with True North Sports + Entertainment gives Canada Life national brand and media exposure, as the arena typically hosts more than 140 events each year and is recognized as one of the premier sports and entertainment venues in North America.

Selected Financial Information – Canada

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings (loss) (1)					
Individual Customer	**$ 140**	$ 140	$ 132	**$ 580**	$ 552
Group Customer	**194**	168	205	**705**	677
Canada Corporate	**(17)**	4	11	**(65)**	(23)
Base earnings (loss) (1)	**$ 317**	$ 312	$ 348	**$ 1,220**	$ 1,206
Items excluded from base earnings					
Actuarial assumption changes and other management actions (2)	**$ (13)**	$ (11)	$ (147)	**$ (43)**	$ (194)
Market-related impacts on liabilities (2)	**3**	4	(10)	**10**	(51)
Net gain/charge on business dispositions (3)	**–**	–	143	**–**	143
Restructuring costs (3)	**–**	–	(34)	**–**	(34)
Net earnings	**$ 307**	$ 305	$ 300	**$ 1,187**	$ 1,070
Sales (2)					
Individual Insurance	**$ 120**	$ 93	$ 116	**$ 421**	$ 408
Individual Wealth	**3,274**	2,402	2,818	**11,468**	9,133
Group Insurance	**189**	101	111	**667**	414
Group Wealth	**1,298**	870	684	**3,869**	2,316
Sales (2)	**$ 4,881**	$ 3,466	$ 3,729	**$ 16,425**	$ 12,271
Wealth Management net cash flows (2)					
Individual Customer	**$ 332**	$ 447	$ 75	**$ 1,324**	$ 295
Group Customer	**(509)**	(241)	(76)	**(1,252)**	68
Wealth Management net cash flows (2)	**$ (177)**	$ 206	$ (1)	**$ 72**	$ 363
Fee and other income					
Individual Customer	**$ 292**	$ 296	$ 251	**$ 1,138**	$ 981
Group Customer	**217**	197	195	**794**	716
Canada Corporate	**12**	16	15	**59**	59
Fee and other income	**$ 521**	$ 509	$ 461	**$ 1,991**	$ 1,756
Total assets (4)	**$ 203,982**	$ 197,244	$ 187,698		
Proprietary mutual funds and institutional assets (2) (4)	**5,742**	5,534	7,311		
Total assets under management (1)	**209,724**	202,778	195,009		
Other assets under administration (2)	**17,597**	21,162	18,554		
Total assets under administration (1)	**$ 227,321**	$ 223,940	$ 213,563		

(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 net gain on the sale of GLC and restructuring costs are included in the Canada Corporate business unit.
(4) At December 31, 2021, proprietary mutual funds excluded $2.4 billion in funds accounted for as investments on account of segregated fund policyholders ($0.5 billion at December 31, 2020).

Base and net earnings

In the fourth quarter of 2021, Canada segment's net earnings of $307 million increased by $7 million compared to the same quarter last year. Base earnings of $317 million decreased by $31 million compared to the same quarter last year, primarily due to less favourable morbidity experience in Group Customer and the impact of changes to certain tax estimates.

Items excluded from base earnings were negative $10 million compared to negative $48 million for the same quarter last year. Actuarial assumption changes and management actions were negative $13 million compared to negative $147 million for the same quarter last year, which reflected the unfavourable impact of insurance contract liability basis changes in the fourth quarter of 2020. Market-related impacts were positive $3 million in the fourth quarter of 2021 compared to negative $10 million in the same quarter last year.

For the twelve months ended December 31, 2021, net earnings increased by $117 million to $1,187 million compared to the same period last year. Base earnings of $1,220 million increased by $14 million compared to the same period last year, primarily due to favourable morbidity experience in Group Customer, higher impact of new business and fee income. The increase was partially offset by the impact of lower surplus investment income on seed money and changes in certain tax estimates.

For the twelve months ended December 31, 2021, items excluded from base earnings were negative $33 million compared to negative $136 million for the same period last year. Actuarial assumption changes and management actions were negative $43 million compared to negative $194 million for the same period last year, primarily due to the same reason discussed for in-quarter results. Market-related impacts were positive $10 million compared to negative $51 million for the same period last year, which was impacted by equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

For the fourth quarter of 2021, the net loss attributable to the participating account was $25 million compared to net earnings of $9 million for the same quarter last year, primarily due to unfavourable contributions from insurance contract liability basis changes. The decrease was partially offset by restructuring costs of $18 million related to strategic initiatives included in participating account earnings for the fourth quarter of 2020.

For the twelve months ended December 31, 2021, net earnings attributable to the participating account were $304 million compared to $76 million for the same period last year, primarily due to favourable contributions from insurance contract liability basis changes, favourable impact of new business driven by higher insurance sales and the restructuring costs discussed for the in-quarter results. The increase was partially offset by lower contributions from investment experience on participating account surplus assets.

Sales

Sales for the fourth quarter of 2021 of $4.9 billion increased by $1.2 billion compared to the same quarter last year, primarily due to higher single premium group annuities, individual and group segregated fund sales as well as higher individual third party mutual fund sales.

For the twelve months ended December 31, 2021, sales increased by $4.2 billion to $16.4 billion compared to the same period last year, primarily due to higher individual and group segregated fund sales, large case group wealth and insurance sales in the first quarter of this year as well as higher individual mutual fund sales.

In the fourth quarter of 2021, wealth management net cash outflows were $177 million compared to $1 million for the same quarter last year. Net cash inflows for the twelve months ended December 31, 2021 were $72 million compared to $363 million for the same period last year.

Fee and other income

Fee and other income for the fourth quarter of 2021 of $521 million increased by $60 million compared to the same quarter last year. The increase was primarily due to higher Individual Customer and Group Customer fee income as a result of higher average assets under administration driven by higher average equity market levels.

For the twelve months ended December 31, 2021, fee and other income increased by $235 million to $1,991 million compared to the same period last year, primarily due to the same reason discussed for the in-quarter results.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

Individual Customer

The Individual Customer business unit delivered strong core business results in 2021. The new single brand and company provides efficiencies and focus that when added to the Company's reputation for strength and stability, prudent business practices and the depth and breadth of its distribution channels, positions the Company well for 2022 and beyond.

In 2022, Individual Customer will continue to advance on strategies to position for growth. The Company will further establish the value propositions for advisors in all channels, providing them with strategies and tools for helping customers focus on achieving long-term financial security regardless of life stage and market fluctuations. This commitment to advice is beneficial to strong customer retention as well as helping advisors attract new customers to the Company. A key distribution strategy will be to maximize the use of common tools, processes and support, while tailoring support to specific segments of advisors where appropriate.

The Company will continue to competitively develop, price and market its comprehensive range of individual insurance and individual wealth management products while maintaining its focus on sales and service support to customers and advisors in all channels. The Company will also continue to monitor and respond to the impacts of long-term interest rates and fee income compression.

Operational expense management continues to be critically important to delivering strong financial results. The Company will seek to achieve this through disciplined expense controls and effective development and implementation of strategic initiatives. Management has identified a number of areas of focus for these initiatives to facilitate the objective of organic growth, including continuing to invest in digital solutions to support advisors and customers and addressing its legacy of administration systems and processes to unlock the potential for future growth.

Group Customer

During 2021, Group Customer delivered strong business results and maintained its competitive position in the Canadian group market with leading or strong market share in all case size, regional and benefit market segments. The Company believes that this market share position, together with its distribution capacity, will facilitate continued growth in net premium income.

The COVID-19 pandemic has impacted the overall Canada employment rate and this may impact employee attrition in existing Group plans; however, the impact to date has been limited. While uncertainty remains about the future of the economy, the supports that employers and Canada Life have put in place have helped preserve the critical benefits and savings programs for those on reduced working hours, temporary layoffs, or leaves of absences.

In 2022, Group Customer will continue to advance its core strategies to drive growth in the business. Group Customer plans to enhance its competitive position in the marketplace by focusing on improving its operational resilience. Group Customer will enhance its productivity as well as customer and employee experience by making further investments in workflow, automation, digital and artificial intelligence. Group Customer also plans to take advantage of being awarded the PSHCP by building additional digital capabilities that will be leveraged by the rest of the business improving efficiency and customer service.

The focus on operational resilience combined with a strong expense management culture will be key to delivering strong financial results in 2022 and beyond. While maintaining focus on all areas of the business, Group Customer plans to put increased focus and investment in its disability offering, improving the efficiency and effectiveness of disability operations to support growth and profitability in this business.

Group Customer will also focus on expanding its distribution footprint and take advantage of its member base by offering enhanced products that will be more readily available to its members. Group Customer plans to capitalize on its recent acquisition of ClaimSecure and leverage newly acquired capabilities to offer an enhanced product shelf as well as grow in the third party administrator business segment.

United States

The United States segment operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower'), Putnam Investments (Putnam) and the results of the insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. This includes the retirement services business acquired from MassMutual on December 31, 2020. The Financial Services business unit also includes the results of Personal Capital, a hybrid wealth manager that provides financial tools and advice to individuals, following the completion of its acquisition in the third quarter of 2020. In addition, a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance are also included in the Financial Services business unit.

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

Business Profile

Financial Services

Empower offers employer-sponsored defined contribution plans, enrollment services, communication materials, investment options, education services, individual retirement accounts and taxable brokerage accounts. The Great-West Investments brand offers fund management, investment and advisory services. The Empower Institutional brand offers private label recordkeeping and administrative services for other providers of defined contribution plans. Personal Capital is a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by dedicated advisors.

Asset Management

Putnam provides investment management services and related administrative functions and distribution services. Putnam offers a broad range of investment products, including equity, fixed-income, absolute return and alternative strategies, through Putnam Funds, Putnam Exchange Traded Funds (ETF), Putnam World Trust Funds, institutional portfolios (including hedge fund and other alternative strategies), model-based separately managed accounts (SMAs) and model portfolios. Revenue is derived from the value and composition of assets under management and performance fees as well as service and distribution fees. Accordingly, fluctuations in the financial markets and changes in the composition of assets or accounts affect revenues and results of operations.

Market Overview

Products and Services

Financial Services

The Company provides a focused product offering that is distributed through a variety of channels.

Market Position

- Second largest defined contribution service provider in the country (1) by participants providing services for 13.0 million participant accounts and approximately 67,000 plans (2)
- 19.9% market share in state and local government deferred compensation plans, based on number of participant accounts (3)
- Great-West Lifetime Funds are the 16th largest target date fund offering in the U.S.(2)

Products and Services

- Employer-sponsored defined contribution plans, enrollment services, communication materials, investment options and education services
- Administrative and recordkeeping services for financial institutions and employer-sponsored defined contribution plans and associated defined benefit plans
- Fund management, investment and advisory services
- Individual retirement accounts (IRAs) and taxable brokerage accounts

Distribution

- Retirement services products distributed to plan sponsors through brokers, consultants, advisors, third-party administrators and banks
- Empower Institutional recordkeeping and administrative services distributed through institutional clients
- IRAs and taxable brokerage accounts available to individuals through the Retirement Solutions Group as well as distributed directly to consumers

(1) As at June 30, 2021.
(2) As at December 31, 2021.
(3) As at September 30, 2020.

Asset Management

Market Position

- A global investment manager with assets under management of US$202.5 billion [(1)]
- Global distribution includes sales teams that are focused on major institutional markets in the U.S., Europe, the Middle East, Asia and Australia and through a long-standing strategic distribution relationship in Japan

Products and Services

Investment Management Products & Services

- Individual retail investors – a family of open-end mutual funds and closed-end funds, a line of actively-managed semi-transparent ETFs, college savings plans, mutual funds underlying variable annuity products, and model-only separately managed accounts and model portfolios for clients of third party financial firms
- Institutional investors – defined benefit plans sponsored by corporations, state, municipal and other governmental authorities, university endowment funds, charitable foundations, sovereign wealth funds and collective investment vehicles (both U.S. and non-U.S.)
- Investment offerings for defined contribution plans
- Alternative investment products across the fixed-income and equity groups as well as PanAgora Asset Management Inc., a Putnam subsidiary offering quantitative strategies
- Seven equity model-based separately managed accounts (SMAs) and six multi-asset model portfolios

Administrative Services

- Transfer agency, underwriting, distribution, shareholder services, and trustee and other fiduciary services

Distribution

Individual Retail Investors

- A broad network of distribution relationships with unaffiliated broker dealers, financial planners, registered investment advisors and other financial institutions that distribute the Putnam Funds and defined contribution investment only offerings to their customers, which, in total, includes approximately 135,000 advisors [(1)]
- Sub-advisory relationships and Putnam-labeled funds as investment options for insurance companies and non-U.S. residents
- Retail distribution channels are supported by Putnam's sales and relationship management team
- Retirement plan sponsors and participants are supported by Putnam's dedicated defined contribution investment only professionals and through a relationship with Empower and other recordkeeping firms

Institutional Investors

- Supported by Putnam's dedicated account management, product management and client service professionals

(1) As at December 31, 2021.

Competitive Conditions

Financial Services

The retirement and investment marketplaces are competitive. The Company's competitors include mutual fund companies, insurance companies, banks, investment advisors and certain service and professional organizations. No one competitor or small number of competitors is dominant. Competition focuses on name recognition, service, technology, cost, variety of investment options, investment performance, product features, price and financial strength as indicated by ratings issued by nationally recognized agencies.

Asset Management

The investment management business is competitive. Putnam competes with other providers of investment products and services, primarily based on the range of investment products offered, investment performance, distribution, scope and quality of shareholder and other services, as well as general reputation in the marketplace. Putnam's investment management business is also influenced by general securities market conditions, government regulations, global economic conditions, as well as advertising and sales promotional efforts. Putnam competes with other mutual fund firms and institutional asset managers that offer investment products similar to Putnam, as well as products that Putnam does not offer. Putnam also competes with a number of mutual fund sponsors that offer their funds directly to the public. Conversely, Putnam generally offers its funds only through intermediaries.

2021 Developments

Financial Services Developments

- On July 21, 2021, Empower announced a definitive agreement to acquire the retirement services business of Prudential Financial, Inc. (Prudential), further strengthening Empower's leadership position as the second largest retirement plan service provider in the U.S. Empower will acquire the retirement services business of Prudential for a total value of approximately US$3.55 billion. The value includes purchase price consideration of US$1.12 billion, reinsurance ceding commission of US$0.33 billion and US$2.1 billion of required capital to support the business. The transaction is expected to close in the first half of 2022, subject to regulatory approval and other customary closing conditions.

  Empower anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's recordkeeping platform. Estimated run-rate cost synergies of US$180 million are expected to be phased in over 24 months. Revenue synergies of US$20 million are expected on a run-rate basis by the end of 2023 and are expected to grow to US$50 million by 2025.

  Empower expects to incur one-time integration and restructuring expenses of US$170 million pre-tax and transaction costs of approximately US$55 million pre-tax, US$1 million and US$7 million pre-tax of which were incurred in the fourth quarter of 2021 and in the twelve months ended December 31, 2021, respectively. The integration is expected to be completed 24 months following closing.

	For the three months ended		For the twelve months ended	Total incurred to date
(in US$ millions)	Dec. 31 2021	Sept. 30 2021	Dec. 31 2021	Dec. 31 2021
Transaction costs (pre-tax)	$ 1	$ 6	$ 7	$ 7
Transaction costs (post-tax)	1	5	6	6

- At December 31, 2021, GWL&A's RBC ratio is estimated to be well in excess of 400% as it includes prefunded capital consideration for the Prudential full-service retirement business acquisition expected to close in the first half of 2022.

- As of December 31, 2021, US$80 million of pre-tax run rate cost synergies have been achieved related to Empower's acquisition of MassMutual's retirement services business compared to US$60 million pre-tax as of September 30, 2021.

  Empower remains on track to achieve run rate cost synergies of US$160 million pre-tax at the end of integration in 2022 and to achieve run rate revenue synergies of US$30 million in 2022 and continue to grow beyond 2022.

  Empower expects to incur restructuring and integration expenses of US$125 million pre-tax related to the MassMutual transaction. The integration is expected to be completed in the second half of 2022.

	For the three months ended		For the twelve months ended	Total incurred to date
(in US$ millions)	Dec. 31 2021	Sept. 30 2021	Dec. 31 2021	Dec. 31 2021
Restructuring and integration (pre-tax)	$ 10	$ 19	$ 45	$ 74
Restructuring and integration (post-tax)	6	15	33	56
Transaction costs (pre-tax)	–	–	4	55
Transaction costs (post-tax)	–	–	4	44

- As a result of the acquisition of Personal Capital in the third quarter of 2020, Empower expects to incur total integration expenses of US$57 million pre-tax. The integration remains on track to be completed in the first half of 2022. Empower recognized pre-tax contingent consideration transaction expense of US$41 million in the fourth quarter of 2021 and US$80 million for the twelve months ended December 31, 2021 for a total contingent consideration provision of US$100 million, based on a higher best estimate of net new assets above the amount assumed in the purchase price. The maximum amount of contingent consideration related to this transaction is US$175 million

	For the three months ended		For the twelve months ended	Total incurred to date
(in US$ millions)	Dec. 31 2021	Sept. 30 2021	Dec. 31 2021	Dec. 31 2021
Restructuring and integration (pre-tax)	$ 7	$ 7	$ 23	$ 26
Restructuring and integration (post-tax)	6	5	17	19
Transaction costs (pre-tax)	41	22	80	102
Transaction costs (post-tax)	39	20	76	96

- Empower assets under administration (AUA) were US$1.1 trillion at December 31, 2021, up from US$958 billion at December 31, 2020. Empower participant accounts have grown to 13.0 million at December 31, 2021, up from 11.9 million at December 31, 2020. The increases in AUA and participants since December 31, 2020 were primarily driven by strong equity markets and large plan sales, including one sale with approximately 316,000 participants and US$49 billion in AUA in the first quarter of 2021.
- During 2021, the Company completed its acquisition of the retirement services business of Truist Bank, a former private-label recordkeeping client. This acquisition brings approximately 300 retirement plans consisting of more than 73,000 plan participants.
- During 2021, the Company received the following awards and rankings:
  - Empower led the defined contribution plan recordkeeper industry in growth by both participants and assets, based on a survey published by Pensions & Investments in April 2021. The Company solidified its position as the second largest defined contribution recordkeeper in the country, improving its market share to 12% by participants and 11% by assets.
  - On September 29, 2021, Financial Advisor IQ released their 2021 Service Awards in which more than 900 financial advisors were surveyed to identify the firms they consider to be leaders in the investment management business. Empower received the Gold Medal for best overall recordkeeper, best reporting, best client service, best price and best participant tools.
- Subsequent to the fourth quarter of 2021, on February 1, 2022, the Company announced a fresh brand identity aimed at simplifying how the organization connects with customers. The name "Empower" replaced "Empower Retirement" as U.S. Financial Services' public-facing brand name. The new mark is a positive development reflecting Empower's broadening stature and rapid growth.

Asset Management Developments

- Putnam's ending assets under management (AUM) at December 31, 2021 of US$202.5 billion increased by US$11.0 billion compared to the same period last year, while average AUM for the twelve months ended December 31, 2021 of US$198.1 billion increased by US$24.4 billion compared to the same period last year.
- Putnam continues to sustain strong investment performance relative to its peers. As of December 31, 2021, approximately 84% and 83% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 50% and 37% of Putnam's fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 25 funds currently rated 4 or 5 stars by Morningstar Ratings.
- In March 2021, Putnam International Value Fund received a 2021 Refinitiv Lipper Fund Award for Best International Large-Cap Value Fund in the five-year and ten-year performance categories, recognizing the fund's superior risk-adjusted long-term investment results compared to its peers.
- On May 26, 2021, Putnam launched its first actively managed ETFs, which are based on four of its leading equity strategies. The new offerings represent Putnam's first ETF products, in addition to an array of current offerings including retail mutual funds, separately managed accounts, collective investment trusts, private funds and non-U.S. funds.
- In February 2021, Putnam hired an experienced team to build Putnam's collateralized loan obligation (CLO) business under the 37 Capital brand, which is applied to Putnam's alternative investment strategies. On November 18, 2021, Putnam closed its first CLO fund called 37 Capital CLO 1, a US$400+ million transaction. Putnam is actively investing for its second CLO transaction.
- For the 32nd consecutive year, Putnam has been recognized by DALBAR Inc. for mutual fund service quality. This recognition includes Putnam being named as a DALBAR Mutual Fund Service Award winner for 30 of those years. Additionally, Putnam has been named the sole recipient of DALBAR's Total Client Experience Award recognizing overall mutual fund customer service quality for the past eleven years.

Selected Financial Information – United States

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings (US$) (1)					
Financial services	**$ 110**	$ 149	$ 49	**$ 482**	$ 200
Asset Management (Putnam) Core (1)	**20**	24	37	**74**	51
Asset Management (Putnam) Non-core (1)	**15**	3	(11)	**2**	(37)
Total Asset Management (Putnam)	**$ 35**	$ 27	$ 26	**$ 76**	$ 14
U.S. Corporate	**(20)**	(2)	(7)	**(23)**	(9)
Base earnings (US$) (1)	**$ 125**	$ 174	$ 68	**$ 535**	$ 205
Items excluded from base earnings (US$)					
Actuarial assumption changes and other management actions (2)	**$ 1**	$ 4	$ 2	**$ 5**	$ 31
Market-related impact on liabilities (2)	**(1)**	(1)	(1)	**(3)**	(15)
Transaction costs related to acquisitions	**(40)**	(25)	(36)	**(86)**	(60)
Restructuring and integration costs	**(12)**	(20)	(25)	**(54)**	(25)
Revaluation of a deferred tax asset	**–**	–	151	**–**	151
Net earnings – common shareholders (US$)	**$ 73**	$ 132	$ 159	**$ 397**	$ 287
Net earnings – common shareholders (C$)	**$ 92**	$ 168	$ 208	**$ 499**	$ 380
Sales (US$) (2)					
Financial Services	**$ 17,994**	$ 14,363	$ 8,151	**$ 117,036**	$ 45,641
Asset Management (Putnam)	**13,835**	8,790	12,957	**45,419**	56,541
Sales (US$) (2)	**$ 31,829**	$ 23,153	$ 21,108	**$ 162,455**	$ 102,182
Sales (C$) (2)	**$ 40,104**	$ 29,173	$ 27,439	**$ 204,584**	$ 136,884
Fee and other income (US$)					
Financial Services	**$ 534**	$ 539	$ 329	**$ 2,103**	$ 1,171
Asset Management (Putnam)					
Investment management fees	**$ 175**	$ 175	$ 157	**$ 682**	$ 599
Performance fees	**9**	1	25	**12**	23
Service fees	**29**	29	28	**116**	111
Underwriting & distribution fees	**45**	45	42	**179**	166
Total Asset Management (Putnam)	**$ 258**	$ 250	$ 252	**$ 989**	$ 899
Fee and other income (US$)	**$ 792**	$ 789	$ 581	**$ 3,092**	$ 2,070
Fee and other income (C$)	**$ 998**	$ 995	$ 754	**$ 3,880**	$ 2,769
Total assets (US$)	**$ 163,946**	$ 163,878	$ 164,236		
Proprietary mutual funds and institutional assets (2)	**244,829**	235,067	223,820		
Total assets under management (1)	**408,775**	398,945	388,056		
Other assets under administration (2)	**977,932**	929,041	783,456		
Total assets under administration (US$) (1)	**$1,386,707**	$1,327,986	$1,171,512		
Total assets under administration (C$) (1)	**$1,761,118**	$1,686,542	$1,487,820		

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

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

Base and net earnings

In the fourth quarter of 2021, the U.S. segment's net earnings of US$73 million decreased by US$86 million compared to the same quarter last year. Base earnings of US$125 million increased by US$57 million compared to the same quarter last year, primarily due to an increase of US$61 million in Financial Services and an increase of US$9 million in Putnam. The increase in Financial Services was primarily due to MassMutual related base earnings of US$44 million, growth in the legacy Empower business attributable to higher average equity markets, an increase in participants, as well as higher contributions from investment experience. The increase in Financial Services was partially offset by a Personal Capital related base loss of US$6 million. The increase in Putnam's results was primarily due to the favourable impact of certain tax items and higher AUM-based fee revenue, partially offset by lower net investment income and performance fee revenue as well as higher operating expenses.

Items excluded from base earnings for the fourth quarter of 2021 were negative US$52 million compared to positive US$91 million for the same quarter last year. The decrease was primarily related to the revaluation of a deferred tax asset of US$151 million in the fourth quarter of 2020 which had been de-recognized in the fourth quarter of 2019. Transaction costs related to acquisitions were US$40 million in the fourth quarter of 2021 and included US$39 million of additional contingent consideration expense related to the acquisition of Personal Capital based on a higher best estimate of net new assets above the amount assumed in the purchase price.

For the twelve months ended December 31, 2021, net earnings increased by US$110 million to US$397 million compared to the same period last year. Base earnings of US$535 million increased by US$330 million compared to the same period last year, primarily due to an increase of US$282 million in Financial Services and an increase of US$62 million in Putnam. The increase in Financial Services was primarily due to MassMutual related base earnings of US$188 million and the same reasons discussed for the in-quarter results, partially offset by a Personal Capital related base loss of US$28 million. The increase in Putnam's results was primarily due to higher AUM-based fee income and the favourable impact of certain tax items, partially offset by higher operating expenses as well as lower net investment income and performance fee revenue.

For the twelve months ended December 31, 2021, items excluded from base earnings decreased to negative US$138 million compared to positive US$82 million for the same period last year. The decrease was primarily related to the revaluation of a deferred tax asset in the prior year as discussed in the in-quarter results, higher restructuring and integration costs as well as lower contributions from insurance contract liability basis changes. Transaction costs related to acquisitions were US$86 million for the twelve months ended December 31, 2021 and included US$76 million of additional contingent consideration expense related to the acquisition of Personal Capital based on a higher best estimate of net new assets above the amount assumed in the purchase price.

Sales

Sales in the fourth quarter of 2021 of US$31.8 billion increased by US$10.7 billion compared to the same quarter last year. The increase was primarily due to an increase in Empower sales across all plan sizes, Personal Capital related sales and higher Putnam institutional sales, partially offset by lower Putnam mutual funds sales. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

For the twelve months ended December 31, 2021, sales increased by US$60.3 billion to US$162.5 billion compared to the same period last year, primarily due to an increase in Empower sales across all plan sizes and Personal Capital related sales, partially offset by lower Putnam mutual and institutional sales. Empower large plan sales for the first quarter of 2021 included one new client with approximately 316,000 participants.

Empower – assets under administration (US$)

	December 31	
	2021	2020
General account – fixed options	**$ 37,329**	$ 36,590
Segregated funds – variable options	**86,181**	87,578
Proprietary mutual funds (1)	**42,058**	50,232
Unaffiliated retail investment options & administrative services only	**977,932**	783,456
	$1,143,500	$ 957,856

(1) At December 31, 2021, proprietary mutual funds included US$19.6 billion in Putnam managed funds (US$16.8 billion at December 31, 2020).

Empower customer account values at December 31, 2021 of US$1.1 trillion increased by US$185.6 billion compared with December 31, 2020, primarily due to favourable equity market impacts and net cash inflows from unaffiliated retail investment options and administrative services only accounts.

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. Performance fee income for the Asset Management business varies based on seasonality.

Fee and other income for the fourth quarter of 2021 of US$792 million increased by US$211 million compared to the same quarter last year. The increase was primarily due to MassMutual related fee income of US$147 million as well as Empower higher average equity markets and growth in participants. Putnam fee and other income also increased by US$6 million, primarily due to higher investment management fees, partially offset by lower performance fee revenue.

For the twelve months ended December 31, 2021, fee and other income increased by US$1.0 billion to US$3.1 billion compared to the same period last year. The increase was primarily due to MassMutual related fee income of US$615 million and an increase in Personal Capital related fee income of US$104 million. In addition, Empower fee income and Putnam fee and other income increased compared to the same period last year driven by higher average equity markets.

Assets Under Management – Putnam

Assets under management (US$) (1)

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Beginning assets	**$ 196,887**	$ 198,571	$ 179,018	**$ 191,554**	$ 181,724
Sales – Mutual funds (1)	**5,206**	4,743	6,389	**22,343**	29,509
Redemptions – Mutual funds	**(6,812)**	(5,687)	(7,155)	**(26,605)**	(33,492)
Net asset flows – Mutual funds (1)	**(1,606)**	(944)	(766)	**(4,262)**	(3,983)
Sales – Institutional (1)	**8,629**	4,047	6,568	**23,076**	27,032
Redemptions – Institutional	**(7,063)**	(4,699)	(6,791)	**(26,109)**	(29,735)
Net asset flows – Institutional (1)	**1,566**	(652)	(223)	**(3,033)**	(2,703)
Net asset flows – Total (1)	**(40)**	(1,596)	(989)	**(7,295)**	(6,686)
Impact of market/performance	**5,685**	(88)	13,525	**18,273**	16,516
Ending assets	**$ 202,532**	$ 196,887	$ 191,554	**$ 202,532**	$ 191,554
Average AUM (1)					
Mutual funds	**98,425**	98,584	90,164	**97,155**	85,687
Institutional assets	**102,090**	102,021	95,261	**100,968**	88,065
Total average AUM (1)	**$ 200,515**	$ 200,605	$ 185,425	**$ 198,123**	$ 173,752

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

Putnam's average proprietary mutual funds and institutional assets for the three months ended December 31, 2021 were US$200.5 billion, an increase of US$15.1 billion or 8% compared to the same quarter last year, primarily due to strong equity markets. In-quarter mutual fund net asset outflows of US$1.6 billion were mostly offset by institutional net asset inflows of US$1.6 billion, compared to net asset outflows of US$1.0 billion for the same quarter last year.

Average proprietary mutual funds and institutional assets for the twelve months ended December 31, 2021 increased by US$24.4 billion to US$198.1 billion compared to the same period last year, primarily due to the same reason discussed for the in-quarter results. Net asset outflows for the twelve months ended December 31, 2021 were US$7.3 billion compared to US$6.7 billion for the same period last year.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

Financial Services

Empower is positioned for significant growth opportunities with expertise and diversification across all plan types, company sizes and market segments. The closing of the acquisition of the full-service retirement business of Prudential Financial, Inc., expected to occur in the first half of 2022, will add significant expertise, a broader set of capabilities and an expanded product portfolio to Empower. Additionally, the acquisition further solidifies Empower's position as the second largest player in the U.S. retirement market. The Financial Services business unit continues to examine opportunities to structure products and develop strategies to stimulate growth in AUM.

In 2022, Empower's strategies to drive sales growth will continue to include active marketing of the brand, investing in product differentiation and offering a best-in-class service model. In 2021, significant progress was made on the integration of Personal Capital and MassMutual, which are expected to be completed in the first and second half of 2022, respectively. It is anticipated that Empower will realize further cost synergies through the continued migration of MassMutual's retirement services business onto Empower's recordkeeping platform. The Company also expects to begin realizing cost synergies related to the migration of Prudential's retirement services business in the second half of 2022.

In addition to the aforementioned business integrations, it is expected that continued investments in improving customer web experience, including adding innovative capabilities and ease of service products, will be made in 2022. These efforts are expected to increase customer retention and ultimately increase participant retirement savings. Leveraging new capabilities from the acquisition of Personal Capital will allow Empower to better integrate Prudential's existing business of helping customers better understand their current financial needs through financial advice and goal setting.

Asset Management

Putnam remains committed to providing strong, long-term risk-adjusted investment performance across asset classes for its clients and investors in the mutual fund, institutional and retirement marketplaces.

In 2022, Putnam will continue to focus efforts on driving growth and market share through new sales and asset retention in all markets it serves including Global Institutional, PanAgora (Putnam's quantitative institutional manager), U.S. Retail and Defined Contribution Investment Only, while maintaining its industry recognized reputation for service excellence.

Innovation will remain a key differentiator in 2022 as Putnam further develops and refines its product offerings, service features and operational functions, while bolstering its corporate and brand image with a broad range of constituents. Putnam continues to increasingly incorporate digital technology throughout its business to drive greater efficiencies and create business opportunities.

Putnam will remain focused on growth of revenues and assets in 2022, while also managing firm-wide expenses, as it seeks to further build a scalable and profitable asset management franchise.

Europe

The Europe segment is comprised of three distinct business units serving customers in the U.K., Ireland and Germany and offers protection and wealth management products, including payout annuity products. The U.K. and Germany business units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand.

Business Profile

United Kingdom

The core products offered by the U.K. business unit are bulk and individual payout annuities, equity release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. These products are distributed through independent financial advisors and employee benefit consultants in the U.K. and Isle of Man.

Ireland

The core products offered by Irish Life in Ireland are savings and investments, individual and group life insurance, health insurance and pension products. These products are distributed through independent brokers, a direct sales force and tied agent bank branches. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels. Irish Life Investment Managers (ILIM) is one of the Company's fund management operations in Ireland. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional clients including pension schemes, insurance companies, wealth managers, fiduciary managers and sovereign wealth funds across Europe and North America. Setanta Asset Management, a subsidiary of the Company, manages assets for third-party institutional clients and a number of companies in the Lifeco group. The Company also owns a number of employee benefits and wealth consultancy businesses in Ireland.

Germany

The core products offered by the Germany business unit are individual and group pensions and life insurance products. These products are distributed through independent brokers and multi-tied tied agents.

MARKET OVERVIEW

PRODUCTS AND SERVICES

EUROPE

MARKET POSITION

U.K.
- Group life market share 24% (1)
- Group income protection market share 16% (1)
- Payout annuities market share 16% (Advisor only) (2)
- A market leading international life company selling into the U.K. market, with over 15% market share (3)
- Among the top five in the onshore unit-linked single premium bond market, with 8% market share (Advisor only) (3)
- An award winning competitor in the equity release market, with 12% market share (4)

Ireland
- Life assurance company market share 34% (5)
- Retail life and pensions market share 26% (6)
- Group pensions, group risk and corporate annuities market share 45% (6)
- ILIM is one of the largest institutional fund managers in Ireland with €103 billion assets under management (7)
- Third largest health insurance business through Irish Life Health with a market share of 21% (8)

Germany
- 4% share of the broker market (7)

PRODUCTS AND SERVICES

U.K.
- Individual and bulk payout annuities
- Fixed term annuities
- Individual savings and investments (retirement drawdown & pension, onshore & international bonds and collective investment funds)
- Group and individual life insurance
- Group income protection (disability)
- Group and individual critical illness
- Equity release mortgages

Ireland
- Individual and group risk & pensions
- Individual and bulk payout annuities
- Health insurance
- Wealth management services
- Individual savings and investment
- Institutional investment management

Germany
- Pensions
- Income protection (disability)
- Critical illness
- Variable annuities (GMWB)
- Individual life insurance

EUROPE (CONT'D)

DISTRIBUTION

U.K.
- Financial advisors
- Private banks
- Employee benefit consultants

Ireland
- Independent brokers
- Pensions and investment consultants
- Direct sales force made up of primarily self employed tied agents and a smaller employed sales team
- Tied bank branch distribution with various Irish banks

Germany
- Independent brokers
- Multi-tied agents

(1) As at December 31, 2020.
(2) Market share based on second quarter 2021 data through financial advisors, restricted whole market advisors and non-advised distributor.
(3) Market share position is based on sales for the twelve month period ended September 30, 2021.
(4) Equity Release Council market statistics for the fourth quarter of 2020 to the third quarter of 2021.
(5) As at October 31, 2021.
(6) As at June 30, 2021.
(7) As at December 31, 2021.
(8) As at September 30, 2021.

COMPETITIVE CONDITIONS

UNITED KINGDOM

In the U.K., the Company has strong market positions for payout annuities, wealth management and group risk, where it is a market leader. Combined sales from the onshore and international wealth management businesses put Canada Life as one of the top investment bond providers in the U.K.

For individual annuities, the Company has benefited over recent years from an increase in the proportion of customers seeking the best price in the open market, increasing the proportion of customers buying annuities through financial advisors, which are the Company's primary distribution channel. The Company continues to offer both standard and enhanced annuities as well as investment based pension and drawdown products for customers wanting to take advantage of the greater pension flexibility introduced in recent years. The Company is well positioned for further growth in the retirement retail market, supported by its equity release mortgage expertise, which is an important part of the retirement market. The Company also offers bulk annuities aimed at trustees of defined benefits plans who want to insure pension annuities in payment. This is a large market and demand from trustees remains strong. The market is expected to grow as pension plan funding improves and trustees consider ways to reduce risk. With expertise and experience in longevity and investment products, the Company is well placed to continue to grow its bulk annuity new business.

In international wealth management operations, the Company continued to focus efforts on increasing sales within the retail market while maintaining its strong presence in the institutional sector. Future estate planning continues to be an area of focus for U.K. advisors and Canada Life International remains one of the leading companies in this sector of the market.

Ireland

The Company is the largest life assurance company in Ireland with a market share of ILA at 34% as at October 31, 2021. Irish Life follows a multi-channel distribution strategy with a large broker distribution network, the largest direct sales force and the largest Bancassurance distribution network where it has tied relationships with five banks. It is expected that two of the smaller banks will exit from the Irish market in 2022.

Irish Life Investment Managers (ILIM) is one of Ireland's largest institutional fund managers with approximately €103 billion of assets under management, as at December 31, 2021. As a market leader in the domestic market, ILIM focuses on sustainability, specifically in the area of climate change, with the expansion of its sustainable solution range, the introduction of its Climate Action Pledge and becoming one of the first asset managers in Ireland to report in line with the Task Force on Climate-related Financial Disclosures (TCFD). ILIM's proprietary solutions all meet the new sustainability criteria including the Irish Life flagship product Multi Asset Portfolios (MAPS) which became the first flagship offering in Ireland to meet this new standard. ILIM continued to expand its real estate offerings and evolve its asset and liability management, liability-driven investments and bulk annuity services to large defined benefit pension schemes.

Setanta Asset Management had approximately €15 billion of assets under management as at December 31, 2021.

Irish Life Health brand has a top three position in the Irish market.

Germany

The Company has a leading position among providers of products to the German independent intermediary market. The Company is among the top six providers in the independent intermediary market through continuous product, technology and service improvements. The low interest rate environment for traditional German insurance products has been challenging leading to increased competition in the hybrid and lighter guarantee product categories that Canada Life offers.

2021 Developments

- In the second quarter of 2021, a 50:50 joint venture agreement was reached by Allied Irish Banks plc (AIB) and Canada Life Irish Holding Company Limited to form a new life assurance company. The new life assurance company, which is expected to launch over the next twelve months, will offer AIB customers a range of life protection, pensions, savings and investment options enhanced by integrated digital solutions with continued access to qualified financial advisors. In the fourth quarter of 2021, the Company incurred transaction costs of $3 million related to this agreement. Once established, the existing distribution agreement between AIB and Irish Life will cease. The joint venture agreement is subject to customary regulatory approval and authorization processes.
- On November 1, 2021, Irish Life completed the previously announced acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc. for a total cash consideration of €230 million. Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.
- In the third quarter of 2021, Irish Life Investment Managers (ILIM) released a TCFD Report. The report illustrates ILIM's sustainable investment commitment, providing greater transparency to its stakeholders on key sustainability issues.
- During the fourth quarter of 2021, recurring annual premiums in the defined contribution (DC) group pension business line exceeded the €1 billion mark. In the same period, Irish Life won the Excellence in DC award for the second consecutive year at the 2021 Irish Pensions Awards.
- During the year, the Company's U.K. International Wealth business won the Best International Life Group – U.K. at the Global Financial Services Awards 2021 for the Company's commitment to the industry and a wide product range as well as recognition for quality and service.

Selected Financial Information – Europe

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings (loss) (1)					
United Kingdom	**$ 110**	$ 83	$ 96	**$ 366**	$ 334
Ireland	**67**	110	62	**288**	212
Germany	**41**	43	41	**196**	155
Europe Corporate	**(5)**	(4)	(4)	**(20)**	(13)
Base earnings (loss) (1)	**$ 213**	$ 232	$ 195	**$ 830**	$ 688
Items excluded from base earnings					
Actuarial assumption changes and other management actions (2)	**$ 46**	$ 81	$ 78	**$ 186**	$ 188
Market-related impacts on liabilities (2)	**18**	44	(20)	**19**	(57)
Transaction costs related to acquisitions	**(24)**	–	–	**(24)**	–
Tax legislative changes impact on liabilities	**–**	–	–	**(21)**	–
Net gain/charge on business dispositions	**(14)**	–	–	**(14)**	94
Net earnings – common shareholders	**$ 239**	$ 357	$ 253	**$ 976**	$ 913
Sales (2)					
Insurance	**$ 909**	$ 1,930	$ 1,078	**$ 4,202**	$ 2,651
Wealth Management	**5,584**	5,038	5,796	**22,411**	26,345
Sales (2)	**$ 6,493**	$ 6,968	$ 6,874	**$ 26,613**	$ 28,996
Wealth and investment only net cash flows (2)					
United Kingdom	**$ 42**	$ 109	$ (108)	**$ 348**	$ 178
Ireland	**1,354**	1,133	(1,282)	**3,085**	140
Germany	**266**	226	232	**925**	849
Wealth and investment only net cash flows (2)	**$ 1,662**	$ 1,468	$ (1,158)	**$ 4,358**	$ 1,167
Fee and other income					
United Kingdom	**$ 42**	$ 48	$ 43	**$ 175**	$ 168
Ireland	**200**	189	189	**772**	752
Germany	**122**	115	119	**468**	446
Fee and other income	**$ 364**	$ 352	$ 351	**$ 1,415**	$ 1,366
Total assets	**$ 200,899**	$ 191,878	$ 189,351		
Proprietary mutual funds and institutional assets (2)	**60,480**	61,695	59,381		
Total assets under management (1)	**261,379**	253,573	248,732		
Other assets under administration (2) (3)	**12,360**	12,030	10,871		
Total assets under administration (2)	**$ 273,739**	$ 265,603	$ 259,603		

(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 December 31, 2021, other assets under administration excludes $10.8 billion of assets managed for other business units within the Lifeco group of companies ($9.4 billion at September 30, 2021 and $7.4 billion at December 31, 2020).

Base and net earnings

In the fourth quarter of 2021, the Europe segment's net earnings of $239 million decreased by $14 million compared to the same quarter last year. Base earnings of $213 million increased by $18 million compared to the same quarter last year, primarily due to favourable morbidity experience and changes to certain tax estimates in the U.K. as well as fee income growth in Ireland. These items were partially offset by lower annuitant experience in the U.K., unfavourable mortality experience in Ireland and the impact of currency movement.

Items excluded from base earnings for the fourth quarter of 2021 were positive $26 million compared to positive $58 million for the same quarter last year. The decrease was primarily due to transaction costs and contingent consideration provisions related to recent acquisitions in Ireland, a net charge on business disposition in Corporate and lower contributions from actuarial assumption changes. These items were partially offset by growth in property market values.

For the twelve months ended December 31, 2021, net earnings increased by $63 million to $976 million compared to the same period last year. Base earnings of $830 million increased by $142 million compared to the same period last year. In the U.K., favourable investment and morbidity experience positively contributed to base earnings, partially offset by unfavourable changes to certain tax estimates. In Ireland, fee income growth, favourable morbidity experience and a pension settlement gain positively contributed to base earnings. The favourable impact of changes to certain tax estimates in Germany, resulting from the resolution of an outstanding issue with a foreign tax authority.

For the twelve months ended December 31, 2021, items excluded from base earnings decreased by $79 million to $146 million, primarily due to the same reasons discussed for the in-quarter results as well as the unfavourable impact of tax legislative changes on deferred tax liabilities in the second quarter of 2021 and a net gain on the sale of IPSI in the third quarter of 2020.

Sales

Sales for the fourth quarter of 2021 decreased by $0.4 billion to $6.5 billion compared to the same quarter last year, primarily due to lower fund management sales in Ireland, lower annuity sales in the U.K. and the impact of currency movement. These items were partially offset by growth in equity release mortgage sales in the U.K. and higher wealth management sales across all business units.

For the twelve months ended December 31, 2021, sales decreased by $2.4 billion to $26.6 billion compared to the same period last year, primarily due to lower fund management and wealth management sales in Ireland, and the impact of currency movement. These items were partially offset by higher annuity sales and growth in equity release mortgage sales in the U.K. as well as wealth management sales in both the U.K. and Germany.

In the fourth quarter of 2021, wealth and investment only net cash inflows were $1,662 million compared to net outflows of $1,158 million for the same quarter last year. The increase was primarily due to lower fund management outflows in Ireland. For the twelve months ended December 31, 2021, net cash inflows were $4,358 million compared to $1,167 million for the same period last year, primarily due to higher wealth management sales in the U.K. and Germany as well as lower Ireland outflows, partially offset by lower fund management sales in Ireland.

Fee and other income

Fee and other income for the fourth quarter of 2021 increased by $13 million to $364 million compared to the same quarter last year. The increase was primarily due to higher management fees on segregated fund assets in Ireland and Germany, partially offset by the impact of currency movement.

For the twelve months ended December 31, 2021, fee and other income increased by $49 million to $1,415 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

United Kingdom

The retail payout annuities market is expected to show modest growth in the medium to long-term. Individuals continue to have flexibility in accessing their savings in retirement. As expected, some individuals have chosen to remain invested in the market while drawing a pension income rather than buying a payout annuity. However, the Company expects that the attractiveness of guaranteed income from annuities will remain a key part of customers' retirement planning in the future and the Company sees the opportunity to grow its payout annuity business in line with the expected growth in the overall retirement market.

The overall size of the retirement market continues to grow as more employers transition from defined benefit to defined contribution pension plans, with significant growth expected in equity release, pension consolidation and income drawdown. The Company will continue to develop products for individuals who require additional pension flexibility and will further develop its presence in the bulk annuity market where trustees of defined benefit schemes want to remove risk by insuring its pension liabilities near to or already in payment.

Canada Life continues to be a key player in the single premium investment bond marketplace. It will continue to develop its presence in both the international and onshore market segments. The Company's distribution strategy for onshore will remain focused on financial advisors. In the international wealth management segment, the outlook is cautiously optimistic with an expectation that the market will recover from the COVID-19 pandemic and continue to grow. The majority of the Company's business growth is expected to be through discretionary fund management wealth advisors, the retail market and through tax and estate planning products.

The Group protection business maintained its position as a market leader and the Company believes that this market share position will facilitate continued growth in premium income. 2021 continued to see increased mortality claims from the COVID-19 pandemic, which were broadly balanced by increased annuitant mortality experience. That balance is expected to continue into 2022. In 2021, the Company did not see the anticipated levels of employment contraction arising from COVID-19 impact on the U.K. economy. The benefits covered in the group risk portfolio are expected to achieve moderate growth in 2022 with increased wage inflation.

Ireland

The Irish economy has performed extremely well during the pandemic, being one of only a handful of countries to experience positive GDP growth in 2021. Household net worth and deposits are at record levels and consumer confidence is recovering. Business sentiment readings have also risen sharply and are high in absolute and relative terms against global and European peers and are consistent with strong growth in the Irish economy. The multinational sector performed strongly, with record levels of employment creation.

Irish Life's vision to be "Ireland's home of Health and Wealth" continues to drive mergers and acquisitions, innovation and transformation initiatives in the Irish business unit. In 2022 the Company aims to consolidate its position in the wealth and employee benefits consulting markets following the acquisitions during 2020 and 2021. The Company is accruing benefits from being a collaborative, centrally connected, inquisitive and digitally enabled organization that embraces technology for the benefit of all its stakeholders. In 2021 it has again actively reviewed and amended its strategy to accelerate developments that help its customers and advisers face the challenges presented by the current economic climate. The relaunch of the Irish Life website and launch of WorkLife, a corporate wellness platform, has allowed Irish Life to further expand its well-being offering in line with the Company's commitment to support its customers, employees and wider community in managing their mental, physical as well as financial well-being. The Company's broadly diversified product portfolio, distribution channels and target market segments have helped it to adapt successfully to the challenges of the pandemic, and position it to benefit from the upturn in the Irish economy post-crisis.

Germany

The outlook for the German business continues to be positive and the Company expects growth in assets under management and its share of the market during 2022. Unit-linked products are expected to grow their market share, particularly as traditional guaranteed products become less attractive due to the increasing cost of guarantees and the impact of Solvency II on traditional insurance products. The Company has positioned itself to further strengthen its presence in the unit-linked market through continued investments in product development, distribution technology and service improvements.

The Company will focus on the independent intermediary distribution channel and has a strong distribution technology platform in Germany, which offers considerable service flexibility. The Company is also focused on ensuring that its strong record of legal and regulatory compliance continues, including response to new regulatory requirements in respect of corporate governance standards, risk management and consumer protection.

Capital and Risk Solutions

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

Business Profile

Reinsurance

Reinsurance provides capital and risk solutions and operates primarily in the U.S., Barbados, Bermuda and Ireland. In the U.S., the reinsurance business operates through a branch of Canada Life, subsidiaries of Canada Life and a subsidiary of GWL&A. In Barbados, the reinsurance business operates primarily through a branch of Canada Life and subsidiaries of Canada Life. In Bermuda and Ireland, the reinsurance business operates through a subsidiary of Canada Life.

The Company's business includes both reinsurance and retrocession business transacted directly with clients or through reinsurance brokers. As a retrocessionaire, the Company provides reinsurance to other reinsurers to enable those companies to manage their insurance risk.

The product portfolio offered by the Company includes life, health, annuity/longevity, mortgage surety and property catastrophe reinsurance, provided on both a proportional and non-proportional basis.

In addition to providing reinsurance products to third parties, the Company also utilizes internal reinsurance transactions between companies in the Lifeco group. These transactions are undertaken to better manage insurance risks relating to retention, volatility and concentration; and to facilitate capital management for the Company, its subsidiaries and branch operations. These internal reinsurance transactions produce benefits that are reflected in one or more of the Company's other business units.

Market Overview

Products and Services

Reinsurance

Market Position

- 8th largest reinsurer worldwide by premium volume (1)
- 3rd largest life reinsurer worldwide by premium volume (1)
- Leading provider of structured reinsurance solutions in the U.S. and Europe market
- Leading provider of U.K. and European longevity reinsurance
- Ranked 7th for traditional mortality reinsurance in the U.S. (1)
- Long-standing provider of a range of property and casualty catastrophe retrocession coverages

Products and Services

Life, Health and Annuity
- Yearly renewable term
- Co-insurance
- Modified co-insurance
- Risk & capital management solutions

Longevity
- Longevity swaps
- Capital management solutions

Mortgage and Surety Reinsurance
- Stop loss and quota share

Property and Casualty
- Catastrophe retrocession
- Capital management solutions

Funded reinsurance
- Coinsurance of life and annuity blocks with assets

Distribution

- Independent reinsurance brokers
- Direct placements

(1) As at December 31, 2020.

Competitive Conditions

Reinsurance

In the U.S. life reinsurance market, insurers continue to view reinsurance as an important tool for risk and capital management. Several competitors are now focusing on growing their market share, which resulted in increased competition. Nevertheless, a biennial independent industry survey released in October 2021 confirmed that the Company remains one of the top two providers of risk and capital management solutions in the U.S. market. The Company's financial strength and ability to offer risk and capital solutions and traditional mortality reinsurance continues to be a competitive advantage.

In Europe, Solvency II dominates the regulatory landscape and interest in capital management transactions that produce capital benefits continues to grow. Demand for longevity reinsurance remains strong in the U.K., the Netherlands and some other continental European countries. As a result, there are now more reinsurers participating in this market.

2021 Developments

- The Company offers property catastrophe coverage to reinsurance companies and as a result the Company is exposed to claims arising from major weather events and other catastrophic events. The Company has been closely following a number of such events which have caused a high level of insured losses. Included in the Company's net earnings for the third quarter of 2021 were net losses of $61 million, primarily relating to estimated claims net of reinstatement premiums on these coverages. The Company's loss estimate is based on currently available information and the exercise of judgment. The Company's loss estimate may change as additional information becomes available.
- During 2021, the Company entered into the following long-term reinsurance agreements:
  - Two long-term reinsurance agreements in Japan, which cover blocks of in-force whole life policies. In exchange for a single upfront premium payment, Canada Life will pay the actual benefit obligations incurred under the respective agreements.
  - A longevity reinsurance agreement with an insurance company in the Netherlands, which covers approximately €4.7 billion of pension liabilities and approximately 104,500 in-payment and deferred policies. In exchange for ongoing premium payments, Canada Life will pay the actual benefit obligations incurred by the insurance company.
  - Two longevity reinsurance agreements with insurance companies in the U.K, which cover over £600 million of pension liabilities and over 3,000 in-payment and deferred policies. In exchange for ongoing premium payments, Canada Life will pay the actual benefit obligations incurred by the insurance companies.

Selected Financial Information – Capital and Risk Solutions

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings (loss) (1)					
Reinsurance	$ **147**	$ 108	$ 124	$ **552**	$ 539
Capital and Risk Solutions Corporate	**(2)**	(1)	–	**(5)**	(3)
Base earnings (loss) (1)	$ **145**	$ 107	$ 124	$ **547**	$ 536
Items excluded from base earnings					
Actuarial assumption changes and other management actions (2)	**(12)**	(5)	43	**(15)**	78
Net earnings – common shareholders	$ **133**	$ 102	$ 167	$ **532**	$ 614
Total net premiums					
Reinsurance	$ **7,216**	$ 8,558	$ 5,330	$ **29,514**	$ 19,385
Capital and Risk Solutions Corporate	**6**	5	6	**19**	22
Total net premiums	$ **7,222**	$ 8,563	$ 5,336	$ **29,533**	$ 19,407
Total assets (3)	$ **17,396**	$ 17,715	$ 14,861		

(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 fourth quarter of 2021, the Capital and Risk Solutions segment's net earnings of $133 million decreased by $34 million compared to the same quarter last year. Base earnings of $145 million increased by $21 million compared to the same quarter last year, primarily due to growth in business in-force, changes in certain tax estimates and less adverse claims experience in the life business. The increase was partially offset by less favourable longevity experience.

Items excluded from base earnings were negative $12 million compared to positive $43 million for the same quarter last year. The fourth quarter of 2020 included positive contributions from insurance contract liability basis changes.

For the twelve months ended December 31, 2021, net earnings decreased by $82 million to $532 million compared to the same period last year. Base earnings of $547 million increased by $11 million compared to the same period last year. Base earnings for the twelve months ended December 31, 2021 included a loss estimate of $61 million after-tax for estimated claims resulting from the impact of recent major weather events recorded in the third quarter of 2021. Excluding this estimated loss, base earnings increased by $72 million compared to the same period last year, primarily due to favourable impacts from new business, higher business volumes and changes in certain tax estimates. The increase was partially offset by unfavourable claims experience in the U.S. life business and less favourable longevity experience.

For the twelve months ended December 31, 2021, items excluded from base earnings decreased by $93 million to negative $15 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Total net premiums

Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Total net premiums for the fourth quarter of 2021 of $7.2 billion increased by $1.9 billion compared to the same quarter last year, primarily due to new and restructured reinsurance agreements.

For the twelve months ended December 31, 2021, total net premiums increased by $10.1 billion to $29.5 billion compared to the same period last year, primarily due to the same reasons discussed for in-quarter results. The reinsurance agreements entered into in Japan contributed $4.3 billion to the increase.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

Reinsurance

In the U.S. traditional life reinsurance market, the COVID-19 pandemic remains a significant headwind and the Company is taking a cautious approach to new business and reviewing the pricing of existing business.

The U.S. health individual market has grown in the last few years with the implementation of the Affordable Care Act, which has created additional opportunities for reinsurance.

In Europe, low interest rates and the associated financial impact on reserve and capital positions under Solvency II is a key market dynamic. The Company's Reinsurance business unit continues to help European clients and other affiliated companies meet these capital challenges through innovative reinsurance solutions. Demand for longevity reinsurance remains strong and will remain a focus for 2022.

Internationally, Canada Life continued to explore opportunities where the Company's reinsurance solutions can support clients in new geographies and executed a number of value generating transactions. Measured international expansion will remain a focus in 2022.

2021 was the fifth consecutive year of significant hurricane and flood events. The Company expects 2022 retrocessional pricing to continue to increase. Insurance linked securities capacity has decreased due to trapped collateral from 2017 to 2021 events, together with a lower appetite for these risks. The Company's primary focus in the property catastrophe market for 2022 will be to continue to support the core client base with prudent attachment levels and risk adjusted premiums.

Lifeco Corporate Operating Results

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

In the fourth quarter of 2021, Lifeco Corporate had a net loss of $6 million compared to $16 million for the same period last year, primarily due to higher investment income as well as lower operating expenses. There were no differences between net earnings (loss) and base earnings (loss) for the fourth quarter of 2021 and 2020.

For the twelve months ended December 31, 2021, Lifeco Corporate's net loss was $66 million compared to $34 million for the same period last year. The base loss of $8 million decreased by $26 million compared to the same period last year, primarily due to changes in certain tax estimates, partially offset by lower net investment income as well as higher operating expenses driven by variable compensation related expenses. Items excluded from base earnings (loss) were negative $58 million compared to nil for the same period last year, primarily due to a provision for payments relating to the Company's 2003 acquisition of Canada Life.

RISK MANAGEMENT

COVID-19 PANDEMIC IMPACT

The COVID-19 pandemic continues to cause disruption to businesses globally, resulting in continued economic pressures. The impact of the pandemic on mortality, longevity, disability and other claims experience in future periods remains uncertain and may differ by region and business line, to date, net impacts have been modest. The Company continues to monitor evolving trends and information regarding COVID-19, factors that may affect the length of the pandemic, and potential impacts on mortality improvement. Vaccination programs are well advanced, with many countries having a significant portion of the population vaccinated; however, vaccine hesitancy has slowed progress. New COVID-19 variants are more transmissible and may lead to impacts on vaccine efficacy and higher mortality rates. The Company continues to manage risks of changes to mortality and longevity rates by issuing a diversified range of insurance, annuity and fee income products, along with using reinsurance and capital market solutions where appropriate.

OVERVIEW

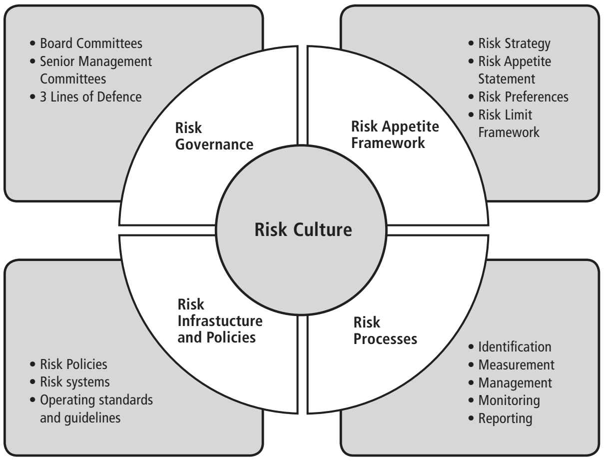
As a diverse financial services company, the effective management of risk is integral to the success of the Company's business. The Company is committed to a comprehensive system of risk management, which is embedded across all business activities, operated through a three lines of defence organization and overseen by the Board of Directors. The Company's three lines of defence include business unit and support functions, oversight functions including actuarial, finance, risk and compliance, and the Company's internal audit function. The Company has a prudent and measured approach to risk management. This approach is built on a strong risk culture and is guided by an integrated Enterprise Risk Management (ERM) Framework.

The Company's 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 possible losses and risks. 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.

There are three main sections to this Risk Management disclosure: ERM Framework, Risk Management and Control Practices and Exposures and Sensitivities.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Company's Board and Management Committees provide oversight of the ERM Framework which is comprised of five components: Risk Culture, Risk Governance, RAF, Risk Processes and Risk Infrastructure & Policies.



RISK CULTURE

Risk culture is defined as the system of norms, values, attitudes and behaviours that influences and informs risk decision-making. Our risk culture reflects the Company's collective sense of responsibility to fulfill our commitments and promises to our stakeholders. Our risk culture is guided by our corporate purpose and core values with a customer first approach. We safeguard our financial strength and strong reputation while growing shareholder value in a manner that balances the interests of all stakeholders.

This culture is instilled through a mindset of risk awareness as demonstrated by:

- Consistent tone from the Board, senior management and throughout the organization in respect of behavioural and ethical expectations, and alignment of business decisions with business strategies, corporate purpose, core values and risk appetite
- Recognition that risk is inherent in our business success and reflects opportunity when appropriately managed
- Individual and shared commitment to the importance of continuous management of risk, including clear accountability for and ownership of specific risks and risk areas
- Rewarding of positive risk taking and management behaviours while challenging and remediating those that are inconsistent with corporate purpose, core values or risk appetite
- Encouragement of risk event reporting and the presence of robust whistleblowing processes, actively seeking to learn from mistakes and near misses
- Accountability to all stakeholders
- Recognition that risk management is a responsibility for all of us, both individually and collectively, across all three lines of defence; risk management skills and knowledge are developed and core to our ongoing success; objective challenge is expected and respected across all business operations and all three lines of defence. Oversight and Assurance Functions are valued and appropriately resourced throughout the organization

Risk Governance

Risk governance sets out the roles and responsibilities for the Board of Directors (Board) and Board Committees.

Board of Directors

The mandate of the Board, which it discharges directly or through one of its Committees, is to supervise the management of the business and affairs of the Company. The Board is ultimately accountable and responsible for the governance and oversight of risk throughout the Company. The Board annually approves the strategic goals, objectives, plans and initiatives for Lifeco and in so doing reviews the risks associated with Lifeco's diverse business, strategic goals and high priority initiatives. Key risk responsibilities include:

- Approving the ERM Policy and RAF;
- Monitoring the implementation and maintenance by management of appropriate systems, policies, procedures and controls to manage the risks associated with the Company's businesses and operations;
- Annually approving Lifeco's business, financial and capital plans and monitoring the implementation by management thereof;
- Upon the recommendation of the Risk Committee, adopting a Code of Conduct applicable to Directors, officers and employees of the Company; and
- Periodically approving policies designed to support independence of the Internal Audit, Risk, Finance, Actuarial and Compliance oversight functions.

Risk Committee

The Risk Committee of the Board of Directors is responsible for assisting the Board with risk management oversight and governance throughout the Company. The Risk Committee's responsibilities include:

- Review and oversight of the ERM Policy and RAF;
- Review, approval and oversight of the credit, market, insurance, operational, conduct, strategic and other risk policies;
- Approval of the risk limit framework, associated risk limits and monitoring adherence to those limits;
- Approval of the organizational structure and resources of the risk management and compliance functions;
- Evaluation of the Company's risk culture;
- Discussion of the risks in aggregate and by type of risk, including actions taken or planned to mitigate those risks where appropriate;
- Review relevant reports including stress testing and Financial Condition Testing;
- Review and approval of the Own Risk and Solvency Assessment (ORSA) Report;
- Periodically approve the recovery plan playbook;
- Review of the risk impact of business strategies, capital plans, financial plans and new business initiatives;
- Review and approve the mandate for and assessment of the performance of the Company's Chief Risk Officer (CRO) and Chief Compliance Officer (CCO);
- Monitoring compliance with the Company's Code of Conduct;
- Periodic consideration and input regarding the relationships between risk and compensation; and
- Review and assessment of the effectiveness of risk management across the Company including processes to ensure effective identification, measurement, management, monitoring and reporting on significant current and emerging risks.

The Risk Committee is required to meet, at least annually, with the Audit Committee and with the Company's Chief Internal Auditor. The Risk Committee meets with the Investment Committee as appropriate. Members of the Risk Committee are independent of management.

Audit Committee – The primary mandate of the Audit Committee is to review the financial statements of the Company and public disclosure documents containing financial information and to report on such review to the Board, to be satisfied that adequate procedures are in place for the review of the Company's public disclosure documents that contain financial information and to oversee the work and review the independence of the external auditor. The Audit Committee is also responsible for reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. The Audit Committee meets as often as necessary to discharge its duties and responsibilities and meets at least annually, with the Risk Committee. Members of the Audit Committee are independent of management.

Conduct Review Committee – The primary mandate of the Conduct Review Committee is to require management to establish satisfactory procedures for the consideration and approval of material transactions with related parties and to review and, if deemed appropriate, to approve related party transactions in accordance with such procedures. Members of the Conduct Review Committee are independent of management.

Governance and Nominating Committee – The primary mandate of the Governance and Nominating Committee is to oversee the Company's approach to governance matters, to recommend to the Board effective corporate governance policies and processes, to assess the effectiveness of the Board, Board Committees and the Directors and to recommend to the Board candidates for election as Directors and candidates for appointment to Board Committees.

Human Resources Committee – The primary mandate of the Human Resources Committee is to support the Board in its oversight of compensation, talent management and succession planning. This includes the responsibility to approve compensation policies, to review the designs of major compensation programs, to approve compensation arrangements and any benefit or perquisite plan for senior executives of the Company and to recommend to the Board compensation arrangements for the Directors and for the President and Chief Executive Officer. The mandate also includes the responsibility to review succession plans for the President and Chief Executive Officer and other senior executives, to review talent management programs and initiatives and to review the leadership capabilities required to support the advancement of the Company's strategic objectives. The Human Resources Committee is also responsible for considering the implications of the risks associated with the Company's compensation policies, plans and practices and in doing so meets annually with the Chief Risk Officer. The Human Resources Committee also meets with the Risk Committee on an as needed basis.

Investment Committee – The primary mandate of the Investment Committee is to oversee the Company's global investment strategy and activities, including approving the Company's Investment Policy and monitoring the Company's compliance with the Investment Policy. The global investment strategy includes climate-related transition risks and opportunities such as cleaner energy sectors that could impact our investment growth strategies. The mandate also includes reviewing the Company's annual investment plan and monitoring emerging risks, market trends and performance, investment regulatory issues and any other matters relevant to the oversight of the Company's global investment function. The Investment Committee meets as often as necessary to discharge its duties and responsibilities and meets with the Risk Committee as appropriate.

Reinsurance Committee – The primary mandate of the Reinsurance Committee is to advise on the Company's reinsurance transactions. The mandate also includes reviewing and approving management's recommendations with respect to policies applicable to reinsurance.

Senior Management Risk Committees

The Executive Risk Management Committee (ERMC) is the primary senior management committee that oversees all forms of risk and the implementation of the ERM Framework. The members are the CEO, the heads of each major Business Segment, the heads of key oversight functions and heads of support functions as appropriate. The Company's CRO leads the Risk Function and chairs the ERMC. Its responsibilities include reviewing compliance with the RAF, risk policies and risk standards. It also assesses the risk impact of business strategies, capital and financial plans, and material initiatives. The Board Risk Committee delegates authority for the approval and management of lower level risk limits to the ERMC. The following three enterprise-wide sub-committees, chaired by the Risk Function, report to the ERMC to provide advice and recommendations on each of the key risk categories:

- Market and Credit Risk Committee
- Insurance Risk Committee
- Operational Risk Committee

The oversight responsibilities of the above committees include identification, measurement, management, monitoring and reporting of their respective risks. In addition, each business segment has established its own executive risk management committee providing oversight for all forms of risk and the implementation of the ERM Framework.

Accountabilities

The Company has adopted a Three Lines of Defence model to clearly segregate risk management and risk oversight responsibilities and applies the ERM Framework rigorously across the enterprise:

- **First Line:** Business units and business support functions, including Investment Management, Human Resources, Information Services and Legal, are the ultimate owners of the risk and have primary risk management as well as risk-taking responsibility and accountability through day-to-day operations within ongoing business process.
- **Second Line:** The Risk Function has the primary and overall responsibility and accountability for independent oversight and effective challenge of risk-taking and risk management of the first line of defence. In this role, the Risk Function receives support from other oversight functions including Actuarial, Compliance and Finance; and
- **Third Line:** Internal Audit is responsible for independent assurance of the adequacy of the design and operational effectiveness of the Company's ERM Framework.

The Company's CRO reports directly, both to the President and Chief Executive Officer and to the Board Risk Committee. The CRO is responsible for ensuring that the Risk Function is appropriately resourced and effective in executing its responsibilities. The accountabilities of the CRO include reporting on compliance with the ERM Policy and RAF as well as for escalating matters that require attention.

Business Segment ERMCs monitor all risk categories for businesses and operations within their respective business segments. Risk resources and capabilities are aligned with the Company's business segments and operating units and further support is provided by centrally based risk areas of expertise.

Although the Company takes steps to anticipate and minimize risks in general, no risk management framework can guarantee that all risks will be identified, appreciated or mitigated effectively. Unforeseen future events may have a negative impact on the Company's business, financial condition and results of operations.

Risk Appetite Framework

The Company has an articulated Risk Appetite Framework (RAF) that includes the following elements along with the associated governance structure:

- **Risk Strategy:** Risk philosophy of the Company that links to the business strategy
- **Risk Appetite Statement:** Qualitative reflection of the aggregate level of risk and types of risk that the Company is willing to accept to achieve its business objective
- **Risk Preference:** Qualitative description of risk tolerances
- **Risk Limit Framework:** Quantitative components of the RAF including excess and escalation process

Risk Strategy

The Company's business strategy is aligned with its risk strategy and risk appetite. The risk strategy supports the Company's main objectives to keep its commitments while growing shareholder value. The risk strategy requires:

- diversification of products and services, customers, distribution channels and geographies;
- a prudent and measured approach to risk-taking;
- resilience of business operations and sustainable growth, taking into consideration corporate social responsibility;
- conducting business to safeguard the Company's reputation and deliver fair customer outcomes through maintaining high standards of integrity based on the Code of Conduct and sound sales and marketing practices; and
- generating returns to grow shareholder value through profitable and growing operations while maintaining a strong balance sheet.

Risk Appetite Statement

The Company's Risk Appetite Statement has four key components:

- **Strong Capital Position:** The Company intends to maintain a strong balance sheet and not take risks that would jeopardize its financial strength;
- **Mitigated Earnings Volatility:** The Company seeks to avoid substantial earnings volatility through appropriate diversification and limiting exposure to more volatile lines of business;
- **Strong Liquidity:** The Company intends to maintain a high quality, diversified investment portfolio with sufficient liquidity to meet the demands of policyholder and financing obligations under normal and stressed conditions; and
- **Treating Customers Fairly and Maintaining the Company's Reputation:** The Company seeks to maintain a high standing and positive reputation with all stakeholders including its customers, counterparties, creditors and other stakeholders. This includes building and maintaining trust, fair treatment of the customers, consideration of corporate social responsibility, and effective management of sustainability and reputational risk.

Risk Preference

The Company has established qualitative risk preferences for each risk type. Each risk is assigned a risk preference level, in the context of understanding and managing these risks. The current level of exposure is regularly measured and risk tolerances are expressed quantitatively through actual constraints to the Company's risk profile within pre-agreed limits. Maximum guidelines are established to monitor risk concentration and inform the risk limit setting process.

Risk Limit Framework

A comprehensive structure of risk limits and controls is in place across the Company. Enterprise risk limits are further broken down by business unit and risk type. The limit structure is accompanied by comprehensive limit approval and excess management processes to ensure effective governance and oversight of the RAF.

The Company and its subsidiaries are subject to various regulatory regimes. The capital requirements under these regulatory capital regimes are reflected in the development of risk limits. Business units are responsible for operating within the risk appetite and the risk limit framework and satisfying local needs as required.

Risk Processes

Risk processes follow a cycle of identification, measurement, management, monitoring and reporting and are designed to ensure both current and emerging risks are assessed against the RAF.

Risk Identification, Measurement and Management

Risk identification requires the structured analysis of the current and emerging risks facing the Company, so that they are understood and appropriately controlled. Processes are designed to ensure risks are considered, assessed, prioritized and addressed in all business initiatives and changes, including investment strategies, product design, significant transactions, annual planning and budgeting as well as potential business acquisitions and disposals.

Risk measurement provides the means to quantify and assess the Company's risk profile and monitor the profile against the risk limits. Any material new business development or change in strategy warrants an independent assessment of risk and potential impact on reputation, in addition to measurement of the impact on capital, earnings and liquidity. Stress and scenario testing is used to evaluate risk exposures against the risk appetite. Sensitivity testing of key risks is used to evaluate the impact of risk exposures independent of other risks. Scenario testing is used to evaluate the combined impact of multiple risk exposures.

The Company has processes in place to identify risk exposures on an ongoing basis and, where appropriate, develops mitigation strategies to proactively manage these risks. Effective risk management requires the selection and implementation of approaches to accept, reject, transfer, avoid or control risk, including mitigation plans. It is based on a control framework for financial and non-financial risks that includes risk limits, Risk Function Indicators (RFIs) and stress and scenario testing to ensure appropriate escalation and resolution of potential issues in a timely manner.

A key responsibility of the Risk Function is to ensure that the risk appetite is applied consistently across the Company and that limits are established to ensure that risk exposures comply with the risk appetite and Company-wide risk policies. The Risk Function provides ongoing and independent challenge to the first line of defense. In addition, in the event of a significant internal or external change that could introduce new risks or heighten existing risks that could materially impact the business, the Risk Function provides a formal Risk Opinion or thematic review.

Risk Monitoring, Reporting and Escalation

Risk monitoring relates to ongoing oversight and tracking of the Company's risk exposures, ensuring that the risk management approaches in place remain effective. Monitoring may also identify risk-taking opportunities.

Risk reporting presents an accurate and timely picture of existing and emerging risk issues and exposures as well as their potential impact on business activities. Reporting highlights the risk profile relative to the risk appetite and associated risk limits.

A clearly defined escalation protocol is in place to address any excesses against thresholds or limits established by the RAF, risk policies, operating standards and guidelines. Remediation plans are reviewed and monitored by the Risk Function and escalated to designated management and Board committees.

Risk Infrastructure and Policies

The Company's organization and infrastructure is established to provide resources and risk systems to support adequate and appropriate risk policies, operating standards and guidelines and processes. The Company endeavours to take a consistent approach to risk management across key risk types.

The Company has codified its procedures and operations related to risk management and oversight requirements in a set of guiding documents composed of risk policies, operating standards and associated guidelines. This comprehensive documentation framework provides detailed and effective guidance across all risk management processes. These documents enable a consistent approach to risk management and oversight across the Company's businesses and are reviewed and approved regularly, in accordance with an established authority hierarchy, by the Board of Directors, the Board Risk Committee or a senior management committee. Similar policy structures have been developed and are maintained by each business segment.

Risk Management and Control Practices

The Company's risk profile is impacted by a variety of risks and its risk management and independent oversight processes are tailored to the type, volatility and magnitude of each risk. The Company has defined specific risk management and oversight processes for risks, broadly grouped in the following categories:

1. Market and Liquidity Risk
2. Credit Risk
3. Insurance Risk
4. Operational Risk
5. Conduct Risk
6. Strategic Risk

Market and Liquidity Risk

Risk Description

Market risk is the risk of loss resulting from potential changes in market rates and prices in various markets such as for interest rates, real estate, currency, common shares and commodities. Exposure to this risk results from business activities including investment transactions which create on-balance sheet and off-balance sheet positions.

Liquidity risk is the risk of the Company's inability to generate the necessary funds to meet its obligations as they come due, including off-balance sheet commitments and obligations.

Market and Liquidity Risk Management

The Company's Market & Liquidity Risk Policy sets out the market and liquidity risk management framework and principles. This policy is supported by other policies and guidelines that provide detailed guidance.

A governance structure has been implemented for the management of market and liquidity risk. The business units, including Investment Management, are the ultimate owners of market and liquidity risk and as such have primary responsibility for the identification, measurement, management, monitoring and reporting. The Company has established a senior management committee to provide oversight of market and liquidity risk, which includes completing reviews and making recommendations regarding risk limits, the risk policy and associated compliance, excess management and mitigation pertaining to market and liquidity risk. Each business segment has established oversight committees and operating committees to help manage market and liquidity risk within the segment. The Company has developed risk limits, RFIs and other measures to support the management of market and liquidity risk in compliance with the Company's RAF. The Risk Function works with the business units and other oversight functions to identify current and emerging market and liquidity risks and take appropriate action, if required.

The Company is willing to accept market and liquidity risk in certain circumstances as a consequence of its business model and seeks to mitigate the risks wherever practical. To reduce market risk, the Company has established a framework using dynamic hedging programs associated with segregated fund and variable annuity guarantees. Hedging programs are grouped by product-level hedging, tactical portfolio hedging and macro-hedging. This is supplemented by a general macro equity hedging program that has been established to execute hedge transactions in circumstances and at levels that have been determined by the Company. To reduce liquidity risk, the Company seeks to maintain a high quality, diversified investment portfolio with sufficient liquidity to meet demands of policyholders and financing obligations under normal and stress conditions.

Risks and risk management activities associated with the broad market and liquidity risk categories are detailed below.

Interest Rate Risk

Interest rate risk is the risk of loss resulting from the effect of the volatility and uncertainty of future interest rates on asset cash flows relative to liability cash flows and on assets backing surplus. This also includes changes in the amount and timing of cash flows related to asset and liability optionality, including interest rate guarantees and book value surrender benefits in the liabilities.

The Company's principal exposure to interest rate risk arises from certain general fund and segregated fund products. The Company's Asset Liability Management (ALM) strategy has been designed to mitigate interest rate risks associated with general fund products, with close matching of asset cash flows and insurance and investment contract obligations. Products with similar risk characteristics are grouped together to ensure an effective aggregation and management of the Company's ALM positions. Asset portfolios supporting insurance and investment contract liabilities are segmented to align with the duration and other characteristics (e.g. liquidity) of the associated liabilities.

A prolonged period of low interest rates may adversely impact the Company's earnings and regulatory capital and could impact the Company's business strategy. During periods of prolonged low interest rates, investment earnings may be lower because the interest earned on new fixed income investments will likely have declined with the market interest rates, and hedging costs may increase. Also, early repayment on investments held such as mortgage-backed securities, asset-backed securities, and callable bonds, may be experienced and proceeds forced to be reinvested at lower yields, which will reduce investment margins.

Crediting rates within general fund products are set prudently and a significant proportion of the Company's portfolio of crediting rate products includes pass-through features, which allow for the risk and returns to be shared with policyholders. Asset management and related products permit redemptions; however, the Company attempts to mitigate this risk by establishing long-term customer relationships, built on a strategic customer focus and an emphasis on delivering strong fund performance.

The Company has established dynamic hedging programs to hedge interest rate risk sensitivity associated with segregated fund and variable annuity guarantees. These hedging programs are designed to offset changes in the economic value of liabilities using derivative instruments. The Company's approach to dynamic hedging of interest rate risk principally involves transacting in interest rate swaps. The hedge asset portfolios are dynamically rebalanced within approved thresholds and rebalancing criteria.

Where the Company's insurance and investment products have benefit or expense payments that are dependent on inflation (e.g. inflation-indexed annuities, pensions and disability claims), the Company generally invests in real return instruments to mitigate changes in the real dollar liability cash flows. Some protection against changes in the inflation index can be achieved, as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.

Equity Risk

Equity risk is the risk of loss resulting from the sensitivity of the value of assets, liabilities, financial instruments and fee revenue to changes in the level or in the volatility of market prices of common shares and real estate. This includes the equity risk associated with the Company's general fund assets and investments on account of segregated fund policyholders.

The Company's principal exposure to equity risk arises from segregated funds and fee income associated with the Company's assets under management. Approved investment and risk policies also provide for general fund investments in equity markets within defined limits.

The Company has established dynamic hedging programs to hedge equity risk sensitivity associated with segregated fund and variable annuity guarantees. Hedging programs are grouped by product-level hedging, tactical portfolio hedging and macro-hedging. The hedging programs are designed to mitigate exposure to changes in the economic value of these liabilities using derivative instruments. The Company's approach to dynamic hedging of equity risk principally involves the short selling of equity index futures. The hedge asset portfolios are dynamically rebalanced within approved thresholds and rebalancing criteria. The Company's product-level hedging programs are supplemented by a general macro hedging strategy that has been established to execute hedge transactions in circumstances and at levels that have been determined by the Company.

For certain very long-dated liabilities it is not practical or efficient to closely match liability cash flows with fixed-income investments. Therefore, certain long-dated asset portfolios target an investment return sufficient to meet liability cash flows over the longer term. These liabilities are partially backed by a diversified portfolio of non-fixed income investments, including equity and real estate investments, in addition to long dated fixed-income instruments. Real estate losses can arise from fluctuations in the value of or future cash flows from the Company's investments in real estate.

The Company has established a macro equity hedging program to execute hedge transactions in circumstances and at levels that have been determined by the Company. The objective of the program is to reduce the Company's exposure to equity tail-risk and to maintain overall capital sensitivity to equity market movements within Board approved risk appetite limits. The program is designed to hedge a portion of the Company's capital sensitivity due to movements in equity markets arising from sources outside of dynamically hedged segregated fund and variable annuity exposures.

Foreign Exchange Risk

Foreign exchange risk is the risk of loss resulting from changes in currency exchange rates against the reporting currency. The Company's foreign exchange investment and risk management policies and practices are to match the currency of the Company's general fund investments with the currency of the underlying insurance and investment contract liabilities. To enhance portfolio diversification and improve asset liability matching, the Company may use foreign exchange derivatives to mitigate currency exchange risk to the extent this is practical using forward contracts and swaps.

The Company has net investments in foreign operations. As a result, the Company's revenue, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations due to the movement of the Canadian dollar against these currencies. Such fluctuations affect the Company's financial results. The Company has exposures to the U.S. dollar resulting from the operations of Empower and Putnam in the United States segment and the Reinsurance business unit within the Capital and Risk Solutions segment; and to the British pound and the euro resulting from operations of business units within the Europe and Capital and Risk Solutions segments operating in the U.K., the Isle of Man, Ireland and Germany.

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 (loss). Strengthening or weakening of the Canadian dollar end-of-period market rate compared to the U.S. dollar, British pound and euro end-of-period market rates impacts the Company's total share capital and surplus. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

- A 5% appreciation (depreciation) of the average exchange rate of the Canadian dollar to each of the British pound, euro and U.S. dollar would decrease (increase) net earnings in 2021 by $37 million, $33 million and $34 million, respectively.
- A 5% appreciation (depreciation) of the Canadian dollar end-of-period market rate compared to each of the U.S. dollar, British pound and euro end-of-period market rates would decrease (increase) the unrealized foreign currency translation gains, including the impact of instruments designated as hedges of net investments on foreign operations, in accumulated other comprehensive income (loss) of shareholders' equity by approximately $445 million, $214 million and $84 million, respectively, as at December 31, 2021.

Management may use forward foreign currency contracts and foreign denominated debt to mitigate the volatility arising from the movement of rates as they impact the translation of net investments in foreign operations. The Company uses non-GAAP financial measures such as constant currency calculations to assist in communicating the effect of currency translation fluctuation on financial results.

Liquidity Risk

The Company's liquidity risk management framework and associated limits are designed to ensure that the Company can meet cash and collateral commitments as they fall due, both on an expected basis and under a severe liquidity stress.

In the normal course of certain reinsurance business, the Company provides letters of credit (LCs) to other parties, or beneficiaries. A beneficiary will typically hold a LC as collateral to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from the Company.

The Company may be required to seek collateral alternatives if it is unable to renew existing LCs at maturity. The Company monitors its use of LCs on a regular basis and assesses the ongoing availability of these and alternative forms of operating credit. The Company has contractual rights to reduce the amount of LCs issued to the LC beneficiaries for certain reinsurance treaties. The Company staggers the maturities of LCs to reduce the renewal risk.

Liquidity (1)

	December 31	
	2021	2020
Cash, cash equivalents and short-term bonds	**$ 9,791**	$ 11,197
Other liquid assets and marketable securities		
Government bonds	**35,331**	33,635
Corporate bonds (2)	**50,491**	52,583
Stocks	**12,424**	10,208
Mortgage loans	**3,406**	3,785
	$101,652	$ 100,211
Total	**$111,443**	$ 111,408

Cashable liability characteristics

	December 31	
	2021	2020
Surrenderable insurance and investment contract liabilities (1) (3)		
At market value	**$ 48,767**	$ 50,855
At book value	**54,232**	49,981
Total	**$102,999**	$ 100,836

(1) Amounts presented exclude non-liquid and pledged assets. Refer to the Liquidity table on page 38 for additional details regarding the composition of these metrics.

(2) Includes public short-term bonds and public long-term bonds that are rated BBB or higher.

(3) Cashable liabilities include insurance and investment contract liabilities classified as held for sale.

The carrying value of the Company's liquid assets and marketable securities is approximately $111.4 billion or 1.1 times the Company's surrenderable insurance and investment contract liabilities. The Company believes that it holds adequate and appropriate liquid assets to meet anticipated cash flow requirements as well as to meet cash flow needs under a severe liquidity stress.

Approximately 48% (approximately 48% in 2020) of insurance and investment contract liabilities are non-cashable prior to maturity or claim, with a further 24% approximately (26% in 2020) of insurance and investment contract liabilities subject to fair value adjustments under certain conditions.

The majority of liquid assets and other marketable securities comprise fixed-income securities whose value decrease when interest rates rise. Also, a high interest rate environment may encourage holders of certain types of policies to terminate their policies, thereby placing demands on the Company's liquidity position.

For a further description of the Company's financial instrument risk management policies, refer to note 8 in the Company's December 31, 2021 annual consolidated financial statements.

Credit Risk

Risk Description

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations. Exposure to this risk occurs any time funds are extended, committed or invested through actual or implied contractual agreements. Components of credit risk include: loan loss/principal risk, pre-settlement/replacement risk and settlement risk. Obligors include issuers, debtors, borrowers, brokers, policyholders, reinsurers, derivative counterparties and guarantors.

Credit exposure results from the purchase of fixed-income securities, which are primarily used to support policyholder liabilities. The Company also manages financial contracts with counterparties. Such contracts may be used to mitigate insurance and market risks (reinsurance ceded agreements and derivative contracts) or they may arise from the Company's direct business operations (Reinsurance business unit) and may result in counterparty risk. The risk arising from these types of arrangements is included in the Company's measurement of its risk profile.

Credit Risk Management

The Company's credit risk management framework focuses on minimizing undue concentration of assets, in-house credit analysis to identify and measure risks, continuous monitoring, and proactive management. Diversification is achieved through the establishment of appropriate concentration limits (by asset class, issuers, credit rating, industries, and individual geographies) and transaction approval authority protocols. The Company's approach to credit risk management includes the continuous review of its existing risk profile relative to the RAF as well as to the assessment of potential changes in the risk profile under stress scenarios.

A governance structure has been implemented for the management of credit risk. The business units, including Investment Management, are the ultimate owner of credit risk and as such have primary responsibility for the identification, measurement, management, monitoring and reporting. The Company has established a senior management committee to provide oversight of credit risk, which includes completing reviews and making recommendations regarding risk limits, the risk policy and associated compliance, excess management and mitigation pertaining to credit risk. Each business segment has established oversight committees and operating committees to help manage credit risk within the segment. The Company has developed risk limits, RFIs and measures to support the management of credit risk in compliance with the Company's RAF.

The Company has established business-segment specific Investment and Lending Policies, including investment limits for each asset class. These policies and limits are complemented by the Credit Risk Policy which sets out the credit risk management framework and principles. This policy is supported by other policies and guidelines that provide detailed guidance.

The Company identifies credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness based on a thorough and objective analysis of business risk, financial profile, structural considerations and security characteristics including seniority and covenants. Credit risk ratings are expressed using a 22-point scale that is consistent with those used by external rating agencies. In accordance with the Company's policies, internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies. The Risk Function reviews and approves the credit risk ratings assigned by Investment Management for all new investments and reviews the appropriateness of ratings assigned to outstanding exposures.

The Risk Function assigns credit risk parameters (probabilities of default, rating transition rates, loss given default, exposures at default) to all credit exposures to measure the Company's aggregate credit risk profile. In addition, the Risk Function establishes limits and processes, performs stress and scenario testing (using stochastically generated and deterministic scenarios) and assesses compliance with the limits established in the RAF. It regularly reports on the Company's credit risk profile to executive management, the Board of Directors and various committees at enterprise, business segment and legal entity levels.

Investment Management and the Risk Function are independently responsible for the monitoring of exposures relative to limits as well as for the management and escalation of risk limit excesses as they occur. Investment Management is also responsible for the continuous monitoring of its portfolios for changes in credit outlook, and performs regular credit reviews of all relevant obligors and counterparties, based on a combination of bottom-up credit analysis and top-down views on the economy and assessment of industry and sub-sector outlooks. Watch Lists are also used at the business segment levels to plan and execute the relevant risk mitigation strategies for obligors experiencing heightened credit stress.

Counterparty Risk

Counterparties include both reinsurers and derivative counterparties.

The Company uses reinsurance to mitigate insurance risks. This mitigation results in increased credit risk to reinsurance counterparties from the potential failure to collect reinsurance recoveries due to either the inability, or an unwillingness to fulfill their contractual obligation.

Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize reinsurance credit risk through diversification as well as seeking protection in the form of collateral or funds withheld arrangements where possible.

The Company enters into derivative contracts primarily to mitigate market risks. Derivative counterparty risk is the risk of loss resulting from the potential failure of the derivative counterparty to meet their financial obligations under the contract. Derivative products are traded through exchanges or with counterparties approved by the Board of Directors or the Investment Committee. The Company seeks to mitigate derivative credit risk through diversification and through collateral arrangements where possible. In addition, the Company includes potential future exposure of derivatives in its measure of total exposure against single name limits.

Insurance Risk

Risk Description

Insurance risk is the risk of loss resulting from adverse changes in experience associated with contractual promises and obligations arising from insurance contracts. Insurance risk includes uncertainties around the ultimate amount of net cash flows (premiums, commissions, claims, payouts and related settlement expenses), the timing of the receipt and payment of these cash flows, as well as the impact of policyholder behaviour (e.g. lapses).

The Company identifies six broad categories of insurance risk, which may contribute to financial losses: mortality risk, morbidity risk, longevity risk, policyholder behaviour risk, expense risk and property catastrophe risk. Mortality risk, morbidity risk and longevity risk are core business risks and the exchange of these risks into value is a core business activity. Policyholder behaviour risk and expense risk associated with offering core products are accepted as a consequence of the business model and mitigated where appropriate. Property catastrophe risk is a selectively accepted business risk which is constrained, actively managed and controlled within risk limits.

Insurance Risk Management

Insurance products involve commitments by the insurer to provide services and financial obligations with coverage for extended periods of time. To provide insurance protection effectively, the insurer must design and price products so that the premiums received, and the investment income earned on those premiums, will be sufficient to pay future claims and expenses associated with the product. This requires the insurer, in pricing products and establishing insurance contract liabilities, to make assumptions regarding expected levels of income, claims and expenses and how policyholder behaviours and market risks might impact these assumptions. As a result, the Company is exposed to product design and pricing risk which is the risk of financial loss resulting from transacting business where the costs and liabilities arising in respect of a product line exceed the pricing expectations.

Insurance contract liabilities are established to fund future claims and include a provision for adverse deviation, set in accordance with professional actuarial standards. Insurance contract liability valuation requires regular updating of assumptions to reflect emerging experience.

A governance structure has been implemented for the management of insurance risk. Business units are the ultimate owners of insurance risk and as such have primary responsibility for the identification, measurement, management, monitoring and reporting of insurance risk. The Risk Function, supported by Corporate Actuarial, is primarily responsible for oversight of the insurance risk management framework. The Company has established an Insurance Risk Committee to provide oversight of insurance risk, which includes completing reviews and making recommendations regarding risk limits, the risk policy and associated compliance, excess management and mitigation pertaining to insurance risk. Each business segment has established oversight committees and operating committees to help manage insurance risk within the segment.

The Company's Insurance Risk Policy sets out the insurance risk management framework and provides the principles for insurance risk management. This policy is supported by several other policies and guidelines that provide detailed guidance, including:

- Product Design and Pricing Risk Management Policy and Reinsurance Risk Management Policy, which provide guidelines and standards for the product design and pricing risk management processes and reinsurance ceded risk management practices;
- Corporate Actuarial Valuation Policy, which provides documentation and control standards consistent with the valuation standards of the Canadian Institute of Actuaries; and
- Participating Account Management Policies and Participating Policyholder Dividend Policies, which govern the management of participating accounts and provide for the distribution of a portion of the earnings in the participating account as participating policyholder dividends.

The Risk Function, in conjunction with Corporate Actuarial, implements a number of processes to carry out its responsibility for oversight of insurance risk. It reviews the Insurance Risk Policy relative to current risk exposures and updates it as required. It reviews insurance risk management processes carried out by the business units, including product design and pricing, underwriting, claims adjudication, and reinsurance ceding, and provides challenge as required.

The Risk Function works with the business units and other oversight functions to identify current and emerging insurance risks and take appropriate action, if required. Insurance risk limits, risk budgets and RFIs are set to keep the insurance risk profile within the Company's appetite for insurance risk and the Risk Function regularly monitors the insurance risk profile relative to these measures. Any excesses are required to be escalated so that appropriate remediation may be implemented. The Risk Function performs stress testing and does analysis of insurance risks, including review of experience studies. It provides regular reporting on these activities to the business units, senior management, and risk oversight committees. The Risk Function performs thematic reviews and/or enhances the monitoring and reporting of associated exposures to these risks.

Risks and risk management activities associated with the broad insurance risk categories are detailed below.

Mortality and Morbidity Risk

Mortality risk is the risk of loss resulting from adverse changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance contract liabilities.

Morbidity risk is the risk of loss resulting from adverse changes in the level, trend, or volatility of disability, health, dental, critical illness and other sickness rates, where an increase in the incidence rate or a decrease in the disability recovery rate leads to an increase in the value of insurance contract liabilities.

There is a risk that the Company will mis-estimate the level of mortality or morbidity, or write business which generates worse mortality and morbidity experience than expected.

The Company employs the following practices to manage its mortality and morbidity risk:

- Research and analysis is done regularly to provide the basis for pricing and valuation assumptions to properly reflect the insurance and reinsurance risks in markets where the Company is active.
- Underwriting limits, practices and policies control the amount of risk exposure, the selection of risks insured for consistency with claims expectations and support the long-term sustainability of the Company.
- The insurance contract liabilities established to fund future claims include a provision for adverse deviation, set in accordance with actuarial standards. This margin is required to provide for the possibilities of mis-estimation of the best estimate and/or future deterioration in the best estimate assumptions.
- The Company sets retention limits for mortality and morbidity risks. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk where appropriate.
- For Group life products, exposure to a concentrated mortality event due to concentration of risk in specific locations for example, could have an impact on financial results. To manage the risk, concentrations are monitored for new business and renewals. The Company may impose single-event limits on some group plans and declines to quote in localized areas where the aggregate risk is deemed excessive.
- Effective plan design and claims adjudication practices, for both morbidity and mortality risks are critical to the management of the risk. As an example, for Group healthcare products, inflation and utilization will influence the level of claims costs, which can be difficult to predict. The Company manages the impact of these and similar factors through plan designs that limit new costs and long-term price guarantees and include the ability to regularly re-price for emerging experience.
- The Company manages large blocks of business, which, in aggregate, are expected to result in relatively low statistical fluctuations in any given period. For some policies, these risks are shared with the policyholder through adjustments to future policyholder charges or in the case of participating policies through future changes in policyholder dividends.

Longevity Risk

Longevity risk is the risk of loss resulting from adverse changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance contract liabilities. Annuities, some segregated fund products with Guaranteed Minimum Withdrawal Benefits and longevity reinsurance are priced and valued to reflect the life expectancy of the annuitant. There is a risk that annuitants could live longer than was estimated by the Company, which would increase the value of the associated insurance contract liabilities.

Business is priced using mortality assumptions which consider recent Company and industry experience and the latest research on expected future trends in mortality.

Aggregate risk is managed through reinsurance to transfer the risk as appropriate, as well as consideration of capital market solutions if deemed necessary. The Company has processes in place to verify annuitants' eligibility for continued income benefits. These processes are designed to ensure annuity payments accrue to those contractually entitled to receive them and help ensure mortality data used to develop pricing and valuation assumptions is as complete as possible.

Policyholder Behaviour Risk

Policyholder behaviour risk is the risk of loss resulting from adverse changes in the level or volatility of the rates of policy lapses, terminations, renewals, surrenders, or exercise of embedded policy options.

Many products are priced and valued to reflect the expected duration of contracts and the exercising of options embedded in those contracts. There is a risk that contracts may be terminated earlier or later than assumed in pricing and plan design. To the extent that higher costs are incurred in early contract years, there is a risk that contracts are terminated before higher early expenses can be recovered. Conversely, on certain long-term level premium products where costs increase by age, there is risk that contracts are terminated later than assumed.

Business is priced using policy termination assumptions which consider product designs and policyholder options, recent Company and industry experience and the latest research on expected future trends. Assumptions are reviewed regularly and are updated as necessary for both pricing of new policies and valuation of in-force policies.

The Company also incorporates early surrender charges into certain contracts and incorporates commission chargebacks in its distribution agreements to reduce unrecovered expenses.

Policyholder taxation rules in many jurisdictions help encourage the retention of insurance coverage.

Expense Risk

Expense risk is the risk of loss resulting from adverse variability of expenses incurred with fee-for-service business or in servicing and maintaining insurance, savings or reinsurance contracts, including direct expenses and allocations of overhead costs.

Expense management programs are regularly monitored to control unit costs while maintaining effective service delivery.

Property Catastrophe Risk

Property catastrophe risk is the risk of loss resulting from adverse changes in property damage experience and is mainly related to extreme or catastrophic events.

The reinsurance business in particular has exposure to extreme or catastrophic events that result in property damage. As a retrocessionaire for property catastrophe risk, the Company generally participates at more remote event-loss exposures than primary carriers and reinsurers. Generally, an event of significant size must occur prior to the Company incurring a claim. The Company limits the total maximum claim amount under all property catastrophe contracts. The Company monitors cedant companies' claims experience and research from third party expert risk models on an ongoing basis and incorporates this information in pricing models to ensure that the premium is adequate for the risk undertaken.

Operational Risk

Risk Description

Operational risk is the risk of loss resulting from potential problems relating to internal processes, people and systems or from external events. Exposure to Operational risk results from either normal day-to-day operations or a specific unanticipated event, and can have material financial and/or reputational consequences.

Operational Risk Management

While operational risks can be mitigated and managed, they remain an inherent feature of the business model, as multiple processes, systems, and stakeholders are required to interact across the enterprise on an ongoing basis. The Company actively manages operational risk across the enterprise to maintain a strong reputation, standing and financial strength and to protect customers and the Company's value, and to maintain operational resilience. Ongoing engagement of businesses and support functions across the enterprise through robust training and communications is regularly undertaken for identifying, assessing and mitigating operational risk issues.

Operational risk management governance and oversight reflects a combined effort between business units and oversight functions. The Risk Function is responsible for the development of operational risk management policies and operating standards as well as overseeing operational risk management activities performed in the first line of defence. The Operational Risk Committee has the primary mandate to provide risk oversight for operational risk across the enterprise. In addition, each business segment has established committees to oversee operational risk management within their business.

The Company has an Operational Risk Policy that is supported by standards and guidelines that relate to specialized functions including detailed practices related to stress testing, modeling, fraud, regulatory compliance, technology and cybersecurity risk management and risk data aggregation & risk reporting. The Company implements controls to manage operational risk through integrated policies, procedures and processes, with consideration given to the cost/benefit trade-off. Processes and controls are monitored and refined by the business areas and periodically reviewed by the Company's Internal Audit department. Financial reporting processes and controls are further examined by external auditors.

The Company also manages operational risks through the corporate insurance program which mitigates a portion of the operational risk exposure by purchasing insurance coverage that provides protection against unexpected material losses resulting from events such as property loss or damage and liability exposures. The nature and amount of insurance protection purchased is assessed with regard to the Company's risk profile, risk appetite and tolerance for the associated risks, as well as legal requirements and contractual obligations.

The Company employs a combination of operational risk management methods including risk and control assessments, internal control factors and risk events analyses. For the identification of operational risks, the Company utilizes risk and control assessments which systematically identify and assess potential operational risks and associated controls. Internal and external operational risk events are analyzed to identify root causes and provide insights into potential new operational risks that could impact the Company. In addition, scenario analysis is employed to identify and quantify potential severe operational risk exposures, while RFIs, risk appetite preferences, and other processes are leveraged to measure, manage and monitor operational risks.

The Risk Function monitors the status of actions being undertaken to remediate risks to ensure that risk exposures are mitigated in a timely manner. Processes are in place to escalate significant matters to senior management to inform and enable management to take appropriate action when needed. The Risk Function regularly reports on the Company's operational risk profile to executive management, the Board of Directors and various committees at enterprise, business segment and legal entity levels.

Key operational risks and the Company's approach to managing them are outlined below.

Legal and Regulatory Compliance Risk

Legal and regulatory risk is the risk of loss resulting from non-compliance with specific local or international rules, laws, regulations, or prescribed practices, as well as civil or criminal litigation engaged in/by the Company. As a multi-national company, the Company and certain of its subsidiaries are subject to extensive legal and regulatory requirements in Canada, the U.S., the U.K., Ireland, Germany and other jurisdictions. These requirements cover most aspects of the Company's operations including capital adequacy, privacy, liquidity and solvency, investments, the sale and marketing of insurance and wealth products, the business conduct of insurers, asset managers and investment advisors as well as reinsurance processes. Material changes in the legal or regulatory framework or the failure to comply with legal and regulatory requirements could have an adverse effect on the Company. An increase in the pace of regulatory change could lead to increased operational costs to implement changes and ensure ongoing compliance.

Legal and regulatory risk is managed through coordination between first and second line of defence functions. The Company records, manages and monitors the regulatory compliance environment closely, using the subject matter expertise of both local and enterprise-wide Compliance and Legal stakeholders and reporting on emerging changes that could have a significant impact on the Company's operations or business.

The Company is subject to the risk of litigation and regulatory action relating to its business, operations, products, securities and contractual relationships and it establishes contingency reserves for litigation that it determines are appropriate.

People Risk

People risk is the risk of loss resulting from the Company's inability to attract, retain, train and develop the right talent from inadequate recruitment, talent management and succession planning programs and practices, ineffective governance practices or legal action related to discrimination, and can impact the ability of the Company to meet its business objectives. The Company has compensation programs, succession planning, talent management and employee engagement processes that are designed to manage these risks, support a high performance culture and maintain a highly skilled workforce that is reflective of the diverse cultures and practices of the countries in which the Company operates. The Company's ability to recognize and accommodate changing trends with respect to human resources in the industry is important to execute upon business strategies.

Technology Risk

Technology risk is the risk of loss from improper system or control design, improper operation, delivery of or unauthorized access to information and technology resources that can significantly impact the Company's ability to operate efficiently, to stay compliant with regulations, and to maintain its financial integrity and reputation. More specifically, Technology Risk includes Information and Cybersecurity Risk, Technology Operations Risk and Technology Delivery Risk.

The nature of advancing technology introduces additional uncertainty as to how the insurance industry will evolve. Cloud services, which are being adopted by the Company to improve systems flexibility and information security, require scrutiny as digital supply chains grow in complexity.

Technology is a critical component of the Company's business operations and is also central to the Company's customer-focused digital strategy. The Company continues to face technology and cyber risks stemming from legacy technology constraints and the advancement of techniques used in cyber-attacks.

The Company continues to implement new risk management processes and practices designed to allow it to better identify, measure, mitigate, and report this risk, but those processes and practices continue to require further development as well as ongoing updates as technology and business needs evolve. The Company's strategy and approach to managing technology and cyber risks includes policies that govern the technology environment and set standards related to information security and the use of technology, including:

- the use of multiple layers of technologies that are designed to prevent unauthorized access, ransomware attacks, distributed denial of service and other cyber-attacks;
- coordinated global and regional information security offices that gather threat intelligence, detect, monitor and respond to security events and conduct regular threat and vulnerability risk assessments;
- independent oversight and assessment of the approach taken to mitigate technology and cyber risks by the Technology Risk Management team, an independent group that acts as the second line of defence; and
- regular cyber security awareness sessions and mandatory cyber security training for all employees.

The Company also manages operational risks through the corporate insurance program which mitigates a portion of the operational risk exposure by purchasing insurance coverage that provides protection against unexpected material losses resulting from events such as property loss, cyber-attack or damage and liability exposures. The nature and amount of insurance protection purchased is assessed with regard to the Company's risk profile, risk appetite and tolerance for the associated risks, as well as legal requirements and contractual obligations.

Business Continuity Risk

Business continuity risk is the risk of loss as a result of the failure to provide for the continuity of business processes and operations under adverse conditions that may arise from natural, technological or human caused events involving the loss of workplace, workforce, technology and supply chain outages and disruptions.

A business continuity management framework has been implemented to manage business continuity risks and impacts through the development, testing, training and maintenance in four key areas: emergency response planning incident management planning, business continuity planning and technology resilience which includes disaster recovery planning.

Poor operational resiliency in the face of natural, technological, or human caused events could prevent the Company from carrying out important business services, with potential for lost revenue, regulatory sanctions and damage to reputation.

Process & Infrastructure Risk

Process and infrastructure risk is the risk of loss resulting from inadequate or failed business processes that deliver products and services and grow shareholder value, or the risk of loss resulting from the reduction or non-availability of corporate facilities, physical assets, or physical security. These processes include change management, data aggregation and reporting, product development, product introduction, new business (including the distribution and sales process) and renewal (including underwriting process), investment activities, client administration, claims and benefit payments, financial modelling and financial management. The inadequacy can arise in transaction processing, governance, communication or general process management.

Risk management seeks strategic alignment and congruency across all of the Company's business activities, including change initiatives and business-as-usual activities, with the Company's operational risk appetite and considers the potential impact on the Company's reputation. The Company monitors change initiatives to mitigate risks and realize benefits. Core business operational activities have quality control measures in place.

One of the processes relates to model risk and use of models. The Company uses models in many functions and processes that support business decisions and reporting. Model risk arises from the potential for adverse consequences from decisions based on incorrect models or misused model outputs and reports. Robust processes are in place for the management and oversight of model risk as outlined in the Model Risk Management and Validation Standard.

Further, the Company seeks to control processes across the value chain through automation, standardization and process improvements to prevent or reduce operational losses.

Fraud Risk

Fraud risk is the risk of loss resulting from acts or activities that are intended to defraud, misappropriate assets, or circumvent laws or regulations by customers, contractors or other third parties, directors, officers, employees or advisors. The external fraud environment continues to intensify for financial institutions, as increasingly sophisticated methods of organized fraud and cyber fraud are employed. Fraud can result in a financial loss or reputational impact to the Company and have other impacts that are detrimental to customers and other stakeholders.

The Company manages fraud risk by focusing on its governance, assessment, prevention, detection, investigation and response. The Company promotes a culture of honesty, integrity, transparency and fairness in its operations and outlines roles and responsibilities in the Company's Fraud Risk Management Policy, Fraud Risk Operating Standard and Code of Conduct. The Company has processes and controls in place that are intended to prevent fraud and employs various methods to detect fraud. A fraud response protocol is in place to deal with events through a coordinated investigative strategy designed to protect stakeholders and the interests of the Company.

Supplier Risk

Supplier risk is the risk of loss resulting from the failure to establish and manage adequate supplier arrangements, transactions or other interactions to meet the expected or contracted service level. Supplier risk is applicable to both external and internal suppliers. The Company strategically engages suppliers to maintain cost efficiency, to optimize internal resources and capital and to utilize skills, expertise and resources not otherwise available to the Company. Suppliers are engaged based on our prescribed supplier risk management principles in our Supplier Risk Management Policy. The Company applies a supplier risk management framework to oversee and monitor interactions with suppliers throughout the entire supplier lifecycle, including how they meet standards for quality of service and protect stakeholders and the interests of the Company.

Conduct Risk

Risk Description

Conduct risk is the risk of unfair outcomes for customers as a result of inadequate or failed processes and/or inappropriate behaviours, offerings or interactions by the Company or its agents. A failure to identify and mitigate conduct risk impacts not only the Company's customers but can also have adverse reputational and financial consequences for the Company due to the cost of customer remediation, damage to reputation and/or regulatory fines.

Conduct Risk Management

The Company manages conduct risk through various processes which include:

- providing appropriate and clear customer disclosures and communications;
- applying product design, complaint, claims management and sales and advice processes that consider outcomes to customers; and
- conducting risk based advisor assessments and suitability reviews, maintaining controls and adhering to Board-approved policies and processes, including the Conduct Risk Policy and the Code of Conduct.

Conduct Risk is incorporated in risk management and compliance activities, including risk and control assessments, internal events reporting, emerging risk assessments, and other measurement, monitoring and reporting activities.

Strategic Risk

Risk Description

Strategic risk is the risk of failing to set or meet appropriate strategic objectives in the context of the internal and external operating environment resulting in a material impact on business performance (e.g. earnings, capital, reputation or standing).

The Company's ability to maintain leadership positions in today's highly competitive environment is dependent on many factors, including scale, price and yields offered, distribution channels, digital capabilities, financial strength ratings, range of product lines and product quality, brand strength, investment performance, historical dividend levels to provide value added services to distributors and customers and the ability to innovate and deploy innovations rapidly.

Competitors and new entrants have significant potential to disrupt the Company's business through targeted strategies to reduce the Company's market share which may include targeting key people and other distributors or aggressively pricing their products. The Company's ability to achieve strategic objectives depends significantly upon the Company's capacity to anticipate and respond quickly to these competitive pressures.

The Company has placed strategic focus on improving technology infrastructure and capabilities. Not adapting effectively to changes in the technological environment or to evolving customer expectations could impact the Company's ability to remain competitive.

There are significant uncertainties relating to the political and economic environment. Increasing geopolitical tensions and slower global economic recovery may result in reduced trade and investment opportunities, failures of national, regional or global governance, interstate conflict or terrorism which may impact the Company's business.

The Company evaluates and optimizes strategy through a combined lens to meet strategic objectives. It assesses market attractiveness and the ability to drive leadership in the markets, sectors, and regions where the Company chooses to participate, evaluates portfolio and businesses from the lens of shareholder value creation and embeds resilience in strategies and operations to anticipate and respond quickly to external environment and competitive pressures. This enables the Company to dynamically manage tactical initiatives that ensure strategies will be both achievable in the short term and sustainable over the long term.

Strategic Risk Management

Strategic risk-taking is inherent to achieving strategic objectives and arises from the fundamental decisions made and actions taken concerning an organization's objectives. It may relate to or stem from the design and development of strategy, including the formulation, evaluation and ongoing validation of strategy, or execution of corporate and business strategies, and management of associated risks stemming from the same.

Strategic risk may reflect intentional risk-taking in anticipation or response to industry forces or it may emerge as unintended consequences from changes to strategy, execution of strategy, or from lack of responsiveness to external forces. The Company aligns business strategies with its Risk Appetite and mitigates exposure to strategic risk through strategic planning and value-based decision making, establishing appropriate performance indicators, reporting of strategy execution and implementation against strategic goals and ongoing monitoring, together with robust oversight and challenge. The Company's carefully aligns business strategies with the Risk Appetite.

In respect of new strategic initiatives, a review of the alignment with risk strategy and qualitative risk preferences is completed. Material change initiatives, including those related to new markets, mergers and acquisitions, distribution channels, product design and investments, are also subject to independent risk review.

Other Risks

Holding Company Structure Risk

As a holding company, the Company's ability to pay interest, dividends and other operating expenses and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital.

In the event of bankruptcy, liquidation or reorganization of any of these subsidiaries, insurance and investment contract liabilities of these subsidiaries will be completely provided for before any assets of such subsidiaries are made available for distribution to the Company. In addition, the other creditors of these subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the Company except to the extent that the Company is recognized as a creditor of the relevant subsidiaries.

Any payment (including payment of interest and dividends) by the principal subsidiaries is subject to restrictions set forth in relevant insurance, securities, corporate and other laws and regulations, which require that solvency and capital standards be maintained by Canada Life, GWL&A, and their subsidiaries and certain subsidiaries of Putnam. There are considerable risks and benefits related to this structure.

Management monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company level. Management also establishes lines of credit for additional liquidity and may also access capital markets for funds. Management monitors compliance with the regulatory laws and regulations at both the holding company and operating company levels.

Mergers and Acquisitions Risk

From time-to-time, the Company and its subsidiaries evaluate existing companies, businesses, assets, products and services, and such review could result in the Company or its subsidiaries acquiring or disposing of businesses or assets. In the ordinary course of business, the Company considers and discusses the purchase or sale of companies, businesses segments or assets.

If effected, such transactions could be material to the Company in size or scope, could result in risks and contingencies, including integration risks, relating to companies, businesses or assets that the Company acquires or expose it to the risk of claims relating to those it has disposed of, could result in changes in the value of the securities of the Company, including the common shares of the Company, and could result in the Company holding additional capital for contingencies that may arise after the transaction is completed. Integration risk can emerge also due to external risks that are difficult to anticipate resulting in reduced synergies and negative impact on value capture.

To mitigate these risks, due diligence reviews are undertaken and risks are assessed in the context of our Risk Appetite. The Company recognizes that integration risk can emerge due to external risks that are difficult to anticipate resulting in reduced synergies and negative impact on value capture. For each transaction, a robust integration strategy is established that considers the values, norms, and culture of the acquired companies, including monitoring of new and emerging risks that may impede efficiency and delay the consolidation process. Before acquiring or disposing of companies, businesses, business segments, or assets, businesses assess and provide assurance that systems and processes are in place to manage the risks after the transaction is completed.

Tax Regime Risk

The Company operates in a number of countries each with its own distinct tax regime, encompassing various levels of government and a range of tax mechanisms, such as income taxes, capital taxes, payroll taxes, value add taxes, sales taxes, etc. and further, may provide tax incentives for certain types of products (examples include support for pensions, retirement savings and life & health insurance). These jurisdictions periodically review and amend various aspects of the tax regime that can have an impact on the business of the Company.

There is a risk that changes to tax rates may increase the tax expense to the Company, adversely impacting earnings. There is also a risk that a reduction or elimination in the level of tax incentives on products offered by the Company may adversely impact demand for those products.

Management actively monitors changes in tax regimes in countries where it has operations and proactively responds to tax changes that may have potential impacts on its business.

Recently, the Organization for Economic Co-operation and Development (OECD) published a framework outlining a structure for a new global minimum tax regime to be implemented by all participating countries at an agreed future date, currently expected to be 2023 or 2024. The countries where the Company currently operates have all indicated their participation; however, none have developed implementing legislation at this point. A number of these countries currently operate at a lower tax rate than the proposed minimum and if legislation is introduced, the Company's tax expense could be negatively impacted.

Product Distribution Risk

Product distribution risk is the risk of loss resulting from the Company's inability to market its products through its network of distribution channels and intermediaries. These intermediaries generally offer their clients products in addition to, and in competition with, the Company's products, and are not obligated to continue working with the Company. In addition, certain investors rely on consultants to advise them on the choice of provider and the consultants may not always consider or recommend the Company. The loss of access to a distribution channel, the failure to maintain effective relationships with intermediaries or the failure to respond to changes in distribution channels could have a significant impact on the Company's ability to generate sales.

Product distribution risk is managed by maintaining a broad network of distribution relationships, with products distributed through numerous broker-dealers, managing general agencies, financial planners, banks and other financial institutions.

Sustainability Risk

Sustainability is the risk that the interests of the Company's customers and other stakeholders are not protected or that business operations and business growth are not sustained due to failure to meet societal expectation related to corporate social responsibilities.

Dynamics and attitudes towards societal issues have solidified and been further amplified during COVID-19. Factors such as diversity and inclusion and climate change are now a significant focus on the Company's strategic agenda. The Company may experience direct or indirect financial, operational or reputational impact stemming from societal related events, which include climate change, regulatory enforcement or costs associated with changes in environmental laws and regulations as well as diversity and inclusion related matters.

Sustainability considerations are formally reflected in the Company's risk management principles and associated policies. The Company recognizes that sustainability risk impacts both financial risks (market, credit, insurance) as well as non-financial risks (operational, conduct, strategic). Sustainability risk is not a stand-alone risk type, but underlies all risk types (e.g. credit, market, insurance, operational and strategic risk). As a result, the processes for managing sustainability risk are embedded in the processes for managing each risk type.

The Company endeavors to respect the environment and to take a balanced and sustainable approach to conducting business. The Company has established environmental policies and guidelines pertaining to the acquisition and ongoing management of investment properties, loans secured by real property and investments in equity and fixed-income securities. These policies are approved by the Board of Directors and are reviewed annually.

The Company has established and made available on its website, an Environmental Social Governance (ESG) scorecard that contains standardized ESG disclosures for its global operating companies. The scorecard is in alignment with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. The GRI Standards are the most widely adopted global standards for sustainability reporting, providing a globally recognized framework for companies to measure and communicate their environmental, economic, social and governance performance.

The Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for climate-related disclosure that could encourage more informed investment, credit, and insurance underwriting decisions and allow for a better understanding of carbon-related assets in the financial sector and the financial system's exposures to climate risks. In 2020, the Company became an official TCFD supporter of the recommendations of the FSB's task Force on Climate-related Financial Disclosures. The Company is also an active participant in the UN-sponsored "Capital as a Force for Good" project, and a member of the Canada Sustainable Finance Action Council.

Also, the Company has committed to achieve net zero greenhouse gas (GHG) emissions by 2050 for both operations and investments (Scope 3 financed GHG emissions related to the General Account investment portfolio (invested assets)), with interim science-based targets to be announced in 2022.

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 following table illustrates the approximate impact to the Company's earnings that would arise as a result of changes to management's best estimate of certain assumptions. 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.

	Increase (decrease) in net earnings	
	2021	2020
Mortality – 2% increase	**$ (276)**	$ (288)
Annuitant mortality – 2% decrease	**$ (722)**	$ (756)
Morbidity – 5% adverse change	**$ (262)**	$ (279)
Investment returns		
Parallel shift in yield curve		
1% increase	**$ –**	$ –
1% decrease	**$ –**	$ –
Change in interest rates		
1% increase	**$ 197**	$ 224
1% decrease	**$ (555)**	$ (920)
Change in publicly traded common stock values		
20% increase	**$ 21**	$ 28
10% increase	**$ 13**	$ 15
10% decrease	**$ (19)**	$ (51)
20% decrease	**$ (66)**	$ (208)
Change in other non-fixed income asset values		
10% increase	**$ 79**	$ 34
5% increase	**$ 39**	$ 6
5% decrease	**$ (30)**	$ (69)
10% decrease	**$ (112)**	$ (108)
Change in best estimate return assumptions for equities		
1% increase	**$ 567**	$ 556
1% decrease	**$ (649)**	$ (682)
Expenses – 5% increase	**$ (207)**	$ (165)
Policy termination and renewal – 10% adverse change	**$ (1,002)**	$ (1,017)

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

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. These estimates and judgments are more challenging in a period of uncertainty as is currently being experienced as a result of the COVID-19 pandemic. 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.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use independent third-party credit ratings where available as an input to its internal credit rating process. Investment properties, which are primarily held in the U.K. and Canada, rely upon independent third-party appraisals for their valuation which impact the estimation of insurance contract liabilities. Independent appraisals for the portfolio occur over the year with management adjustments for material changes in the interim periods. Credit rating changes for fixed income investments and market values for investment properties may lag developments in the current environment. Subsequent credit rating adjustments and market value adjustments on investment properties will impact actuarial liabilities.

The significant accounting estimates include the following:

Fair Value Measurement

Financial and other instruments held by the Company include portfolio investments, various derivative financial instruments, debentures and other debt instruments.

Financial instrument carrying values reflect the liquidity of the markets and the liquidity premiums embedded in the market pricing methods the Company relies upon.

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

Level 1 inputs utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Refer to note 9 in the Company's December 31, 2021 annual consolidated financial statements for disclosure of the Company's financial instruments fair value measurement by hierarchy level as at December 31, 2021.

Fair values for bonds classified as fair value through profit or loss or available-for-sale are determined using quoted market prices. Where prices are not quoted in an active market, fair values are determined by valuation models primarily using observable market data inputs. Market values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates.

Fair values for equity release mortgages classified as fair value through profit or loss are determined by an internal valuation model that uses discounted future cash flows. Inputs to the model include marketable observable and non-market observable inputs.

Fair values for public stocks 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 determined by discounting expected future cash flows based on expected dividends and where market value cannot be measured reliably, fair value is estimated to be equal to cost. Fair values for investment properties are determined using independent appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals.

Investment impairment

Investments 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. Investments are deemed to be impaired when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

For impaired mortgages and bonds classified as loans and receivables, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish the estimated realizable value. For impaired available-for-sale bonds recorded at fair value, the accumulated loss recorded in accumulated other comprehensive income (loss) is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. All gains and losses on bonds classified or designated as fair value through profit or loss are already recorded in net investment income; therefore, in the event of an impairment, the reduction will be recorded in net investment income. As well, when determined to be impaired, interest is no longer accrued and previous interest accruals are reversed.

Goodwill and intangibles impairment testing

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

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

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

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

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

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

Insurance and investment contract liabilities

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

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

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

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

Mortality – A life insurance mortality study is carried out regularly for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. Annuitant mortality is also studied regularly, and the results are used to modify established annuitant mortality tables. When there is insufficient data, 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.

- A 2% increase in the best estimate life insurance mortality assumption would cause a decrease in net earnings of approximately $276 million.
- A 2% decrease in the best estimate annuitant assumption would cause a decrease in net earnings of approximately $722 million.

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. For products for which morbidity is a significant assumption, a 5% decrease in best estimate termination assumptions for claim liabilities and a 5% increase in best-estimate incidence assumptions for active life liabilities would cause a decrease in net earnings of approximately $262 million.

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.

Investment returns – The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in CALM to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to provide for reinvestment risk because the Company's sensitivity to interest rate movements varies at different terms.

The total provision for interest rate is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios. The range of interest rates covered by these provision is set in consideration of long-term historical results and is monitored quarterly with a full review annually. The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities. The following is the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $219 million causing an increase in net earnings of approximately $197 million.
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $678 million causing a decrease in net earnings of approximately $555 million.

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. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown below would have a greater impact on net earnings, relative to the change in equity values.

The following shows the expected impact of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets:

- A 10% increase in publicly traded common stock values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $16 million, causing an increase in net earnings of approximately $13 million.
- A 10% decrease in publicly traded common stock values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $22 million, causing a decrease in net earnings of approximately $19 million.
- A 20% increase in publicly traded common stock values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $26 million, causing an increase in net earnings of approximately $21 million.
- A 20% decrease in publicly traded common stock values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $76 million, causing a decrease in net earnings of approximately $66 million.

The following provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities:

- A 5% increase in other non-fixed income asset values would be expected to decrease non-participating insurance and investment contract liabilities by approximately $46 million, causing an increase in net earnings of approximately $39 million.
- A 5% decrease in other non-fixed income asset values would be expected to increase non-participating insurance and investment contract liabilities by approximately $38 million, causing a decrease in net earnings of approximately $30 million.
- A 10% increase in other non-fixed income asset values would be expected to decrease non-participating insurance and investment contract liabilities by approximately $92 million, causing an increase in net earnings of approximately $79 million.
- A 10% decrease in other non-fixed income asset values would be expected to increase non-participating insurance and investment contract liabilities by approximately $144 million, causing a decrease in net earnings of approximately $112 million.

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best-estimate return assumptions for publicly traded common stocks, and other non-fixed income assets are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows.

- A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately $715 million causing an increase in net earnings of approximately $567 million.
- A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $829 million causing a decrease in net earnings of approximately $649 million.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, refer to "Financial Instruments Risk Management" note 8 in the Company's annual consolidated financial statements for the period ended December 31, 2021.

Expenses – Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under CALM as inflation is assumed to be correlated with new money interest rates. A 5% increase in the best estimate maintenance unit expense assumption would cause a decrease in net earnings of approximately $207 million.

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. A 10% adverse change in the best-estimate policy termination and renewal assumptions would cause a decrease in net earnings of approximately $1,002 million.

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

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

Income taxes

The Company is subject to income tax laws in various jurisdictions. The Company's operations are complex and related income tax interpretations, regulations and legislation that pertain to its activities are subject to continual change. As life insurance companies, the Company's primary Canadian operating subsidiaries are subject to a regime of specialized rules prescribed under the *Income Tax Act (Canada)* for purposes of determining the amount of the Companies' income that will be subject to tax in Canada.

Tax planning strategies to obtain tax efficiencies are used. The Company continually assesses the uncertainty associated with these strategies and holds an appropriate level of provisions for uncertain income tax positions. Accordingly, the provision for income taxes represents management's interpretation of the relevant income tax laws and its estimate of current and deferred income tax balances for the period. Deferred income tax assets and liabilities are recorded based on expected future income tax rates and management's assumptions regarding the expected timing of the reversal of temporary differences. The Company has substantial deferred income tax assets. The recognition of deferred income tax assets depends on management's assumption that future earnings will be sufficient to realize the deferred benefit. The amount of the asset recorded is based on management's best estimate of the realization of the asset.

The audit and review activities of tax authorities may affect the ultimate determination of the amounts of income taxes payable or receivable, deferred income tax assets or liabilities and income tax expense. Therefore, there can be no assurance that income taxes will be payable as anticipated and/or the amount and timing of receipt or use of the income tax related assets will be as currently expected. Management's experience indicates the taxation authorities are more aggressively pursuing perceived income tax issues and have increased the resources they put to these efforts.

Employee future benefits

The Company's subsidiaries maintain contributory and non-contributory defined benefit and defined contribution pension plans for eligible employees and advisors. The defined benefit pension plans provide pensions based on length of service and final average pay; however, these plans are closed to new entrants. Many of the subsidiaries' defined benefit pension plans also no longer provide future defined benefit accruals. The Company's defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, active plan participants share in the cost of benefits through employee contributions in respect of current service. Certain pension payments are indexed on either an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. Assets supporting the funded pension plans are held in separate trusteed pension funds. Obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets. New hires and active plan participants in defined benefit plans closed to future defined benefit accruals are eligible for defined contribution benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. These plans are also closed to new entrants. For further information on the pension plans and other post-employment benefits refer to note 23 in the Company's December 31, 2021 annual consolidated financial statements.

For the defined benefit plans, service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. Re-measurements of the defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized immediately in the Consolidated Statements of Comprehensive Income.

Accounting for defined benefit pension and other post-employment benefits requires estimates of expected increases in compensation levels, indexation of certain pension payments, trends in health-care costs, the period of time over which benefits will be paid, as well as the appropriate discount rates for past and future service liabilities. These assumptions are determined by management using actuarial methods, and are reviewed and approved annually. Emerging experience that differs from the assumptions will be revealed in future valuations and will affect the future financial position of the plans and net periodic benefit costs.

Actuarial assumptions – employee future benefits

	Defined benefit pension plans		Other post-employment benefits	
At December 31	**2021**	2020	**2021**	2020
Actuarial assumptions used to determine benefit cost				
Discount rate – past service liabilities	**2.2%**	2.6%	**2.5%**	3.1%
Discount rate – future service liabilities	**2.8%**	3.2%	**2.6%**	3.3%
Rate of compensation increase	**3.0%**	2.9%	**–**	–
Future pension increases (1)	**1.2%**	1.3%	**–**	–
Actuarial assumptions used to determine defined benefit obligation				
Discount rate – past service liabilities	**2.6%**	2.1%	**3.1%**	2.5%
Rate of compensation increase	**3.1%**	2.9%	**–**	–
Future pension increases (1)	**1.7%**	1.0%	**–**	–
Medical cost trend rates				
Initial medical cost trend rate			**4.7%**	4.7%
Ultimate medical cost trend rate			**4.1%**	4.1%
Year ultimate trend rate is reached			**2039**	2039

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

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

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

As these assumptions relate to factors that are long-term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in increases or decreases in the pension and post-employment benefits expense and defined benefit obligation in future years. There is no assurance that the plans will be able to earn assumed rates of return, and market driven changes to assumptions could impact future contributions and expenses.

The following table indicates the impact of changes to certain key assumptions related to pension and post-employment benefits.

Impact of a change of 1.0% in actuarial assumptions on defined benefit obligation [1]

	1% increase		1% decrease	
	2021	2020	**2021**	2020
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (1,199)**	$ (1,350)	**$ 1,568**	$ 1,784
Impact of a change to the rate of compensation increase	**299**	329	**(269)**	(291)
Impact of a change to the rate of inflation	**578**	662	**(507)**	(569)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	**$ 24**	$ 31	**$ (21)**	$ (26)
Impact of a change to the discount rate	**(36)**	(44)	**44**	53

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

Funding – The Company's subsidiaries have both funded and unfunded pension plans as well as other post-employment benefit plans that are unfunded. The Company's subsidiaries' funded pension plans are funded to or above the amounts required by relevant legislation. During the year, the Company's subsidiaries contributed $299 million ($309 million in 2020) to the pension plans and made benefit payments of $19 million ($17 million in 2020) for post-employment benefits. The Company's subsidiaries expect to contribute $284 million to the pension plans and make benefit payments of $22 million for post-employment benefits in 2022.

International Financial Reporting Standards

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2021, 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.

The Company adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases,* effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's December 31, 2021 annual consolidated financial statements.

IFRS that have changed or may change subsequent to 2021 and could impact the Company in future reporting periods, are set out in the following table:

Standard	Summary of Future Changes
IFRS 17 – *Insurance Contracts*	In May 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), which will replace IFRS 4, *Insurance Contracts*. In June 2020, the IASB issued amendments to IFRS 17. The amended confirmed effective date for the standard is January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments* (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The adoption of IFRS 17 is a significant initiative for the Company supported by a formal governance framework and project plan, for which substantial resources are being dedicated. The Company has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that the Company has representation on. The Company continues to make progress in implementing its project plan, with key policy decisions near final as well as significant progression on the technology solutions. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of: (a) the fulfilment cash flows – the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin – the future profit for providing insurance coverage. Under IFRS 17, the discount rate used to reflect the time value of money in the fulfillment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the Canadian Asset Liability Method, where the discount rate was based on the yield curves of the assets supporting those liabilities. The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires the Company to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. The Company is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. Specifically, the recognition of the contractual service margin liabilities will also have the effect of reducing accumulated surplus. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimizing potential industry-wide capital impacts. The Company continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or our business model.

Standard	Summary of Future Changes
IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* (IFRS 9) to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts* (IFRS 4). The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows: • *Deferral Approach* – provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or • *Overlay Approach* – provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. The Company qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17 simultaneously. The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Company does not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Company continues to evaluate the impact of the adoption of this standard with the adoption of IFRS 17. In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17. The Amendment, *Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)*, provides entities that first apply IFRS 17 and IFRS 9 at the same time with the option to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying this option, entity is not required to apply the impairment requirements of IFRS 9.
IAS 1 – *Presentation of Financial Statements*	In February 2021, the IASB published *Disclosure of Accounting Policies,* amendments to IAS 1, *Presentation of Financial Statements*. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	In February 2021, the IASB published *Definition of Accounting Estimates,* amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.
IAS 12 – *Income Taxes*	In May 2021, the IASB published Deferred Tax Related to Assets and Liabilities from a Single Transaction, amendments to IAS 12, Income Taxes. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.
IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*	In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of these amendments.
Annual Improvements 2018-2020 Cycle	In May 2020, the IASB issued Annual Improvements 2018-2020 Cycle as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, *Financial Instruments* and IFRS 16, *Leases*. The amendments are effective January 1, 2022. The Company does not anticipate a significant impact on its consolidated financial statements as a result of the amendment to IFRS 16, *Leases.* The Company continues to evaluate the impact for the adoption of the amendment to IFRS 9, *Financial Instruments* along with the adoption of IFRS 17 on January 1, 2023.

Other Information

Non-GAAP Financial Measures and Ratios

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:

- The impact of actuarial assumption changes and other management actions;
- The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
  - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
  - the impact on segregated fund guarantee liabilities not hedged;
  - the impact on general fund equity and investment properties supporting insurance contract liabilities;
  - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements; and
- Certain items that, when removed, assist in explaining the Company's underlying business performance including restructuring costs, integration costs related to business acquisitions, material legal settlements, material impairment charges related to goodwill and intangible assets, impact of substantially enacted income tax rate changes and other tax impairments and net gains, losses or costs related to the disposition or acquisition of a business.

Lifeco

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings	**$ 825**	$ 870	$ 741	**$ 3,260**	$ 2,669
Items excluded from Lifeco base earnings					
Actuarial assumption changes and other management actions (pre-tax)	**$ 28**	$ 74	$ (71)	**$ 148**	$ 61
Income tax (expense) benefit	**(5)**	(5)	48	**(14)**	52
Market-related impact on liabilities (pre-tax)	**22**	52	(21)	**35**	(178)
Income tax (expense) benefit	**(2)**	(5)	(10)	**(11)**	51
Transaction costs related to acquisitions (pre-tax)	**(76)**	(104)	(59)	**(207)**	(95)
Income tax (expense) benefit	**2**	14	12	**18**	17
Restructuring and integration costs (pre-tax)	**(21)**	(32)	(88)	**(90)**	(88)
Income tax (expense) benefit	**6**	8	21	**24**	21
Tax legislative changes impact on liabilities	**–**	–	–	**(21)**	–
Net gain/charge on business dispositions (pre-tax)	**(14)**	–	137	**(14)**	232
Income tax (expense) benefit	**–**	–	6	**–**	5
Revaluation of a deferred tax asset	**–**	–	196	**–**	196
Total pre-tax items excluded from base earnings	**$ (61)**	$ (10)	$ (102)	**$ (128)**	$ (68)
Impact of items excluded from base earnings on income taxes	**1**	12	273	**(4)**	342
Net earnings – common shareholders	**$ 765**	$ 872	$ 912	**$ 3,128**	$ 2,943

Canada

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings	**$ 317**	$ 312	$ 348	**$ 1,220**	$ 1,206
Items excluded from base earnings					
Actuarial assumption changes and other management actions (pre-tax)	**$ (18)**	$ (15)	$ (199)	**$ (58)**	$ (265)
Income tax (expense) benefit	**5**	4	52	**15**	71
Market-related impacts on liabilities (pre-tax)	**4**	6	(14)	**13**	(71)
Income tax (expense) benefit	**(1)**	(2)	4	**(3)**	20
Net gain/charge on business dispositions (pre-tax)	**–**	–	137	**–**	137
Income tax (expense) benefit	**–**	–	6	**–**	6
Restructuring costs (pre-tax)	**–**	–	(46)	**–**	(46)
Income tax (expense) benefit	**–**	–	12	**–**	12
Net earnings – common shareholders	**$ 307**	$ 305	$ 300	**$ 1,187**	$ 1,070

United States

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings	**$ 156**	$ 221	$ 90	**$ 671**	$ 273
Items excluded from base earnings					
Actuarial assumption changes and other management actions (pre-tax)	**$ 2**	$ 5	$ 3	**$ 7**	$ 52
Income tax (expense) benefit	**–**	(1)	–	**(1)**	(11)
Market-related impact on liabilities (pre-tax)	**(1)**	(1)	(2)	**(5)**	(26)
Income tax (expense) benefit	**–**	–	1	**–**	7
Transaction costs related to acquisitions (pre-tax)	**(52)**	(36)	(59)	**(115)**	(95)
Income tax (expense) benefit	**2**	4	12	**8**	17
Revaluation of a deferred tax asset	**–**	–	196	**–**	196
Restructuring and integration costs (pre-tax)	**(21)**	(32)	(42)	**(90)**	(42)
Income tax (expense) benefit	**6**	8	9	**24**	9
Net earnings – common shareholders	**$ 92**	$ 168	$ 208	**$ 499**	$ 380

Europe

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings	**$ 213**	$ 232	$ 195	**$ 830**	$ 688
Items excluded from base earnings					
Actuarial assumption changes and other management actions (pre-tax)	**$ 59**	$ 90	$ 83	**$ 219**	$ 209
Income tax (expense) benefit	**(13)**	(9)	(5)	**(33)**	(21)
Market-related impact on liabilities (pre-tax)	**19**	47	(5)	**27**	(81)
Income tax (expense) benefit	**(1)**	(3)	(15)	**(8)**	24
Transaction costs related to acquisitions (pre-tax)	**(24)**	–	–	**(24)**	–
Income tax (expense) benefit	**–**	–	–	**–**	–
Tax legislative changes impact on liabilities	**–**	–	–	**(21)**	–
Net gain/charge on business dispositions (pre-tax)	**(14)**	–	–	**(14)**	95
Income tax (expense) benefit	**–**	–	–	**–**	(1)
Net earnings – common shareholders	**$ 239**	$ 357	$ 253	**$ 976**	$ 913

Capital and Risk Solutions

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings	**$ 145**	$ 107	$ 124	**$ 547**	$ 536
Items excluded from base earnings					
Actuarial assumption changes and other management actions (pre-tax)	**$ (15)**	$ (6)	$ 42	**$ (20)**	$ 65
Income tax (expense) benefit	**3**	1	1	**5**	13
Net earnings – common shareholder	**$ 133**	$ 102	$ 167	**$ 532**	$ 614

Lifeco Corporate

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Base earnings (loss)	**$ (6)**	$ (2)	$ (16)	**$ (8)**	$ (34)
Items excluded from base earnings (loss)					
Transaction costs related to acquisitions (pre-tax)	**$ –**	$ (68)	$ –	**$ (68)**	$ –
Income tax (expense) benefit	**–**	10	–	**10**	–
Net earnings (loss) – common shareholder	**$ (6)**	$ (60)	$ (16)	**$ (66)**	$ (34)

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.

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional assets and other assets under administration. Please refer to the "Glossary" section for additional information regarding proprietary mutual funds and institutional assets and other assets under administration.

Assets under management and assets under administration

	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020
Total assets per financial statements	**$ 630,488**	$ 614,962	$ 600,490
Proprietary mutual funds and institutional assets	**377,155**	365,764	350,943
Assets under management	**$ 1,007,643**	$ 980,726	$ 951,433
Other assets under administration	**1,271,931**	1,213,074	1,024,414
Assets under administration	**$ 2,279,574**	$ 2,193,800	$ 1,975,847

Canada

	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020
Canada wealth fee business assets under administration			
Segregated fund assets	**$ 101,537**	$ 97,769	$ 90,680
Mutual funds and institutional assets	**5,742**	5,534	7,311
Wealth fee business other assets under administration	**15,322**	14,132	12,078
Total Canada wealth fee business assets under administration	**$ 122,601**	$ 117,435	$ 110,069
Add: Other balance sheet assets	**$ 102,445**	$ 99,475	$ 97,018
Add: Other assets under administration	**2,275**	7,030	6,476
Consolidated Canada balance sheet assets	**$ 203,982**	$ 197,244	$ 187,698
Consolidated Canada proprietary mutual funds and institutional assets	**5,742**	5,534	7,311
Consolidated Canada other assets under administration	**17,597**	21,162	18,554
Total Canada assets under administration	**$ 227,321**	$ 223,940	$ 213,563

United States

	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020
Financial Services			
Personal Capital mutual funds and institutional assets	**$ 29,231**	$ 26,355	$ 20,665
Empower assets under administration			
General account	**47,408**	46,098	46,469
Segregated funds	**109,450**	109,395	111,223
Proprietary mutual funds	**53,413**	49,862	43,130
Other assets under administration	**1,241,974**	1,179,882	994,989
Empower assets under administration	**$1,452,245**	$1,385,237	$ 1,195,811
Putnam proprietary mutual funds and institutional assets	**$ 257,216**	$ 250,046	$ 243,273
Subtotal	**$1,738,692**	$1,661,638	$ 1,459,749
Less: Mutual fund and institutional asset consolidation adjustment	**$ (28,927)**	$ (27,728)	$ (22,817)
Add: Other balance sheet assets	**51,353**	52,632	50,888
Consolidated United States balance sheet assets	**$ 208,211**	$ 208,125	$ 208,580
Consolidated United States proprietary mutual funds and institutional assets	**310,933**	298,535	284,251
Consolidated United States other assets under administration	**1,241,974**	1,179,882	994,989
Total United States assets under administration	**$1,761,118**	$1,686,542	$ 1,487,820

Europe

	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020
Europe wealth and investment only assets under administration			
Segregated fund assets	**$ 138,963**	$ 131,284	$ 125,370
Mutual funds and institutional assets	**60,480**	61,695	59,381
Wealth fee business other assets under administration	**12,360**	12,030	10,871
Total Europe wealth and investment only assets under administration	**$ 211,803**	$ 205,009	$ 195,622
Add: Other balance sheet assets	**$ 61,936**	$ 60,594	$ 63,981
Consolidated Europe balance sheet assets	**$ 200,899**	$ 191,878	$ 189,351
Consolidated Europe proprietary mutual funds and institutional assets	**60,480**	61,695	59,381
Consolidated Europe other assets under administration	**12,360**	12,030	10,871
Total Europe assets under administration	**$ 273,739**	$ 265,603	$ 259,603

Premiums and deposits

Total premiums and deposits include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS as net premium income), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. Total premiums and deposits exclude the initial ceded premium related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business. This measure provides an indicator of top-line growth.

Premiums and deposits

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
Total net premiums	**$ 12,989**	$ 14,921	$ 11,747	**$ 52,813**	$ 43,019
Policyholder deposits (segregated funds) (1)	**8,337**	6,733	5,641	**29,657**	21,916
Self-funded premium equivalents (ASO contracts) and other	**4,556**	2,828	1,687	**11,108**	6,123
Proprietary mutual funds and institutional deposits	**21,772**	14,800	21,756	**75,225**	100,287
Total premiums and deposits	**$ 47,654**	$ 39,282	$ 40,831	**$ 168,803**	$ 171,345

(1) For additional details, refer to note 14(b) to the Company's consolidated financial statements for the period ended December 31, 2021.

Core net earnings (loss)

For its Asset Management business unit in the U.S segment, the Company discloses core net earnings (loss), which is a measure of the business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization and excludes the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions.

Core net earnings [(1)]

	For the three months ended			For the twelve months ended	
	Dec. 31 2021	Sept. 30 2021	Dec. 31 2020	**Dec. 31 2021**	Dec. 31 2020
Fee and net investment income (US$)	**$ 254**	$ 250	$ 271	**$ 990**	$ 926
Less: Expenses (US$)	**225**	219	215	**890**	846
Core earnings (US$)	**$ 29**	$ 31	$ 56	**$ 100**	$ 80
Less: Income taxes (US$)	**9**	7	19	**26**	29
Core net earnings (loss) (US$)	**$ 20**	$ 24	$ 37	**$ 74**	$ 51
Non-core net earnings (loss) (US$)	**15**	3	(11)	**2**	(37)
Net earnings (loss) (US$)	**$ 35**	$ 27	$ 26	**$ 76**	$ 14
Net earnings (loss) (C$)	**$ 43**	$ 34	$ 35	**$ 95**	$ 18

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

Non-GAAP Ratios

A non-GAAP ratio is a financial measure in the form of a ratio, fraction, percentage or similar representation that is not disclosed in the 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.
- **Core margin (pre-tax)** – The metrics relates to the Asset Management line of business within the United States segment and is calculated by dividing core earnings by fee and net investment income.
- **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.
- **Effective income tax rate – base earnings – total Lifeco** – Calculated by adjusting the Company's reported income taxes and net earnings before income taxes to remove the impact of items excluded from base earnings, to calculate the effective tax rates for total Lifeco.

Glossary

- **Actuarial assumption changes and other management actions** – In accordance with the OSFI "Source of Earnings Disclosure (Life Insurance Company)" Guideline D-9, actuarial assumption changes and management actions represent the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors. Within the Source of Earnings Disclosure, management actions include the net gain or charge on business dispositions and transactions costs related to acquisition. The reconciliation between net earnings – common shareholders and base earnings (loss) presents the net gain or charge on business dispositions and transactions costs related to acquisition separately from actuarial assumption changes and other management actions.
- **Book value per common share** – 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.
- **Financial leverage ratio** – Defined as debt, hybrid securities, and preferred shares divided by total consolidated capitalization.
- **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.

	December 31	
Period ended	**2021**	2020
United States dollar	**1.26**	1.30
British pound	**1.70**	1.72
Euro	**1.44**	1.55

- **Market-related impacts on liabilities** – The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
  - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
  - the impact on segregated fund guarantee liabilities not hedged;
  - the impact on general fund equity and investment properties supporting insurance contract liabilities;
  - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements.
- **Office of the Superintendent of Financial Institutions Canada (OSFI)** – 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.
- **Return on common shareholder's equity (ROE)** – Net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Sales** – Sales are measured according to product type:
  - For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
  - Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
  - For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
  - For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.
- **Segmented common shareholder's equity** – The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada, Europe and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

  The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available.
- **Proprietary mutual funds and institutional assets** – 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.
- **Other assets under administration** – Includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

- **Net cash flows and net asset flows** – Indicator of the Company's ability to attract and retain business. Net cash flows and net asset flows are measured by the following:
  - Canada wealth management net cash flows include cash inflows and outflows related to segregated fund assets and proprietary and non-proprietary mutual funds.
  - Europe wealth and investment only net cash flows include cash inflows and outflows related to segregated fund assets, 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.
  - Putnam net asset flows include mutual fund and institutional sales and redemptions.

SELECTED ANNUAL INFORMATION

(in $ millions, except per share amounts)	Years ended December 31 2021	2020	2019
Total revenue	**$ 64,417**	$ 60,583	$ 44,698
Earnings – common shareholders			
Net earnings	**3,128**	2,943	2,359
Base earnings (1)	**3,260**	2,669	2,704
Net earnings per common share			
Basic – net earnings	**3.365**	3.173	2.494
Diluted – net earnings	**3.360**	3.172	2.493
Basic – base earnings (2)	**3.507**	2.878	2.859
Diluted – base earnings (2)	**3.502**	2.877	2.857
Total assets under administration			
Total assets	**$ 630,488**	$ 600,490	$ 451,167
Proprietary mutual funds and institutional assets (3)	**377,155**	350,943	320,548
Total assets under management (1)	**1,007,643**	951,433	771,715
Other assets under administration (3)	**1,271,931**	1,024,414	857,966
Total assets under administration (1)	**$2,279,574**	$1,975,847	$1,629,681
Total liabilities	**$ 600,005**	$ 573,475	$ 425,624
Dividends paid per share			
Series F First Preferred	**1.4750**	1.4750	1.4750
Series G First Preferred	**1.3000**	1.3000	1.3000
Series H First Preferred	**1.21252**	1.21252	1.21252
Series I First Preferred	**1.1250**	1.1250	1.1250
Series L First Preferred	**1.41250**	1.41250	1.41250
Series M First Preferred	**1.450**	1.450	1.450
Series N First Preferred (4)	**0.437252**	0.544000	0.544000
Series O First Preferred (5)	**–**	0.556412	0.744956
Series P First Preferred	**1.350**	1.350	1.350
Series Q First Preferred	**1.2875**	1.2875	1.2875
Series R First Preferred	**1.200**	1.200	1.200
Series S First Preferred	**1.312500**	1.312500	1.312500
Series T First Preferred	**1.2875**	1.2875	1.2875
Series Y First Preferred (6)	**0.2589**	–	–
Common (7)	**1.804**	1.752	1.652

(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 Series N First Preferred Share dividend was reset to a five year fixed dividend rate of 1.749% per annum which applies until December 30, 2025.

(5) Floating dividend rate which is reset quarterly to the three month Government of Canada Treasury Bill yield plus 1.30%. On December 31, 2020, all Series O Shares were automatically converted into Series N Shares on an on-for-one basis.

(6) On October 8, 2021, the Company issued 8,000,000, 4.50% Non-Cumulative First Preferred Shares, Series Y. Please refer to the "Lifeco Capital Structure" section of this document for additional details on the issuance.

(7) In 2021, Lifeco made dividend payments to common shareholders on each of March 31, June 30 and September 30 in the amount of $0.438 per share. On November 15, 2021, Lifeco announced an increase to the quarterly dividend of $0.052 per share. On December 31, 2021, Lifeco made a dividend payment to common shareholders in the amount of $0.490 per share.

Quarterly Financial Information

(in $ millions, except per share amounts)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Total revenue	**$ 18,122**	$ 17,432	$ 17,955	$ 10,908	$ 16,860	$ 13,740	$ 19,710	$ 10,273
Common shareholders								
Base earnings								
Total (2)	**$ 825**	$ 870	$ 826	$ 739	$ 741	$ 679	$ 706	$ 543
Basic – per share (1)	**0.887**	0.934	0.889	0.796	0.799	0.732	0.761	0.585
Diluted – per share (1)	**0.885**	0.932	0.888	0.796	0.799	0.732	0.761	0.585
Net earnings								
Total	**$ 765**	$ 872	$ 784	$ 707	$ 912	$ 826	$ 863	$ 342
Basic – per share	**0.822**	0.938	0.844	0.762	0.983	0.891	0.930	0.369
Diluted – per share	**0.820**	0.936	0.842	0.761	0.983	0.891	0.930	0.369

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

(2) This metric is a non-GAAP financial measure. The following items were excluded from base earnings in each quarter:

Items excluded from base earnings

	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Actuarial assumption changes and other management actions (pre-tax)	$ 28	$ 74	$ 42	$ 4	$ (71)	$ 73	$ 140	$ (81)
Income tax (expense) benefit	(5)	(5)	(5)	1	48	(7)	(18)	29
Market-related impact on liabilities (pre-tax)	22	52	(14)	(25)	(21)	13	43	(213)
Income tax (expense) benefit	(2)	(5)	(5)	1	(10)	5	(8)	64
Transaction costs related to acquisitions (pre-tax)	(76)	(105)	(25)	(2)	(59)	(36)	–	–
Income tax (expense) benefit	2	15	1	1	12	5	–	–
Restructuring and integration costs (pre-tax)	(21)	(32)	(21)	(16)	(88)	–	–	–
Income tax (expense) benefit	6	8	6	4	21	–	–	–
Net gain/charge on business dispositions (pre-tax)	(14)	–	–	–	137	95	–	–
Income tax (expense) benefit	–	–	–	–	6	(1)	–	–
Tax legislative changes impact on liabilities	–	–	–	–	–	–	–	–
Income tax (expense) benefit	–	–	(21)	–	–	–	–	–
Revaluation of deferred tax asset	–	–	–	–	–	–	–	–
Income tax (expense) benefit	–	–	–	–	196	–	–	–
Total post-tax items excluded from base earnings	$ (60)	$ 2	$ (42)	$ (32)	$ 171	$ 147	$ 157	$ (201)

Lifeco's consolidated net earnings attributable to common shareholders were $765 million for the fourth quarter of 2021 compared to $912 million reported a year ago. On a per share basis, this represents $0.822 per common share ($0.820 diluted) for the fourth quarter of 2021 compared to $0.983 per common share ($0.983 diluted) a year ago.

Total revenue for the fourth quarter of 2021 was $18,122 million and comprises premium income of $12,989 million, regular net investment income of $1,637 million, a positive change in fair value through profit or loss on investment assets of $1,611 million and fee and other income of $1,885 million.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed or submitted by it 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. Management evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2021 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

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.

The Company's management, under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the 2013 *Internal Control – Integrated Framework* (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management adopted the revised 2013 COSO Framework in 2015 as the basis to evaluate the effectiveness of the Lifeco's internal control over financial reporting.

During the twelve months ended December 31, 2021, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Internal controls over financial reporting have been adapted for the remote work environment that has resulted from the COVID-19 pandemic, as necessary, and were effective. Management evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2021 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective and that there are no material weaknesses in the Company's internal control over financial reporting.

Relationship with Power Corporation Group of Companies

Lifeco's controlling shareholder is Power Financial Corporation (Power Financial), which is controlled by Power Corporation of Canada (Power Corporation) and, ultimately, by the Desmarais Family Residuary Trust. Power Corporation also controls IGM Financial Inc. and its subsidiaries (IGM), Sagard Holdings Inc. (Sagard), a multi-strategy alternative asset manager, as well as Portag3 Ventures II Limited Partnership (Portag3), which invests in the FinTech sector and in which both Lifeco and IGM are investors. Some of these related entities operate in similar or related sectors to those in which Lifeco's subsidiaries operate. A number of the Company's directors are also directors or officers of Power Corporation or one of its affiliates.

Lifeco's relationship with Power Financial, Power Corporation, IGM, Sagard, Portag3 and other members of the Power Corporation group of companies enables Lifeco to access expertise and industry knowledge, achieve economies of scale and access investment opportunities. As a result of these relationships, Lifeco and other members of the Power Corporation group of companies may become aware of opportunities that are also of potential interest to other members of the group and Lifeco may share information for that purpose. Power Corporation and Power Financial from time to time also assist Lifeco to identify and analyze strategic corporate opportunities that may be of potential interest to it. However, Power Corporation and Power Financial have no commitment to Lifeco that would require them or their respective subsidiaries, directors or officers to offer any particular opportunity to Lifeco.

The Company has related party procedures that require, among other things, transactions between the Company and its subsidiaries and any member of the Power Corporation group of companies to be on terms no less favourable than market terms or where there is no open market, on terms that would reasonably be expected to provide at least fair value to the Company. Under the related party procedures, any material related party transactions must be reviewed and approved by a conduct review committee composed entirely of directors who are independent of management and Power Corporation and its affiliates.

Transactions with Related Parties

In the normal course of business, Canada Life and Putnam enter into various transactions with related companies, which include providing insurance benefits and sub-advisory services to other companies within the Power Financial group of companies enabling each organization to take advantage of economies of scale and areas of expertise. In all cases, transactions were at market terms and conditions.

During the year, Canada Life provided to and received from IGM and its subsidiaries, a member of the Power Financial group of companies, certain administrative and information technology services. During the year, Canada Life and IGM executed a termination agreement covering the transition of shared information technology services from Canada Life to alternate providers over a number of years. Canada Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. In addition, Canada Life provided distribution services to IGM. All transactions were provided at market terms and conditions.

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. Mackenzie Investments also manages certain of the Company's portfolio investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. All transactions were provided at market terms and conditions.

During the fourth quarter of 2021, the Company completed an agreement for a long-term strategic relationship with Sagard, which included the sale of its United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest was a wholly-owned subsidiary of Canada Life and Sagard is a wholly-owned subsidiary of Power Corporation. As part of the strategic relationship with Sagard, the Company has made a capital commitment of up to approximately US$500 million into certain Sagard strategies. The Company has also committed to investing a further approximately US$2.0 billion in real estate investments to support EverWest's future growth within Sagard. The related party transaction was reviewed and approved by the Company's Conduct Review Committee and certain aspects involving Canada Life were reviewed and approved by its Conduct Review Committee. The carrying value and proceeds from sale of EverWest are immaterial to the Company.

During the year ended December 31, 2020, the Company completed the sale of GLC to Mackenzie Financial Corporation. The Company recorded a gain on disposal of $143 million after-tax, net of restructuring and other one-time costs of $16 million after-tax ($22 million pre-tax) in 2020.

During the year ended December 31, 2020, GWL&A completed the acquisition of 100% of the equity of Personal Capital. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM.

At December 31, 2021, the Company held $105 million ($110 million in 2020) of debentures issued by IGM.

During the normal course of business in 2021, the Company purchased residential mortgages of $12 million from IGM ($21 million in 2020).

The Company owns 9,200,448 shares representing 3.85% ownership interest, held through Canada Life, in IGM an affiliated company controlled by Power Corporation. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2021, the Company earned equity income of $33 million and received dividends of $21 million from the investment in IGM.

The Company holds investments in Portag3 Ventures Limited Partnership, Portag3 Ventures II Limited Partnership, Sagard Holdings Management Inc., Northleaf Capital Partners Ltd., and other entities which invest in the FinTech sector. These investments were made in partnership with Power Corporation, IGM and, in certain cases, outside investors.

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

There were no material loans or guarantees issued to or from related parties during 2021. There were no significant outstanding loans or guarantees with related parties at December 31, 2021. There were no provisions for uncollectible amounts with related parties at December 31, 2021.

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

	2021				2020			
Period ended	**Dec. 31**	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
United States dollar								
Balance sheet	**$ 1.27**	$ 1.27	$ 1.24	$ 1.26	$ 1.27	$ 1.33	$ 1.36	$ 1.40
Income and expenses	**$ 1.26**	$ 1.26	$ 1.23	$ 1.27	$ 1.30	$ 1.33	$ 1.39	$ 1.34
British pound								
Balance sheet	**$ 1.71**	$ 1.71	$ 1.71	$ 1.73	$ 1.74	$ 1.72	$ 1.68	$ 1.74
Income and expenses	**$ 1.70**	$ 1.74	$ 1.72	$ 1.75	$ 1.72	$ 1.72	$ 1.72	$ 1.72
Euro								
Balance sheet	**$ 1.44**	$ 1.47	$ 1.47	$ 1.47	$ 1.55	$ 1.56	$ 1.52	$ 1.55
Income and expenses	**$ 1.44**	$ 1.48	$ 1.48	$ 1.53	$ 1.55	$ 1.56	$ 1.53	$ 1.48

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

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Consolidated Statements of Earnings

(in Canadian $ millions except per share amounts)

For the years ended December 31	2021	2020
Income		
Premium income		
Gross premiums written	**$ 57,397**	$ 47,754
Ceded premiums	**(4,584)**	(4,735)
Total net premiums	**52,813**	43,019
Net investment income (note 6)		
Regular net investment income	**6,393**	5,963
Changes in fair value through profit or loss	**(2,083)**	5,699
Total net investment income	**4,310**	11,662
Fee and other income	**7,294**	5,902
	64,417	60,583
Benefits and expenses		
Policyholder benefits		
Gross	**49,355**	39,605
Ceded	**(3,544)**	(2,946)
Total net policyholder benefits	**45,811**	36,659
Changes in insurance and investment contract liabilities		
Gross	**1,152**	12,079
Ceded	**1,891**	(1,751)
Total net changes in insurance and investment contract liabilities	**3,043**	10,328
Policyholder dividends and experience refunds	**1,441**	1,500
Total paid or credited to policyholders	**50,295**	48,487
Commissions	**2,664**	2,396
Operating and administrative expenses (note 27)	**6,337**	5,492
Premium taxes	**500**	480
Financing charges (note 16)	**328**	284
Amortization of finite life intangible assets (note 10)	**336**	238
Restructuring and integration expenses (note 4)	**90**	134
Earnings before income taxes	**3,867**	3,072
Income taxes (note 26)	**304**	(82)
Net earnings before non-controlling interests	**3,563**	3,154
Attributable to non-controlling interests (note 18)	**301**	78
Net earnings	**3,262**	3,076
Preferred share dividends (note 20)	**134**	133
Net earnings – common shareholders	**$ 3,128**	$ 2,943
Earnings per common share (note 20)		
Basic	**$ 3.365**	$ 3.173
Diluted	**$ 3.360**	$ 3.172

Consolidated Statements of Comprehensive Income

(in Canadian $ millions)

For the years ended December 31	2021	2020
Net earnings	**$ 3,262**	$ 3,076
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	**(391)**	105
Income tax (expense) benefit	**–**	(2)
Unrealized gains (losses) on hedges of the net investment in foreign operations	**117**	(90)
Income tax (expense) benefit	**(12)**	12
Unrealized gains (losses) on available-for-sale assets	**(131)**	287
Income tax (expense) benefit	**35**	(49)
Realized (gains) losses on available-for-sale assets	**(28)**	(141)
Income tax expense (benefit)	**3**	15
Unrealized gains (losses) on cash flow hedges	**60**	36
Income tax (expense) benefit	**(16)**	(10)
Realized (gains) losses on cash flow hedges	**(48)**	(21)
Income tax expense (benefit)	**13**	6
Non-controlling interests	**107**	(69)
Income tax (expense) benefit	**(30)**	21
Total items that may be reclassified	**(321)**	100
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 23)	**705**	(169)
Income tax (expense) benefit	**(190)**	40
Revaluation surplus on transfer to investment properties (note 9)	**–**	11
Income tax (expense) benefit	**–**	(1)
Non-controlling interests	**(67)**	15
Income tax (expense) benefit	**18**	(4)
Total items that will not be reclassified	**466**	(108)
Total other comprehensive income (loss)	**145**	(8)
Comprehensive income	**$ 3,407**	$ 3,068

PART B
GREAT-WEST LIFECO INC.

Consolidated Balance Sheets

(in Canadian $ millions)

December 31	2021	2020
Assets		
Cash and cash equivalents (note 5)	$ 6,075	$ 7,946
Bonds (note 6)	140,612	137,592
Mortgage loans (note 6)	28,852	27,803
Stocks (note 6)	14,183	11,000
Investment properties (note 6)	7,763	6,270
Loans to policyholders	8,319	8,387
	205,804	198,998
Funds held by ceding insurers (note 7)	17,194	18,383
Reinsurance assets (note 13)	21,138	22,121
Goodwill (note 10)	9,081	10,106
Intangible assets (note 10)	5,514	4,285
Derivative financial instruments (note 28)	967	829
Owner occupied properties (note 11)	736	741
Fixed assets (note 11)	422	426
Other assets (note 12)	4,522	3,347
Premiums in course of collection, accounts and interest receivable	6,366	6,102
Current income taxes	268	145
Deferred tax assets (note 26)	1,057	975
Investments on account of segregated fund policyholders (note 14)	357,419	334,032
Total assets	$ 630,488	$ 600,490
Liabilities		
Insurance contract liabilities (note 13)	$ 208,378	$ 208,902
Investment contract liabilities (note 13)	12,455	9,145
Debentures and other debt instruments (note 15)	8,804	9,693
Funds held under reinsurance contracts	1,542	1,648
Derivative financial instruments (note 28)	1,030	1,221
Accounts payable	3,032	2,698
Other liabilities (note 17)	6,063	5,147
Current income taxes	193	343
Deferred tax liabilities (note 26)	1,089	646
Investment and insurance contracts on account of segregated fund policyholders (note 14)	357,419	334,032
Total liabilities	600,005	573,475
Equity		
Non-controlling interests (note 18)		
Participating account surplus in subsidiaries	3,138	2,871
Non-controlling interests in subsidiaries	129	116
Shareholders' equity		
Share capital (note 19)		
Limited recourse capital notes	1,500	–
Preferred shares	2,720	2,714
Common shares	5,748	5,651
Accumulated surplus	16,424	14,990
Accumulated other comprehensive income (note 24)	632	487
Contributed surplus	192	186
Total equity	30,483	27,015
Total liabilities and equity	$ 630,488	$ 600,490

Approved by the Board of Directors:

Signed,
Jeffrey Orr
Chair of the Board

Signed,
Paul Mahon
President and Chief Executive Officer

Consolidated Statements of Changes in Equity

(in Canadian $ millions)

	December 31, 2021					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income**	**Non-controlling interests**	**Total equity**
Balance, beginning of year	**$ 8,365**	**$ 186**	**$ 14,990**	**$ 487**	**$ 2,987**	**$ 27,015**
Net earnings	**–**	**–**	**3,262**	**–**	**301**	**3,563**
Other comprehensive income (loss)	**–**	**–**	**–**	**145**	**(28)**	**117**
	8,365	**186**	**18,252**	**632**	**3,260**	**30,695**
Dividends to shareholders						
Preferred shareholders (note 20)	**–**	**–**	**(134)**	**–**	**–**	**(134)**
Common shareholders	**–**	**–**	**(1,677)**	**–**	**–**	**(1,677)**
Shares exercised and issued under share-based payment plans (note 19)	**97**	**(59)**	**–**	**–**	**46**	**84**
Share-based payment plans expense	**–**	**63**	**–**	**–**	**–**	**63**
Equity settlement of Putnam share-based plans	**–**	**–**	**–**	**–**	**(38)**	**(38)**
Shares cancelled under Putnam share-based plans	**–**	**2**	**–**	**–**	**(2)**	**–**
Issuance of limited recourse capital notes (note 19)	**1,500**	**–**	**–**	**–**	**–**	**1,500**
Limited recourse capital notes issue costs (note 19)	**–**	**–**	**(13)**	**–**	**–**	**(13)**
Issuance of preferred shares (note 19)	**200**	**–**	**–**	**–**	**–**	**200**
Redemption of preferred shares (note 19)	**(194)**	**–**	**–**	**–**	**–**	**(194)**
Share issue costs (note 19)	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Dilution loss on non-controlling interests	**–**	**–**	**(1)**	**–**	**1**	**–**
Balance, end of year	**$ 9,968**	**$ 192**	**$ 16,424**	**$ 632**	**$ 3,267**	**$ 30,483**

	December 31, 2020					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	$ 8,347	$ 175	$ 13,660	$ 495	$ 2,866	$ 25,543
Net earnings	–	–	3,076	–	78	3,154
Other comprehensive income (loss)	–	–	–	(8)	37	29
	8,347	175	16,736	487	2,981	28,726
Dividends to shareholders						
Preferred shareholders (note 20)	–	–	(133)	–	–	(133)
Common shareholders	–	–	(1,626)	–	–	(1,626)
Shares exercised and issued under share-based payment plans (note 19)	18	(50)	–	–	49	17
Share-based payment plans expense	–	54	–	–	–	54
Equity settlement of Putnam share-based plans	–	–	–	–	(15)	(15)
Shares cancelled under Putnam share-based plans	–	7	–	–	(15)	(8)
Dilution gain on non-controlling interests	–	–	13	–	(13)	–
Balance, end of year	$ 8,365	$ 186	$ 14,990	$ 487	$ 2,987	$ 27,015

Consolidated Statements of Cash Flows

(in Canadian $ millions)

For the years ended December 31	2021	2020
Operations		
Earnings before income taxes	$ **3,867**	$ 3,072
Income taxes paid, net of refunds received	**(351)**	(367)
Adjustments:		
Change in insurance and investment contract liabilities	**1,819**	14,476
Change in funds held by ceding insurers	**845**	467
Change in funds held under reinsurance contracts	**(84)**	201
Change in reinsurance assets	**1,915**	(1,629)
Changes in fair value through profit or loss	**2,083**	(5,699)
Other	**279**	(911)
	10,373	9,610
Financing Activities		
Issue of common shares (note 19)	**97**	18
Issue of preferred shares (note 19)	**200**	–
Redemption of preferred shares (note 19)	**(194)**	–
Issue of limited recourse capital notes (note 19)	**1,500**	–
Limited recourse capital notes issue costs (note 19)	**(13)**	–
Issue of debentures and senior notes (note 15)	**–**	3,713
Repayment of debentures	**–**	(500)
Increase (decrease) in line of credit of subsidiaries	**(764)**	539
Decrease in debentures and other debt instruments	**(4)**	(1)
Share issue costs (note 19)	**(3)**	–
Dividends paid on common shares	**(1,677)**	(1,626)
Dividends paid on preferred shares (note 20)	**(134)**	(133)
	(992)	2,010
Investment Activities		
Bond sales and maturities	**27,288**	22,650
Mortgage loan repayments	**3,276**	2,339
Stock sales	**6,286**	3,859
Investment property sales	**40**	73
Change in loans to policyholders	**64**	84
Business acquisitions, net of cash and cash equivalents acquired (note 3)	**(380)**	(1,403)
Sale of businesses, net of cash and cash equivalents in subsidiaries	**–**	281
Investment in bonds	**(35,169)**	(27,942)
Investment in mortgage loans	**(4,574)**	(3,377)
Investment in stocks	**(7,073)**	(4,285)
Investment in investment properties	**(970)**	(481)
	(11,212)	(8,202)
Effect of changes in exchange rates on cash and cash equivalents	**(40)**	(100)
Increase (decrease) in cash and cash equivalents	**(1,871)**	3,318
Cash and cash equivalents, beginning of year	**7,946**	4,628
Cash and cash equivalents, end of year	$ **6,075**	$ 7,946
Supplementary cash flow information		
Interest income received	$ **4,965**	$ 4,589
Interest paid	**348**	286
Dividend income received	**382**	333

PART B
GREAT-WEST LIFECO INC.

(in Canadian $ millions except per share amounts)

1. Corporate Information

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

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam).

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2021 were approved by the Board of Directors on February 9, 2022.

2. Basis of Presentation and Summary of Accounting Policies

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

Changes in Accounting Policies

The Company adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases,* effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements of the Company were prepared as at and for the year ended December 31, 2021 with comparative information as at and for the year ended December 31, 2020. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the variable returns. All intercompany balances and transactions, including income and expenses, profits or losses and dividends, are eliminated on consolidation.

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions

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

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, as well as prevailing health and mortality experience.

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

The fair value of portfolio investments (note 6), the valuation of goodwill and other intangible assets (note 10), the valuation of insurance contract liabilities (note 13) and the recoverability of deferred tax asset carrying values (note 26) reflect management's judgment.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these consolidated financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. 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 listed below and discussed throughout the notes to these consolidated financial statements including:

- Management uses judgment to determine the fair value of assets acquired and liabilities assumed in a business combination.
- Management uses independent qualified appraisal services to determine the fair value of investment properties, which utilize judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions (note 6).

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

- Management uses internal valuation models which utilize judgments and estimates to determine the fair value of equity release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows, and discount rates (note 6).
- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the determination of fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 9).
- Cash generating units for indefinite life intangible assets and cash generating unit groupings for goodwill have been determined by management as the lowest level that the assets are monitored for internal reporting purposes, which requires management judgment in the determination of the lowest level of monitoring (note 10).
- Management evaluates the future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and cash generating units for intangible assets relies upon the determination of fair value or value-in-use using valuation methodologies (note 10).
- Judgments are used by management in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract. Deferred income reserves are amortized on a straight-line basis over the term of the policy (notes 12 and 17).
- 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 interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders, used in the valuation of insurance and certain investment contract liabilities under the Canadian Asset Liability Method require significant judgment and estimation (note 13).
- The actuarial assumptions used in determining the expense and benefit obligations for the Company's defined benefit pension plans and other post-employment benefits requires significant judgment and estimation. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates in evaluating the assumptions used in determining the expense for the current year (note 23).
- The Company operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 26).
- Management applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (note 26).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed to a third-party to settle the obligation. Management uses judgment to evaluate the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 29).
- The operating segments of the Company are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the business units into the Company's operating segments (note 31).
- The Company consolidates all subsidiaries and entities which management determines that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.
- Management uses judgments, such as the determination of whether the Company retains the primary obligation with a client in sub-advisor arrangements. Where the Company retains the primary obligation to the client, revenue and expenses are recorded on a gross basis.
- Within the Consolidated Statements of Cash Flows, purchases and sales of portfolio investments are recorded within investment activities due to management's judgment that these investing activities are long-term in nature.
- The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third-party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party rating.

The significant accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments include bonds, mortgage loans, stocks and investment properties. Portfolio investments are classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, equity-method investments or as non-financial instruments based on management's intention relating to the purpose and nature of the instrument or characteristics of the investment. The Company has not classified any investments as held-to-maturity.

Investments in bonds and stocks normally actively traded on a public market or where fair value can be reliably measured are either designated or classified as fair value through profit or loss or classified as available-for-sale on a trade date basis. Equity release mortgages are designated as fair value through profit or loss. A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities. A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income. Fair value through profit or loss investments are recognized at fair value on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings. Available-for-sale investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses on available-for-sale investments are reclassified from other comprehensive income and recorded in the Consolidated Statements of Earnings when the investment is sold. Interest income earned on both fair value through profit or loss and available-for-sale bonds is calculated using the effective interest method and is recorded as net investment income in the Consolidated Statements of Earnings.

Investments in stocks where a fair value cannot be measured reliably are classified as available-for-sale and carried at cost. Investments in stocks for which the Company exerts significant influence over but does not control are accounted for using the equity method of accounting. Investments in stocks over which the Company exerts significant influence but does not control include the Company's investment in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Corporation group of companies.

Investments in mortgages and bonds not normally actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned and realized gains and losses on the sale of investments classified as loans and receivables are recorded in the Consolidated Statements of Earnings and included in net investment income.

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

Fair Value Measurement

Financial instrument carrying values necessarily reflect the prevailing market liquidity and the liquidity premiums embedded within the market pricing methods that the Company relies upon.

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

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

Bonds – Fair Value Through Profit or Loss and Available-for-Sale

Fair values for bonds classified and designated as fair value through profit or loss or available-for-sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. 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 fair value through profit or loss and available-for-sale 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.

Bonds and Mortgages – Loans and Receivables

For disclosure purposes only, fair values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Equity Release Mortgages – Fair Value Through Profit or Loss

There are no market observable prices for equity release mortgages; therefore an internal valuation model is used 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 – Fair Value Through Profit or Loss and Available-for-Sale

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 is 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 and available-for-sale portfolios.

Investment Properties

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

Impairment

Investments 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.

Investments 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 an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

For impaired mortgages and bonds classified as loans and receivables, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish the net realizable value. For impaired available-for-sale bonds recorded at fair value, the accumulated loss recorded in accumulated other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. All gains and losses on bonds classified or designated as fair value through profit or loss are recorded in net investment income, therefore, in the event of an impairment, the reduction will be recorded in net investment income.

Securities Lending

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

(b) Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit or loss. Transaction costs for financial assets classified as available-for-sale or loans and receivables are added to the value of the instrument at acquisition and taken into net earnings using the effective interest method. Transaction costs for financial liabilities classified as other than fair value through profit or loss are included in the value of the instrument issued and taken into net earnings using the effective interest method.

(c) Cash and Cash Equivalents

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

(d) Trading Account Assets

Trading account assets consist of investments in sponsored funds, open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds. Investments in these assets are included in other assets on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings.

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

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

(f) Other Assets and Other Liabilities

Other assets, which include prepaid expenses, deferred acquisition costs, finance leases receivable, right-of-use assets and miscellaneous other assets, are measured at cost or amortized cost. Other liabilities, which include deferred income reserves, bank overdraft, lease liabilities and other miscellaneous liabilities are measured at cost or amortized cost.

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

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

(g) Disposal Group Classified as Held For Sale

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

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

(h) Derivative Financial Instruments

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

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent in note 28 as prescribed by the Office of the Superintendent of Financial Institutions (OSFI) in Canada.

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

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

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently as if there was no hedging relationship.

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

Derivatives not designated as hedges for accounting purposes

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

Fair value hedges

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

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

Cash flow hedges

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

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

Net investment hedges

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

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

(i) Embedded Derivatives

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the Consolidated Statements of Earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

(j) Foreign Currency Translation

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

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

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

(k) Loans to Policyholders

Loans to policyholders are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. Carrying value of loans to policyholders approximates their fair value.

(l) Reinsurance Contracts

The Company, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by the Company underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. The Company considers various factors in the impairment evaluation process, including but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the Consolidated Statements of Earnings.

Any gains or losses on buying reinsurance are recognized in the Consolidated Statements of Earnings immediately at the date of purchase in accordance with the Canadian Asset Liability Method.

Assets and liabilities related to reinsurance are reported on a gross basis on the Consolidated Balance Sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

(m) Funds Held by Ceding Insurers/Funds Held Under Reinsurance Contracts

On the asset side, funds held by ceding insurers are assets that would normally be paid to the Company but are withheld by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds withheld basis supporting the insurance or investment contract liabilities ceded. For the funds withheld assets where the underlying asset portfolio is managed by the Company, the credit risk is retained by the Company. The funds withheld balance where the Company assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See note 7 for funds held by ceding insurers that are managed by the Company. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by the Company from ceded business written on a funds withheld basis. The Company withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

(n) Business Combinations, Goodwill and Intangible Assets

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

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

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

Impairment Testing

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

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

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

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

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

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

(o) Revenue Recognition

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due and collection is reasonably assured.

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

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

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

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

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

(p) Owner Occupied Properties and Fixed Assets

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

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

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

(q) Deferred Acquisition Costs

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

(r) Segregated Funds

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately on the Consolidated Balance Sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and changes in fair value of the segregated fund assets are offset by a corresponding change in the segregated fund liabilities.

(s) Insurance and Investment Contract Liabilities

Contract Classification

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). 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 13 for discussion of insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition & Measurement*. The Company has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to note 8 for discussion of Financial Instruments Risk Management.

Measurement

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

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

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

(t) Deferred Income Reserves

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

(u) Income Taxes

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

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

(v) Policyholder Benefits

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(w) Repurchase Agreements

The Company accounts for certain forward settling to be announced security transactions as derivatives as the Company does not regularly accept delivery of such securities when issued.

(x) Pension Plans and Other Post-Employment Benefits

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

The present value of the defined benefit obligations and the related current service cost is determined using the projected unit credit method (note 23). Pension plan assets are recorded at fair value.

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

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

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

(y) Equity

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

Limited recourse capital notes are classified as share capital as the Company has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of the Company's own equity instruments. Interest incurred on these instruments is expensed within financing charges in the Consolidated Statements of Earnings.

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

Contributed surplus represents the vesting expense on unexercised equity instruments under share-based payment plans.

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

Non-controlling interests in subsidiaries represents the proportion of equity that is attributable to minority shareholders.

Participating account surplus in subsidiaries represents the proportion of equity attributable to the participating account of the Company's subsidiaries.

(z) Share-Based Payments

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

The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (note 22). This share-based payment expense is recognized in operating and administrative expenses in the Consolidated Statements of Earnings and as an increase to contributed surplus over the vesting period of the granted options. When options are exercised, the proceeds received, along with the amount in contributed surplus, are transferred to share capital.

The Company and certain of its subsidiaries have Deferred Share Unit Plans (DSU Plans) in which the Directors and certain employees of the Company participate. Units issued to Directors under the DSU Plans vest when granted. Units issued to certain employees under the DSU Plans primarily vest over a three year period. The Company recognizes an increase in operating and administrative expenses for the units granted under the DSU Plans. The Company recognizes a liability for units granted under the DSU Plans which is remeasured at each reporting period based on the market value of the Company's common shares.

Certain employees of the Company are entitled to participate in the Performance Share Unit Plan (PSU Plan). Units issued under the PSU Plan vest over a three year period. The Company uses the fair value method to recognize compensation expense for the units granted under the plan over the vesting period, net of related hedges. The liability is remeasured at fair value at each reporting period.

The Company has an Employee Share Ownership Program (ESOP) where, subject to certain conditions being met, the Company will match contributions up to a maximum amount. The Company's contributions are expensed within operating and administrative expenses as incurred.

(aa) Earnings Per Common Share

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

(ab) Leases

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

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

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

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

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

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

(ac) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. The Company's operating segments include Canada, United States, Europe, Capital and Risk Solutions, and Lifeco Corporate. The Canada segment comprises the Individual Customer and Group Customer business units. GWL&A (financial services) and Putnam (asset management) are included in the United States segment. The Europe segment comprises United Kingdom, Ireland, and Germany. Reinsurance is reported in the Capital and Risk Solutions segment. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

(ad) Future Accounting Policies

Standard	Summary of Future Changes
IFRS 17 – *Insurance Contracts*	In May 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), which will replace IFRS 4, *Insurance Contracts*. In June 2020, the IASB issued amendments to IFRS 17. The amended confirmed effective date for the standard is January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments* (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The adoption of IFRS 17 is a significant initiative for the Company supported by a formal governance framework and project plan, for which substantial resources are being dedicated. The Company has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that the Company has representation on. The Company continues to make progress in implementing its project plan, with key policy decisions near final as well as significant progression on the technology solution. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of: (a) the fulfilment cash flows – the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin – the future profit for providing insurance coverage. Under IFRS 17, the discount rate used to reflect the time value of money in the fulfillment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the Canadian Asset Liability Method, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to the Company's significant accounting policies in note 2 of these financial statements). The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires the Company to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. The Company is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. Specifically, the recognition of the contractual service margin liabilities will also have the effect of reducing accumulated surplus. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimizing potential industry-wide capital impacts. The Company continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or our business model.
IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* (IFRS 9) to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts* (IFRS 4). The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows: • *Deferral Approach* – provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or • *Overlay Approach* – provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. The Company qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17 simultaneously. The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Company does not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Company continues to evaluate the impact of the adoption of this standard with the adoption of IFRS 17. In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17. The Amendment, *Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)*, provides entities that first apply IFRS 17 and IFRS 9 at the same time with the option to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying this option, an entity is not required to apply the impairment requirements of IFRS 9.
IAS 1 – *Presentation of Financial Statements*	In February 2021, the IASB published *Disclosure of Accounting Policies,* amendments to IAS 1, *Presentation of Financial Statements*. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.

Standard	Summary of Future Changes
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	In February 2021, the IASB published *Definition of Accounting Estimates,* amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.
IAS 12 – *Income Taxes*	In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities from a Single Transaction*, amendments to IAS 12, *Income Taxes*. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.
IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*	In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.
Annual Improvements 2018-2020 Cycle	In May 2020, the IASB issued *Annual Improvements 2018-2020 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, *Financial Instruments* and IFRS 16, *Leases*. The amendments are effective January 1, 2022. The Company does not anticipate a significant impact on its consolidated financial statements as a result of the amendment to IFRS 16, *Leases.* The Company continues to evaluate the impact of the adoption of the amendment to IFRS 9, *Financial Instruments* along with the adoption of IFRS 17 on January 1, 2023.

3. Business Acquisitions and Other Transactions

(a) Acquisition of MassMutual Retirement Services Business

On December 31, 2020, GWL&A completed the purchase, via indemnity reinsurance, of the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual) and assumed the economics and risks associated with the reinsured business. The acquisition strengthens the Company's position as a leader in the U.S. retirement market. The Company anticipates realizing cost synergies through the migration of MassMutual's retirement services business onto the Company's recordkeeping platform. The Company paid a ceding commission of $2,937 (U.S. $2,312) net of working capital adjustments to MassMutual, and funded the transaction with existing cash, short-term debt and $1,973 (U.S. $1,500) in long-term debt issued on September 17, 2020.

During the fourth quarter of 2021, the Company completed its comprehensive valuation of the fair value of the net assets acquired from MassMutual, and the purchase price allocation.

The ceding commission net of working capital adjustments was adjusted from $2,937 to $2,738 (U.S. $2,312 to U.S. $2,156).

Initial goodwill presented in the Company's December 31, 2020 consolidated financial statements of $2,827 (U.S. $2,226), was adjusted to $1,807 (U.S. $1,423). Adjustments were made to the provisional amounts disclosed in the Company's December 31, 2020 consolidated financial statements for the recognition and measurement of intangible assets, assets acquired and liabilities assumed. Intangible assets recognized include customer contracts of $844 (U.S. $665) and proprietary mutual fund contracts of $337 (U.S. $265), which are net of $73 (U.S. $58) of amortization at December 31, 2021.

Comparative information in the Company's consolidated financial statements has not been restated.

The Company determined the fair value of the intangible assets and insurance contract liabilities acquired, using valuation techniques that incorporate projections of cashflows and discount rates. The valuation of intangible assets acquired is determined by applying judgments and estimates for forecasted revenues and earnings, and discount rates. Further, the valuation of the actuarial liabilities assumed are determined by applying judgments and assumptions to determine appropriate valuation models, and projections of cash inflows and outflows using the best estimate of future experience, specifically policyholder behaviour, together with the discount rates.

3. Business Acquisitions and Other Transactions (cont'd)

The amounts assigned to the assets acquired, goodwill, and liabilities assumed on December 31, 2020, and reported as at December 31, 2021 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	$ 2,669
Bonds	12,084
Mortgage Loans	2,287
Funds held by ceding insurers	9,981
Goodwill	1,807
Intangible assets	1,181
Other assets	124
Deferred tax assets	300
Investments on account of segregated fund policyholders	84,785
Total assets acquired and goodwill	**$ 115,218**
Liabilities assumed	
Insurance contract liabilities	$ 22,317
Investment contract liabilities	5,001
Accounts payable	31
Other liabilities	346
Investment and insurance contracts on account of segregated fund policyholders	84,785
Total liabilities assumed	**$ 112,480**

The following provides the change in the carrying value from December 31, 2020 to December 31, 2021 of the goodwill on acquisition:

Goodwill previously reported at December 31, 2020	$ 2,827
Recognition and measurement of intangible assets	(1,181)
Other measurement period adjustments	161
Goodwill reported at December 31, 2021	$ 1,807

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of the MassMutual retirement services business. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings. $533 (U.S. $420) of the goodwill is deductible for tax purposes.

During the year ended December 31, 2021, MassMutual contributed revenue of $2,861 (U.S. $2,262) and net earnings of $199 (U.S. $158). These amounts are included in the Consolidated Statements of Earnings and Comprehensive Income for the year ended December 31, 2021.

(b) Acquisition of Personal Capital Corporation

On August 17, 2020, GWL&A completed the acquisition of 100% of the equity of Personal Capital Corporation. Upon completion of the purchase price allocation in the fourth quarter of 2020, a contingent consideration earn-out provision of $26 (U.S. $20) was recognized, representing management's best estimate of growth in assets under management metrics defined in the Merger Agreement. The contingent consideration provision was increased by $101 (U.S. $80) in 2021 for a total contingent consideration provision of $127 (U.S. $100) at December 31, 2021. The increases in 2021 were due to growth in net new assets above the amount assumed at the date of acquisition.

The Merger Agreement allows for contingent consideration of up to $222 (U.S. $175) based on the achievement of growth in assets under management metrics, payable following measurements through December 31, 2021 and December 31, 2022. Changes in the fair value of the contingent consideration measured in accordance with the Merger Agreement subsequent to the completion of the purchase price allocation are recognized in operating and administrative expenses in the Consolidated Statements of Earnings.

(c) Acquisition of Prudential Retirement Services Business

On July 21, 2021, GWL&A announced that it had entered into an agreement to purchase, through a share purchase and a reinsurance transaction, the full-service retirement business of Prudential Financial, Inc. (Prudential). The acquisition further solidifies the Company's position as a leader in the U.S. retirement market. The Company will assume the economics and risks associated with the business, while Prudential will continue to retain the obligation to the contract holders of the reinsured portion. The Company will pay a total transaction value of approximately U.S. $3,550, and will fund the transaction with $1,500 (U.S. $1,193) of limited recourse capital notes (note 19) and up to U.S. $1,000 of short-term debt, in addition to existing resources. The transaction is expected to close in the first half of 2022, subject to regulatory and customary closing conditions. During the year ended December 31, 2021, the Company incurred transaction expenses of $9 (U.S. $7) which are included within operating and administrative expenses in the Consolidated Statements of Earnings.

(d) Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life Group Limited (Irish Life), an indirect wholly-owned subsidiary of the Company, completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of $332 (€230). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021, reported as at December 31, 2021 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	$ 17
Bonds	333
Goodwill	21
Reinsurance assets	1,238
Premiums in the course of collection, accounts and interest receivable	89
Investments on account of segregated fund policyholders	2,844
Total assets acquired and goodwill	$ 4,542
Liabilities assumed	
Insurance contract liabilities	$ 1,257
Investment contract liabilities	43
Other liabilities	66
Investment and insurance contracts on account of segregated fund policyholders	2,844
Total liabilities assumed	$ 4,210

As at December 31, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at December 31, 2021 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2022. As at December 31, 2021, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $21 (€15) on the date of acquisition, will be adjusted in future periods.

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

Revenue and net earnings of Ark Life were not significant to the 2021 results of the Company.

(e) Acquisition of ClaimSecure Inc.

On September 1, 2021, Canada Life completed the acquisition of 100% of the equity of ClaimSecure Inc., a healthcare management firm that provides health and dental claim management services to private and public businesses in Canada.

During the fourth quarter of 2021, the comprehensive valuation of the fair value of the net assets acquired including intangible assets and the final purchase price allocation was substantially completed. As a result, initial goodwill presented in the September 30, 2021 interim unaudited financial statements of $93 recognized upon the acquisition was adjusted to $52, due to the recognition and measurement of intangible assets. Revenue and net earnings of ClaimSecure Inc. were not significant to the 2021 results of the Company.

(f) Strategic Relationship with Sagard Holdings

During the fourth quarter of 2021, the Company completed an agreement for a long-term strategic relationship with Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation, which includes the sale of its United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest was a wholly-owned subsidiary of Canada Life and its principal activity is real estate investment management. Sagard is a related party. Therefore, the transaction was reviewed and approved by the Company's Conduct Review Committee and certain aspects involving Canada Life were reviewed and approved by its Conduct Review Committee. The carrying value, earnings and proceeds from sale of EverWest are immaterial to the Company.

As part of the strategic relationship with Sagard, the Company has made a capital commitment of up to approximately U.S. $500 into certain Sagard strategies. The Company has also committed to investing a further approximately U.S. $2,000 in real estate investments to support EverWest's future growth within Sagard. The strategic relationship with Sagard is intended to advance the Company's strategy to further broaden its access to alternative investment options.

4. Restructuring and Integration Expenses

(a) Canada Restructuring

In 2020, the Company recorded a restructuring provision of $92 pre-tax ($68 in the shareholder account and $24 in the participating account) within restructuring and integration expenses in the Consolidated Statements of Earnings. The after-tax impact of the restructuring provision was $68 ($50 in the shareholder account and $18 in the participating account). The restructuring is associated with the 2020 sale of GLC Asset Management Group Ltd. (GLC) (formerly a wholly-owned subsidiary of Canada Life) to Mackenzie Financial Corporation, changes to the Company's distribution strategy and vision for advisor-based distribution, and termination of the long-term technology infrastructure related sharing agreement with IGM.

At December 31, 2021, the Company has a restructuring provision of $56 ($86 at December 31, 2020) remaining in other liabilities. The Company expects to pay out substantially all of these amounts by December 31, 2022. The change in the restructuring provision for the Canada restructuring is set out below:

	2021	2020
Balance, beginning of year	**$ 86**	$ –
Restructuring expenses	**–**	92
Amounts used	**(30)**	(6)
Balance, end of year	**$ 56**	$ 86

(b) GWL&A Restructuring

The Company recorded integration expenses of $74 ($5 in 2020) and restructuring expenses of $10 ($37 in 2020) in the Consolidated Statements of Earnings during year ended December 31, 2021. The restructuring is primarily attributable to additional staff reductions and other exit costs related to the Company's acquisition of the MassMutual retirement services business (note 3).

At December 31, 2021, the Company has a restructuring provision of $19 ($37 at December 31, 2020) remaining in other liabilities. The change in the restructuring provision for the GWL&A restructuring is set out below:

	2021	2020
Balance, beginning of year	**$ 37**	$ –
Restructuring expenses	**10**	37
Amounts used	**(28)**	–
Balance, end of year	**$ 19**	$ 37

The Company expects to pay out a significant portion of these amounts during 2022. The Company expects to incur further restructuring and integration expenses associated with the MassMutual acquisition (note 3) in 2022.

5. Cash and Cash Equivalents

Cash and cash equivalents include amounts held at the Lifeco holding company level and amounts held in Lifeco's consolidated subsidiary companies.

	2021	2020
Cash	$ 3,202	$ 2,978
Short-term deposits	2,873	4,968
Total	$ 6,075	$ 7,946

At December 31, 2021, cash and short-term deposits of $1,303 were restricted for use by the Company ($2,886 at December 31, 2020) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, cash held under certain indemnity arrangements, client monies held by brokers and cash held in escrow.

6. Portfolio Investments

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

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss (1)	$ 103,645	$ 103,645	$ 100,839	$ 100,839
Classified fair value through profit or loss (1)	168	168	2,053	2,053
Available-for-sale	12,123	12,123	11,352	11,352
Loans and receivables	24,676	26,717	23,348	26,545
	140,612	142,653	137,592	140,789
Mortgage loans				
Residential				
Designated fair value through profit or loss (1)	2,609	2,609	2,020	2,020
Loans and receivables	9,580	9,860	9,416	10,024
	12,189	12,469	11,436	12,044
Commercial	16,663	17,189	16,367	17,589
	28,852	29,658	27,803	29,633
Stocks				
Designated fair value through profit or loss (1)	13,269	13,269	10,335	10,335
Available-for-sale (2)	209	209	20	20
Available-for-sale, at cost (2)(3)	124	124	163	163
Equity method	581	633	482	445
	14,183	14,235	11,000	10,963
Investment properties	7,763	7,763	6,270	6,270
Total	$ 191,410	$ 194,309	$ 182,665	$ 187,655

(1) A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

(2) During 2021, reliable measure of fair value was identified for certain stocks previously classified as available-for-sale, at cost. These stocks had a carrying value of $40 and were remeasured at a fair value of $147. The difference between the carrying value and fair value of $107 was recognized as an unrealized gain on available-for-sale assets in the Consolidated Statements of Comprehensive Income. These stocks are now classified as available-for-sale.

(3) Fair value cannot be reliably measured, therefore the investments are held at cost.

6. Portfolio Investments (cont'd)

(b) Carrying value of bonds and mortgages by term to maturity are as follows:

	2021			
	Term to maturity			
	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds (1)	**$ 11,118**	**$ 28,207**	**$ 101,269**	**$ 140,594**
Mortgage loans (2)	**1,698**	**11,281**	**15,802**	**28,781**
Total	**$ 12,816**	**$ 39,488**	**$ 117,071**	**$ 169,375**

	2020			
	Term to maturity			
	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds (1)	$ 10,690	$ 28,312	$ 98,555	$ 137,557
Mortgage loans (2)	1,727	9,523	16,530	27,780
Total	$ 12,417	$ 37,835	$ 115,085	$ 165,337

(1) Excludes the carrying value of impaired bonds as the ultimate timing of collectability is uncertain.

(2) Excludes the carrying value of impaired mortgage loans as the ultimate timing of collectability is uncertain. Mortgage loans include equity release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on previous redemption experience.

(c) Certain stocks where equity method earnings are computed are discussed below:

A significant amount of the Company's equity method investments relate to the Company's investment, held through Canada Life, in an affiliated company, IGM, a member of the Power Corporation group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owns 9,200,448 shares of IGM at December 31, 2021 (9,200,518 at December 31, 2020) representing a 3.85% ownership interest (3.86% at December 31, 2020). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to the following: common control of the Company and IGM by Power Corporation, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, and certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies.

	2021	2020
Carrying value, beginning of year	**$ 354**	$ 350
Equity method share of IGM net earnings	**33**	25
Dividends received	**(21)**	(21)
Carrying value, end of year	**$ 366**	$ 354
Share of equity, end of year	**$ 243**	$ 190
Fair value, end of year	**$ 418**	$ 317

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

IGM's financial information as at December 31, 2021 can be obtained in its publicly available information.

At December 31, 2021, IGM owned 37,337,133 (37,337,133 at December 31, 2020) common shares of the Company.

(d) Included in portfolio investments are the following:

(i) Carrying amount of impaired investments

	2021	2020
Impaired amounts by classification		
Fair value through profit or loss	$ 14	$ 20
Available-for-sale	7	17
Loans and receivables	71	23
Total	$ 92	$ 60

The carrying amount of impaired investments includes $18 bonds, $71 mortgage loans and $3 stocks at December 31, 2021 ($35 bonds, $23 mortgage loans and $2 stocks at December 31, 2020). The above carrying values for loans and receivables are net of allowances of $28 at December 31, 2021 and $57 at December 31, 2020.

(ii) The allowance for credit losses and changes in the allowance for credit losses related to investments classified as loans and receivables are as follows:

	2021			2020		
	Bonds	Mortgage loans	Total	Bonds	Mortgage loans	Total
Balance, beginning of year	$ –	$ 57	$ 57	$ –	$ 51	$ 51
Net provision for credit losses – in year	–	30	30	–	16	16
Write-offs, net of recoveries	–	(59)	(59)	–	(10)	(10)
Balance, end of year	$ –	$ 28	$ 28	$ –	$ 57	$ 57

The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

(e) Net investment income comprises the following:

	2021					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 4,262	$ 916	$ 391	$ 422	$ 636	$ 6,627
Net realized gains						
Available-for-sale	13	–	14	–	–	27
Other classifications	12	59	7	–	34	112
Net allowances for credit losses on loans and receivables	–	(30)	–	–	–	(30)
Other income (expenses)	–	–	–	(146)	(197)	(343)
	4,287	945	412	276	473	6,393
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	(104)	–	–	–	–	(104)
Designated fair value through profit or loss	(4,693)	(121)	2,150	–	70	(2,594)
Recorded at fair value through profit or loss	–	–	–	615	–	615
	(4,797)	(121)	2,150	615	70	(2,083)
Total	$ (510)	$ 824	$ 2,562	$ 891	$ 543	$ 4,310

6. Portfolio Investments (cont'd)

	2020					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 3,589	$ 877	$ 357	$ 397	$ 571	$ 5,791
Net realized gains (losses)						
Available-for-sale	146	–	(5)	–	–	141
Other classifications	33	47	245	–	–	325
Net allowances for credit losses on loans and receivables	–	(16)	–	–	–	(16)
Other income (expenses)	–	–	–	(127)	(151)	(278)
	3,768	908	597	270	420	5,963
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	78	–	–	–	–	78
Designated fair value through profit or loss	5,154	157	77	–	307	5,695
Recorded at fair value through profit or loss	–	–	–	(74)	–	(74)
	5,232	157	77	(74)	307	5,699
Total	$ 9,000	$ 1,065	$ 674	$ 196	$ 727	$ 11,662

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

(f) Transferred Financial Assets

The Company engages in securities lending to generate additional income. The Company's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Included in the collateral deposited with the Company's lending agent is cash collateral of $169 at December 31, 2021 ($267 at December 31, 2020). In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2021, the Company had loaned securities (which are included in invested assets) with a fair value of $10,525 ($8,921 at December 31, 2020).

7. Funds Held by Ceding Insurers

At December 31, 2021, the Company had amounts on deposit of $17,194 ($18,383 at December 31, 2020) for funds held by ceding insurers on the Consolidated Balance Sheets. Income and expenses arising from the agreements are included in net investment income in the Consolidated Statements of Earnings.

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

(a) Carrying values and estimated fair values:

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	$ 336	$ 336	$ 245	$ 245
Bonds	14,105	14,105	15,365	15,365
Mortgages	558	558	578	578
Other assets	126	126	137	137
Total	$ 15,125	$ 15,125	$ 16,325	$ 16,325
Supporting:				
Reinsurance liabilities	$ 14,907	$ 14,907	$ 16,094	$ 16,094
Surplus	218	218	231	231
Total	$ 15,125	$ 15,125	$ 16,325	$ 16,325

(b) The following provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

	2021	2020
Bonds issued or guaranteed by:		
Treasuries	$ 1,032	$ 843
Government related	1,463	1,760
Agency securitized	183	287
Non-agency securitized	1,660	1,870
Financials	2,628	2,989
Communications	427	503
Consumer products	2,031	2,141
Energy	644	589
Industrials	1,243	1,420
Technology	498	344
Transportation	404	466
Utilities	1,892	2,101
Total long-term bonds	14,105	15,313
Short-term bonds	–	52
Total	$ 14,105	$ 15,365

(c) The following provides details of the carrying value of mortgages included in the funds on deposit by property type:

	2021	2020
Multi-family residential	$ 126	$ 122
Commercial	432	456
Total	$ 558	$ 578

(d) Asset quality

Bond Portfolio by Credit Rating

	2021	2020
AAA	$ 1,251	$ 1,508
AA	3,721	3,848
A	5,222	5,597
BBB	3,749	4,165
BB and lower	162	247
Total	$ 14,105	$ 15,365

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

(a) Credit Risk

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

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

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. The Company manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize reinsurance credit risk by setting rating based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2021	2020
Cash and cash equivalents	**$ 6,075**	$ 7,946
Bonds		
Fair value through profit or loss	**103,813**	102,892
Available-for-sale	**12,123**	11,352
Loans and receivables	**24,676**	23,348
Mortgage loans	**28,852**	27,803
Loans to policyholders	**8,319**	8,387
Funds held by ceding insurers (1)	**17,194**	18,383
Reinsurance assets	**21,138**	22,121
Interest due and accrued	**1,239**	1,320
Accounts receivable	**3,183**	3,080
Premiums in course of collection	**1,944**	1,702
Trading account assets	**1,671**	713
Finance leases receivable	**433**	404
Other assets (2)	**1,196**	965
Derivative assets	**967**	829
Total	**$ 232,823**	$ 231,245

(1) Includes $15,125 ($16,325 at December 31, 2020) of funds held by ceding insurers where the Company retains the credit risk of the assets supporting the liabilities ceded (note 7).

(2) Includes items such as current income taxes receivable and miscellaneous other assets of the Company (note 12).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has $318 of collateral received from counterparties as at December 31, 2021 ($211 at December 31, 2020) relating to derivative assets.

As at December 31, 2021, $14,512 of the $21,138 of reinsurance assets are ceded to Protective ($15,690 of $22,121 at December 31, 2020). This concentration risk is mitigated by funds held in trust and other arrangements of $15,963 as at December 31, 2021 ($16,389 at December 31, 2020).

(ii) Concentration of Credit Risk

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

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

	2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	$ 529	$ 109	$ 10,334	$ 4,735	$ 15,707
Government related	19,501	2,183	8,694	349	30,727
Agency securitized	178	497	–	17	692
Non-agency securitized	2,215	7,788	1,149	165	11,317
Financials	3,794	6,251	5,748	886	16,679
Communications	1,104	1,235	1,032	113	3,484
Consumer products	4,029	5,461	2,412	736	12,638
Energy	2,602	2,634	482	330	6,048
Industrials	2,092	4,707	1,393	348	8,540
Technology	729	1,732	411	319	3,191
Transportation	3,674	1,227	897	135	5,933
Utilities	9,971	5,028	4,480	506	19,985
Total long-term bonds	50,418	38,852	37,032	8,639	134,941
Short-term bonds	2,854	1,976	644	197	5,671
Total	$ 53,272	$ 40,828	$ 37,676	$ 8,836	$ 140,612

	2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	$ 586	$ 272	$ 10,282	$ 1,372	$ 12,512
Government related	20,555	2,308	9,287	316	32,466
Agency securitized	178	926	–	17	1,121
Non-agency securitized	2,057	6,550	1,402	136	10,145
Financials	4,361	6,022	5,880	572	16,835
Communications	1,142	1,338	1,124	98	3,702
Consumer products	4,197	6,127	2,816	762	13,902
Energy	2,453	2,450	675	270	5,848
Industrials	2,022	4,585	1,329	406	8,342
Technology	557	1,324	299	263	2,443
Transportation	3,409	1,394	977	154	5,934
Utilities	10,091	4,485	4,811	553	19,940
Total long-term bonds	51,608	37,781	38,882	4,919	133,190
Short-term bonds	2,332	557	1,066	447	4,402
Total	$ 53,940	$ 38,338	$ 39,948	$ 5,366	$ 137,592

8. Financial Instruments Risk Management (cont'd)

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

	2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Single family residential	$ 1,979	$ –	$ –	$ –	$ 1,979
Multi-family residential	4,297	2,474	792	38	7,601
Equity release	1,063	–	1,546	–	2,609
Commercial	9,364	3,696	3,553	50	16,663
Total	$ 16,703	$ 6,170	$ 5,891	$ 88	$ 28,852

	2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Single family residential	$ 2,063	$ –	$ –	$ –	$ 2,063
Multi-family residential	4,331	2,297	684	41	7,353
Equity release	759	–	1,261	–	2,020
Commercial	8,883	3,660	3,801	23	16,367
Total	$ 16,036	$ 5,957	$ 5,746	$ 64	$ 27,803

(iii) Asset Quality

Bond Portfolio by Credit Rating

	2021	2020
AAA	$ 20,254	$ 21,820
AA	35,460	35,530
A	48,764	45,673
BBB	35,098	33,382
BB and lower	1,036	1,187
Total	$ 140,612	$ 137,592

Derivative Portfolio by Credit Rating

	2021	2020
Over-the-counter contracts (counterparty ratings):		
AA	$ 662	$ 424
A	304	369
BBB	–	35
Exchange-traded	1	1
Total	$ 967	$ 829

(iv) Loans Past Due, But Not Impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. The following provides carrying values of the loans past due, but not impaired:

	2021	2020
Less than 30 days	$ 164	$ 17
30 – 90 days	34	28
Greater than 90 days	141	10
Total	$ 339	$ 55

(v) The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2021	2020
Participating	$ 1,376	$ 1,183
Non-participating	1,895	2,185
Total	$ 3,271	$ 3,368

(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. Approximately 48% (approximately 48% in 2020) of insurance and investment contract liabilities are non-cashable prior to maturity or claim, with a further 24% approximately (26% in 2020) of insurance and investment contract liabilities subject to fair value adjustments under certain conditions.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2021, the Company maintains $950 of liquidity at the Lifeco level through committed lines of credit with Canadian chartered banks. As well, the Company maintains a U.S. $500 revolving credit agreement at Great-West Lifeco U.S. LLC, a U.S. $300 revolving credit agreement with a syndicate of banks for use by Putnam, and a U.S. $50 line of credit at GWL&A.

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

	Payments due by period						
	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
Debentures and other debt instruments	$ 8,529	$ –	$ 720	$ –	$ 635	$ 720	$ 6,454
Capital trust securities (1)	150	–	–	–	–	–	150
Purchase obligations	436	192	85	44	35	15	65
Pension contributions	306	306	–	–	–	–	–
Total	**$ 9,421**	**$ 498**	**$ 805**	**$ 44**	**$ 670**	**$ 735**	**$ 6,669**

(1) Payments due have not been reduced to reflect that the Company held capital trust securities of $37 principal amount ($53 carrying value).

(c) Market Risk

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

Caution Related to Risk Sensitivities

These consolidated financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

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

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

8. Financial Instruments Risk Management (cont'd)

(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. 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.

The following policies and procedures are in place to mitigate the Company's exposure to currency risk:

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented Investment Guidelines include maximum tolerances for unhedged currency mismatch exposures.
- For assets backing liabilities not matched by currency, the Company would normally convert the assets back to the currency of the liability using foreign exchange contracts.
- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change in net earnings.

(ii) Interest Rate Risk

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

- 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.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims) the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities as described below.
- 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.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.11% in 2021 (0.11% in 2020). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk because the Company's sensitivity to interest rate movements varies at different terms.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios.The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	2021		2020	
	1% increase	**1% decrease** (1)	1% increase	1% decrease (1)
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (219)**	**$ 678**	$ (289)	$ 1,185
Increase (decrease) in net earnings	**$ 197**	**$ (555)**	$ 224	$ (920)

(1) For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

(iii) Equity Risk

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

Some insurance and investment contract liabilities with long-tail cash-flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

8. Financial Instruments Risk Management (cont'd)

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	2021				2020			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock values								
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (26)**	**$ (16)**	**$ 22**	**$ 76**	$ (34)	$ (18)	$ 62	$ 264
Increase (decrease) in net earnings	**$ 21**	**$ 13**	**$ (19)**	**$ (66)**	$ 28	$ 15	$ (51)	$ (208)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	2021				2020			
	10% increase	**5% increase**	**5% decrease**	**10% decrease**	10% increase	5% increase	5% decrease	10% decrease
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (92)**	**$ (46)**	**$ 38**	**$ 144**	$ (41)	$ (8)	$ 88	$ 138
Increase (decrease) in net earnings	**$ 79**	**$ 39**	**$ (30)**	**$ (112)**	$ 34	$ 6	$ (69)	$ (108)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best estimate return assumptions for publicly traded common stocks and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	2021		2020	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (715)**	**$ 829**	$ (691)	$ 861
Increase (decrease) in net earnings	**$ 567**	**$ (649)**	$ 556	$ (682)

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. The Company hedges its exposure to the equity risk associated with its PSU Plan through the use of total return swaps.

(d) Enforceable Master Netting Arrangements or Similar Agreements

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

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

The Company's reverse repurchase agreements are also subject to right of set-off in the event of default. These transactions and agreements include master netting arrangements which provide for the netting of payment obligations between the Company and its counterparties in the event of default.

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

	2021			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position (1)	Financial collateral received/ pledged (2)	Net exposure
Financial instruments – assets				
Derivative financial instruments	$ 967	$ (527)	$ (293)	$ 147
Reverse repurchase agreements (3)	–	–	–	–
Total financial instruments – assets	$ 967	$ (527)	$ (293)	$ 147
Financial instruments – liabilities				
Derivative financial instruments	$ 1,030	$ (527)	$ (279)	$ 224
Total financial instruments – liabilities	$ 1,030	$ (527)	$ (279)	$ 224

	2020			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position (1)	Financial collateral received/ pledged (2)	Net exposure
Financial instruments – assets				
Derivative financial instruments	$ 829	$ (596)	$ (154)	$ 79
Reverse repurchase agreements (3)	4	–	(4)	–
Total financial instruments – assets	$ 833	$ (596)	$ (158)	$ 79
Financial instruments – liabilities				
Derivative financial instruments	$ 1,221	$ (596)	$ (361)	$ 264
Total financial instruments – liabilities	$ 1,221	$ (596)	$ (361)	$ 264

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

(2) Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. Financial collateral received on reverse repurchase agreements is held by a third party. At December 31, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $318 ($211 at December 31, 2020), received on reverse repurchase agreements was nil ($4 at December 31, 2020), and pledged on derivative liabilities was $480 ($560 at December 31, 2020).

(3) Assets related to reverse repurchase agreements are included in bonds, on the Consolidated Balance Sheets.

9. 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:

	2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	$ 6,075	$ –	$ –	$ 6,075
Financial assets at fair value through profit or loss				
Bonds	–	103,713	100	103,813
Mortgage loans	–	–	2,609	2,609
Stocks	11,577	12	1,680	13,269
Total financial assets at fair value through profit or loss	11,577	103,725	4,389	119,691
Available-for-sale financial assets				
Bonds	–	12,123	–	12,123
Stocks	4	1	204	209
Total available-for-sale financial assets	4	12,124	204	12,332
Investment properties	–	–	7,763	7,763
Funds held by ceding insurers	336	14,663	–	14,999
Derivatives (1)	1	966	–	967
Reinsurance assets	–	106	–	106
Other assets:				
Trading account assets	307	833	531	1,671
Other (2)	76	93	–	169
Total assets measured at fair value	$ 18,376	$ 132,510	$ 12,887	$ 163,773
Liabilities measured at fair value				
Derivatives (3)	$ 3	$ 1,027	$ –	$ 1,030
Investment contract liabilities	–	12,455	–	12,455
Other liabilities	76	93	–	169
Total liabilities measured at fair value	$ 79	$ 13,575	$ –	$ 13,654

(1) Excludes collateral received from counterparties of $317.
(2) Includes collateral received under securities lending arrangements.
(3) Excludes collateral pledged to counterparties of $370.

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

	2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	$ 7,946	$ –	$ –	$ 7,946
Financial assets at fair value through profit or loss				
Bonds	–	102,819	73	102,892
Mortgage loans	–	–	2,020	2,020
Stocks	8,773	188	1,374	10,335
Total financial assets at fair value through profit or loss	8,773	103,007	3,467	115,247
Available-for-sale financial assets				
Bonds	–	11,352	–	11,352
Stocks	3	1	16	20
Total available-for-sale financial assets	3	11,353	16	11,372
Investment properties	–	–	6,270	6,270
Funds held by ceding insurers	245	15,943	–	16,188
Derivatives (1)	1	828	–	829
Reinsurance assets	–	130	–	130
Other assets:				
Trading account assets	302	353	58	713
Other (2)	79	188	–	267
Total assets measured at fair value	$ 17,349	$ 131,802	$ 9,811	$ 158,962
Liabilities measured at fair value				
Derivatives (3)	$ 5	$ 1,216	$ –	$ 1,221
Investment contract liabilities	–	9,145	–	9,145
Other liabilities	79	188	–	267
Total liabilities measured at fair value	$ 84	$ 10,549	$ –	$ 10,633

(1) Excludes collateral received from counterparties of $210.
(2) Includes collateral received under securities lending arrangements.
(3) Excludes collateral pledged to counterparties of $442.

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

9. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis which the Company classifies as Level 3 in the fair value hierarchy:

	2021						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks (4)	Available for-sale stocks	Investment properties	Trading accounts assets	Total Level 3 assets
Balance, beginning of year	**$ 73**	**$ 2,020**	**$ 1,374**	**$ 16**	**$ 6,270**	**$ 58**	**$ 9,811**
Total gains (losses)							
Included in net earnings	**4**	**(121)**	**164**	**7**	**615**	**16**	**685**
Included in other comprehensive income (1) (2)	**(5)**	**(21)**	**–**	**117**	**(52)**	**–**	**39**
Purchases	**28**	**–**	**798**	**31**	**970**	**597**	**2,424**
Issues	**–**	**896**	**–**	**–**	**–**	**–**	**896**
Sales	**–**	**–**	**(199)**	**(7)**	**(40)**	**(140)**	**(386)**
Settlements	**–**	**(165)**	**–**	**–**	**–**	**–**	**(165)**
Transfers into Level 3 (2) (3)	**–**	**–**	**–**	**40**	**–**	**–**	**40**
Transfers out of Level 3 (3)	**–**	**–**	**(457)**	**–**	**–**	**–**	**(457)**
Balance, end of year	**$ 100**	**$ 2,609**	**$ 1,680**	**$ 204**	**$ 7,763**	**$ 531**	**$ 12,887**
Total gains (losses) for the year included in net investment income	**$ 4**	**$ (121)**	**$ 164**	**$ 7**	**$ 615**	**$ 16**	**$ 685**
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2021	**$ 4**	**$ (115)**	**$ 161**	**$ –**	**$ 621**	**$ 16**	**$ 687**

(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) During 2021, certain stocks previously classified as available-for-sale, at cost were remeasured at a fair value of $147, are now classified as available-for-sale, and have been transferred into Level 3 as reliable measure of fair value was identified during the period. The carrying value of $40 was transferred into Level 3 and the difference between the carrying value and fair value of $107 was recognized as an unrealized gain on available-for-sale assets with an income tax expense of $15 in the Consolidated Statements of Comprehensive Income.

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

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

	2020						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks (4)	Available for-sale stocks	Investment properties	Trading accounts assets	Total Level 3 assets
Balance, beginning of year	$ 67	$ 1,314	$ 678	$ 4	$ 5,887	$ –	$ 7,950
Total gains (losses)							
Included in net earnings	2	156	16	–	(74)	–	100
Included in other comprehensive income (1)	4	15	–	1	21	–	41
Purchases	–	–	406	11	481	–	898
Issues	–	622	–	–	–	–	622
Sales	–	–	(83)	–	(73)	–	(156)
Settlements	–	(87)	–	–	–	–	(87)
Transferred from owner occupied properties (2)	–	–	–	–	28	–	28
Transfers into Level 3 (3)	–	–	357	–	–	58	415
Transfers out of Level 3 (3)	–	–	–	–	–	–	–
Balance, end of year	$ 73	$ 2,020	$ 1,374	$ 16	$ 6,270	$ 58	$ 9,811
Total gains (losses) for the year included in net investment income	$ 2	$ 156	$ 16	$ –	$ (74)	$ –	$ 100
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2020	$ 2	$ 145	$ 17	$ –	$ (73)	$ –	$ 91

(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) As a result of the sale of Irish Progressive Services International Limited (IPSI), a property with a fair value of $28 was reclassified from owner occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of $11 and income tax expense of $(1) in the Consolidated Statements of Comprehensive Income.

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

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 pandemic impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. As a result of these restrictions, the Company's investment in these funds with a fair value of $357 was transferred on March 20, 2020 from Level 1 to Level 3.

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, the Company's investment in these funds with a fair value of $457 was transferred on April 19, 2021 from Level 3 to Level 1.

9. Fair Value Measurement (cont'd)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.3% – 12.4%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 3.5% – 7.0%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.5%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans – equity release mortgages (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 3.5% – 4.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

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

	2021				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 26,668	$ 49	$ –	$ 26,717
Mortgage loans	–	27,049	–	–	27,049
Loans to policyholders	–	8,319	–	–	8,319
Total loans and receivables financial assets	–	62,036	49	–	62,085
Available-for-sale financial assets					
Stocks (1)	–	–	–	124	124
Other stocks (2)	418	–	–	215	633
Funds held by ceding insurers	–	–	–	126	126
Total assets disclosed at fair value	$ 418	$ 62,036	$ 49	$ 465	$ 62,968
Liabilities and equity disclosed at fair value					
Debentures and other debt instruments	$ 186	$ 9,569	$ –	$ –	$ 9,755
Limited recourse capital notes	–	1,475	–	–	1,475
Total liabilities and equity disclosed at fair value	$ 186	$ 11,044	$ –	$ –	$ 11,230

(1) Fair value of certain stocks available for sale cannot be reliably measured, therefore, these investments are recorded at cost.
(2) Other stocks include the Company's investment in IGM.

	2020				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 26,488	$ 57	$ –	$ 26,545
Mortgage loans	–	27,613	–	–	27,613
Loans to policyholders	–	8,387	–	–	8,387
Total loans and receivables financial assets	–	62,488	57	–	62,545
Available-for-sale financial assets					
Stocks (1)	–	–	–	163	163
Other stocks (2)	317	–	–	128	445
Funds held by ceding insurers	–	–	–	137	137
Total assets disclosed at fair value	$ 317	$ 62,488	$ 57	$ 428	$ 63,290
Liabilities disclosed at fair value					
Debentures and other debt instruments	$ 970	$ 10,207	$ –	$ –	$ 11,177
Total liabilities disclosed at fair value	$ 970	$ 10,207	$ –	$ –	$ 11,177

(1) Fair value of certain stocks available for sale cannot be reliably measured, therefore, these investments are recorded at cost.
(2) Other stocks include the Company's investment in IGM.

10. Goodwill and Intangible Assets

(a) Goodwill

(i) The carrying value and changes in the carrying value of goodwill are as follows:

	2021	2020
Cost		
Balance, beginning of year	**$ 11,283**	$ 7,693
Business acquisitions and dispositions	**46**	3,621
Purchase price allocation adjustments	**161**	–
Allocated to intangible assets	**(1,181)**	(12)
Changes in foreign exchange rates	**(51)**	(19)
Balance, end of year	**$ 10,258**	$ 11,283
Accumulated impairment		
Balance, beginning of year	**$ (1,177)**	$ (1,188)
Impairment	**–**	(16)
Changes in foreign exchange rates	**–**	27
Balance, end of year	**$ (1,177)**	$ (1,177)
Net carrying amount	**$ 9,081**	$ 10,106

(ii) Within each of the three operating segments, goodwill has been assigned to cash generating unit groupings, representing the lowest level in which goodwill is monitored for internal reporting purposes. Lifeco does not allocate insignificant amounts of goodwill across multiple cash generating unit groupings. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to which goodwill has been assigned to its recoverable amount as follows:

	2021	2020
Canada		
Group Customer	**$ 1,479**	$ 1,464
Individual Customer	**2,549**	2,553
Europe	**2,379**	2,395
United States		
Financial Services	**2,674**	3,694
Total	**$ 9,081**	$ 10,106

10. Goodwill and Intangible Assets (cont'd)

(b) Intangible Assets

Intangible assets of $5,514 ($4,285 as at December 31, 2020) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite life intangible assets:

	2021			
	Brands and trademarks	**Customer contract related**	**Shareholders' portion of acquired future participating account profit**	**Total**
Cost				
Balance, beginning of year	**$ 1,063**	**$ 2,542**	**$ 354**	**$ 3,959**
Changes in foreign exchange rates	**(15)**	**–**	**–**	**(15)**
Balance, end of year	**$ 1,048**	**$ 2,542**	**$ 354**	**$ 3,944**
Accumulated impairment				
Balance, beginning of year	**$ (133)**	**$ (1,028)**	**$ –**	**$ (1,161)**
Changes in foreign exchange rates	**3**	**–**	**–**	**3**
Balance, end of year	**$ (130)**	**$ (1,028)**	**$ –**	**$ (1,158)**
Net carrying amount	**$ 918**	**$ 1,514**	**$ 354**	**$ 2,786**

	2020			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost				
Balance, beginning of year	$ 972	$ 2,562	$ 354	$ 3,888
Additions	92	30	–	122
Changes in foreign exchange rates	(1)	(50)	–	(51)
Balance, end of year	$ 1,063	$ 2,542	$ 354	$ 3,959
Accumulated impairment				
Balance, beginning of year	$ (133)	$ (1,051)	$ –	$ (1,184)
Changes in foreign exchange rates	–	23	–	23
Balance, end of year	$ (133)	$ (1,028)	$ –	$ (1,161)
Net carrying amount	$ 930	$ 1,514	$ 354	$ 2,798

(ii) Indefinite life intangible assets have been assigned to cash generating unit groupings as follows:

	2021	2020
Canada		
Group Customer	**$ 354**	$ 354
Individual Customer	**649**	649
Europe	**221**	233
United States		
Asset Management	**1,473**	1,473
Financial Services	**89**	89
Total	**$ 2,786**	$ 2,798

(iii) Finite life intangible assets:

	2021			
	Customer contract related	**Distribution channels**	**Technology/ Software**	**Total**
Amortization period range	**7 – 30 years**	**30 years**	**3 – 10 years**	
Amortization method	**Straight-line**	**Straight-line**	**Straight-line**	
Cost				
Balance, beginning of year	**$ 1,248**	**$ 111**	**$ 2,185**	**$ 3,544**
Additions	**1,261**	**–**	**340**	**1,601**
Changes in foreign exchange rates	**(15)**	**(4)**	**(21)**	**(40)**
Disposals	**–**	**–**	**(16)**	**(16)**
Balance, end of year	**$ 2,494**	**$ 107**	**$ 2,488**	**$ 5,089**
Accumulated amortization and impairment				
Balance, beginning of year	**$ (688)**	**$ (65)**	**$ (1,304)**	**$ (2,057)**
Changes in foreign exchange rates	**4**	**3**	**11**	**18**
Disposals	**–**	**–**	**14**	**14**
Amortization	**(137)**	**(4)**	**(195)**	**(336)**
Balance, end of year	**$ (821)**	**$ (66)**	**$ (1,474)**	**$ (2,361)**
Net carrying amount	**$ 1,673**	**$ 41**	**$ 1,014**	**$ 2,728**

	2020			
	Customer contract related	Distribution channels	Technology/ Software	Total
Amortization period range	7 – 30 years	30 years	3 – 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	
Cost				
Balance, beginning of year	$ 1,031	$ 108	$ 1,885	$ 3,024
Additions	214	–	341	555
Changes in foreign exchange rates	3	3	(6)	–
Disposals	–	–	(35)	(35)
Balance, end of year	$ 1,248	$ 111	$ 2,185	$ 3,544
Accumulated amortization and impairment				
Balance, beginning of year	$ (630)	$ (60)	$ (1,159)	$ (1,849)
Changes in foreign exchange rates	(3)	(1)	5	1
Disposals	–	–	29	29
Amortization	(55)	(4)	(179)	(238)
Balance, end of year	$ (688)	$ (65)	$ (1,304)	$ (2,057)
Net carrying amount	$ 560	$ 46	$ 881	$ 1,487

The weighted average remaining amortization period of the customer contract related and distribution channels are 15 and 12 years respectively (14 and 13 years respectively at December 31, 2020).

10. Goodwill and Intangible Assets (cont'd)

(c) Recoverable Amount

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

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

In the fourth quarter of 2021, the Company conducted its annual impairment testing of intangible assets and goodwill based on September 30, 2021 asset balances. It was determined that the recoverable amounts of cash generating units for intangible assets and cash generating unit groupings for goodwill were in excess of their carrying values and there was no evidence of impairment.

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

11. Owner Occupied Properties and Fixed Assets

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

	2021	2020
Carrying value, beginning of year	**$ 871**	$ 842
Less: accumulated depreciation/impairments	**(130)**	(115)
Net carrying value, beginning of year	**741**	727
Additions	**21**	42
Disposals	**(1)**	–
Transferred to investment properties (1)	**–**	(17)
Depreciation	**(16)**	(15)
Foreign exchange	**(9)**	4
Net carrying value, end of year	**$ 736**	$ 741

(1) As a result of the sale of IPSI in 2020, a property with a carrying value of $17 was reclassified from owner occupied properties to investment properties.

The net carrying value of fixed assets is $422 at December 31, 2021 ($426 at December 31, 2020).

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

	2021	2020
Canada	**$ 652**	$ 640
United States	**317**	321
Europe	**188**	205
Capital and Risk Solutions	**1**	1
Total	**$ 1,158**	$ 1,167

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

12. Other Assets

	2021	2020
Deferred acquisition costs	**$ 615**	$ 618
Right-of-use assets	**389**	437
Trading account assets (1)	**1,671**	713
Finance leases receivable	**433**	404
Defined benefit pension plan assets (note 23)	**363**	240
Prepaid expenses	**123**	115
Miscellaneous other assets	**928**	820
Total	**$ 4,522**	$ 3,347

(1) Includes bonds of $1,322 and stocks of $349 at December 31, 2021 (bonds of $386 and stocks of $327 at December 31, 2020).

Total other assets of $2,752 ($1,678 at December 31, 2020) are expected to be realized within 12 months from the reporting date. This amount excludes deferred acquisition costs, the changes in which are noted below.

Deferred acquisition costs	2021	2020
Balance, beginning of year	**$ 618**	$ 595
Additions	**113**	93
Amortization	**(55)**	(55)
Changes in foreign exchange rates	**(34)**	26
Disposals	**(27)**	(41)
Balance, end of year	**$ 615**	$ 618

		2021	
Right-of-use assets	**Property**	**Equipment**	**Total**
Cost, beginning of year	**$ 568**	**$ 8**	**$ 576**
Additions	**21**	**5**	**26**
Modifications	**(10)**	**(1)**	**(11)**
Changes in foreign exchange rates	**(1)**	**–**	**(1)**
Cost, end of year	**$ 578**	**$ 12**	**$ 590**
Accumulated amortization, beginning of year	**$ (134)**	**$ (5)**	**$ (139)**
Amortization	**(66)**	**(2)**	**(68)**
Modifications	**7**	**–**	**7**
Changes in foreign exchange rates	**(1)**	**–**	**(1)**
Accumulated amortization, end of year	**$ (194)**	**$ (7)**	**$ (201)**
Carrying amount, end of year	**$ 384**	**$ 5**	**$ 389**

		2020	
	Property	Equipment	Total
Cost, beginning of year	$ 530	$ 7	$ 537
Additions	47	1	48
Modifications	(5)	–	(5)
Changes in foreign exchange rates	(4)	–	(4)
Cost, end of year	$ 568	$ 8	$ 576
Accumulated amortization, beginning of year	$ (69)	$ (2)	$ (71)
Amortization	(68)	(3)	(71)
Changes in foreign exchange rates	3	–	3
Accumulated amortization, end of year	$ (134)	$ (5)	$ (139)
Carrying amount, end of year	$ 434	$ 3	$ 437

12. Other Assets (cont'd)

Finance leases receivable

The Company has a finance lease on one property in Canada which has been leased for a 25-year term. The Company has six finance leases on properties in Europe. These properties have been leased for terms ranging between 27 and 40 years.

The terms to maturity of the lease payments receivable are as follows:

	2021	2020
One year or less	$ 30	$ 30
Over one year to two years	31	30
Over two years to three years	32	30
Over three years to four years	33	30
Over four years to five years	33	30
Over five years	717	662
Total undiscounted lease payments	876	812
Less: unearned finance lease income	443	408
Total finance leases receivable	$ 433	$ 404
Finance income on the net investment in the leases	$ 27	$ 26

13. Insurance and Investment Contract Liabilities

(a) Insurance and investment contract liabilities

	2021		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 208,378	$ 21,032	$ 187,346
Investment contract liabilities	12,455	106	12,349
Total	$ 220,833	$ 21,138	$ 199,695

	2020		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 208,902	$ 21,991	$ 186,911
Investment contract liabilities	9,145	130	9,015
Total	$ 218,047	$ 22,121	$ 195,926

(b) Composition of insurance and investment contract liabilities and related supporting assets

(i) The composition of insurance and investment contract liabilities is as follows:

	2021		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 50,049	$ (115)	$ 50,164
United States	10,694	13	10,681
Europe	141	–	141
Capital and Risk Solutions	886	–	886
Non-Participating			
Canada	34,780	207	34,573
United States	63,938	14,708	49,230
Europe	47,215	6,197	41,018
Capital and Risk Solutions	13,130	128	13,002
Total	$ 220,833	$ 21,138	$ 199,695

	2020		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 46,107	$ (199)	$ 46,306
United States	11,090	13	11,077
Europe	155	–	155
Capital and Risk Solutions	912	–	912
Non-Participating			
Canada	35,449	638	34,811
United States	65,703	15,908	49,795
Europe	48,088	5,622	42,466
Capital and Risk Solutions	10,543	139	10,404
Total	$ 218,047	$ 22,121	$ 195,926

13. Insurance and Investment Contract Liabilities (cont'd)

(ii) The composition of the assets supporting liabilities and equity is as follows:

	2021					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Carrying value						
Participating liabilities						
Canada	**$ 21,370**	**$ 11,166**	**$ 8,522**	**$ 4,013**	**$ 4,978**	**$ 50,049**
United States	**4,876**	**607**	**76**	**–**	**5,135**	**10,694**
Europe	**66**	**–**	**67**	**8**	**–**	**141**
Capital and Risk Solutions	**666**	**8**	**–**	**–**	**212**	**886**
Non-participating liabilities						
Canada	**23,620**	**4,661**	**3,116**	**579**	**2,804**	**34,780**
United States	**32,302**	**4,641**	**211**	**–**	**26,784**	**63,938**
Europe	**33,208**	**5,891**	**391**	**2,743**	**4,982**	**47,215**
Capital and Risk Solutions	**6,394**	**80**	**–**	**–**	**6,656**	**13,130**
Other	**7,257**	**1,202**	**873**	**157**	**369,683**	**379,172**
Total equity	**10,853**	**596**	**927**	**263**	**17,844**	**30,483**
Total carrying value	**$ 140,612**	**$ 28,852**	**$ 14,183**	**$ 7,763**	**$ 439,078**	**$ 630,488**
Fair value	**$ 142,653**	**$ 29,658**	**$ 14,235**	**$ 7,763**	**$ 439,078**	**$ 633,387**

	2020					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 21,803	$ 10,545	$ 6,152	$ 2,983	$ 4,624	$ 46,107
United States	5,193	593	13	–	5,291	11,090
Europe	84	–	62	9	–	155
Capital and Risk Solutions	688	12	–	–	212	912
Non-participating liabilities						
Canada	23,898	4,498	2,789	360	3,904	35,449
United States	31,631	4,586	46	–	29,440	65,703
Europe	34,941	5,746	332	2,536	4,533	48,088
Capital and Risk Solutions	2,365	52	–	–	8,126	10,543
Other	5,367	1,135	754	141	348,031	355,428
Total equity	11,622	636	852	241	13,664	27,015
Total carrying value	$ 137,592	$ 27,803	$ 11,000	$ 6,270	$ 417,825	$ 600,490
Fair value	$ 140,789	$ 29,633	$ 10,963	$ 6,270	$ 417,825	$ 605,480

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

(c) Change in insurance contract liabilities

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	2021		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	**$ 58,264**	**$ (186)**	**$ 58,450**
Impact of new business	**(78)**	**–**	**(78)**
Normal change in force	**3,819**	**27**	**3,792**
Management action and changes in assumptions	**(223)**	**57**	**(280)**
Impact of foreign exchange rate changes	**(12)**	**–**	**(12)**
Balance, end of year	**$ 61,770**	**$ (102)**	**$ 61,872**

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	**$ 150,638**	**$ 22,177**	**$ 128,461**	**$ 186,911**
Impact of new business	**10,559**	**84**	**10,475**	**10,397**
Normal change in force	**(12,920)**	**(1,472)**	**(11,448)**	**(7,656)**
Management action and changes in assumptions	**(673)**	**(540)**	**(133)**	**(413)**
Business movement from/to external parties	**(613)**	**(37)**	**(576)**	**(576)**
Ark Life acquisition (note 3)	**1,257**	**1,238**	**19**	**19**
Impact of foreign exchange rate changes	**(1,640)**	**(316)**	**(1,324)**	**(1,336)**
Balance, end of year	**$ 146,608**	**$ 21,134**	**$ 125,474**	**$ 187,346**

	2020		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 54,619	$ (235)	$ 54,854
Impact of new business	(7)	32	(39)
Normal change in force	3,883	9	3,874
Management action and changes in assumptions	55	8	47
Impact of foreign exchange rate changes	(286)	–	(286)
Balance, end of year	$ 58,264	$ (186)	$ 58,450

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 119,902	$ 20,815	$ 99,087	$ 153,941
Impact of new business	7,028	706	6,322	6,283
Normal change in force	1,296	750	546	4,420
Management action and changes in assumptions	161	109	52	99
Business movement from/to external parties	(48)	–	(48)	(48)
MassMutual acquisition (note 3)	22,316	–	22,316	22,316
Impact of foreign exchange rate changes	(17)	(203)	186	(100)
Balance, end of year	$ 150,638	$ 22,177	$ 128,461	$ 186,911

13. Insurance and Investment Contract Liabilities (cont'd)

Under IFRS, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in force above.

Effective October 15, 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities. The revised standards include decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term.

In 2021, the major contributor to the increase in net insurance contract liabilities was the impact of new business of $10,397. This was partially offset by decreases due to normal change in the in force business of $7,656 and foreign exchange rate changes of $1,336.

Net non-participating insurance contract liabilities decreased by $133 due to management actions and changes in assumptions including a $219 decrease in Europe and $7 decrease in the U.S., partially offset by increases of $75 in Canada and $18 in Capital and Risk Solutions.

The decrease in Europe was primarily due to updated economic and asset related assumptions of $165, updated longevity assumptions of $29, and updated policyholder behaviour assumptions of $22.

The decrease in the U.S. was primarily due to updated economic assumptions, which includes the net impact of the new standards, of $5.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of $172, mortality updates of $44, and updated morbidity assumptions of $37. This was partially offset by decreases due to updated economic and asset related assumptions, which includes the net impact of the new standards, of $146, and modeling refinements of $29.

The increase in Capital and Risk Solutions was primarily due to updated expense assumptions of $11, and updated life mortality and longevity assumptions of $6.

Net participating insurance contract liabilities decreased by $280 in 2021 due to management actions and changes in assumptions.

In 2020, the major contributors to the increase in net insurance contract liabilities was the MassMutual acquisition of $22,316, the impact of new business of $6,283, and the normal change in the in force business of $4,420.

Net non-participating insurance contract liabilities increased by $52 due to management actions and changes in assumptions including a $377 increase in Canada, partially offset by decreases of $212 in Europe, $59 in Capital & Risk Solutions, and $54 in the United States.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of $269, updated morbidity assumptions of $140, of which $114 is offset by an increase in other assets, and updated economic and asset related assumptions of $98. This was partially offset by decreases due to updated life mortality assumptions of $129.

The decrease in Europe was primarily due to updated longevity assumptions of $138, modeling refinements of $28, updated morbidity assumptions of $24, updated policyholder behaviour assumptions of $19, and updated economic and asset related assumptions of $10. This was partially offset by an increase due to updated expense and tax assumptions of $6.

The decrease in Capital and Risk Solutions was primarily due to updated longevity assumptions of $135, updated economic assumptions of $41, and modeling refinements of $37. This was partially offset by increases due to updated life mortality assumptions of $107, updated expense and tax assumptions of $28, and updated policyholder behaviour assumptions of $14.

The decrease in the United States was primarily due to updated economic assumptions of $50.

Net participating insurance contract liabilities increased by $47 in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated economic assumptions of $2,358, and updated policyholder behaviour assumptions of $34. This was partially offset by decreases due to provisions for future policyholder dividends of $1,899, updated expense and tax assumptions of $446, and modeling refinements of $5.

(d) Change in investment contract liabilities measured at fair value

	2021			2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Balance, beginning of year	**$ 9,145**	**$ 130**	**$ 9,015**	$ 1,656	$ 127	$ 1,529
Normal change in force business	**3,497**	**38**	**3,459**	2,489	(20)	2,509
Investment experience	**(242)**	**(62)**	**(180)**	147	26	121
Management action and changes in assumptions	**–**	**–**	**–**	(4)	–	(4)
MassMutual acquisition (note 3)	**–**	**–**	**–**	4,984	–	4,984
Ark Life acquisition (note 3)	**43**	**–**	**43**	–	–	–
Impact of foreign exchange rate changes	**12**	**–**	**12**	(127)	(3)	(124)
Balance, end of year	**$ 12,455**	**$ 106**	**$ 12,349**	$ 9,145	$ 130	$ 9,015

The carrying value of investment contract liabilities approximates their fair value.

(e) Gross premiums written and gross policyholder benefits

(i) Premium Income

	2021	2020
Direct premiums	**$ 26,219**	$ 28,102
Assumed reinsurance premiums	**31,178**	19,652
Total	**$ 57,397**	$ 47,754

(ii) Policyholder Benefits

	2021	2020
Direct	**$ 20,903**	$ 19,538
Assumed reinsurance	**28,452**	20,067
Total	**$ 49,355**	$ 39,605

(f) Actuarial Assumptions

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

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

Mortality

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

Annuitant mortality is also studied regularly and the results are used to modify established annuitant mortality tables.

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.

Property and casualty reinsurance

Insurance contract liabilities for property and casualty reinsurance written by entities within the Capital and Risk Solutions operating segment 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 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.

Investment returns

The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (note 8(c)).

Expenses

Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the Canadian Asset Liability Method as inflation is assumed to be correlated with new money interest rates.

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 term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided the Company's assumptions for these products as the Company's own experience is very limited.

Utilization of elective policy options

There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees). The assumed rates of utilization are based on Company or industry experience when it exists and when not on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder dividends and adjustable policy features

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

(g) Risk Management

(i) Insurance risk

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity, expense variations and investment returns.

The Company is in the business of accepting risk associated with insurance contract liabilities. The objective of the Company is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of the Company's underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following provides information about the Company's insurance contract liabilities sensitivities to management's best estimate of the approximate impact as a result of changes in assumptions used to determine the Company's liability associated with these contracts.

	Increase (decrease) in net earnings 2021	Increase (decrease) in net earnings 2020
Mortality – 2% increase	**$ (276)**	$ (288)
Annuitant mortality – 2% decrease	**$ (722)**	$ (756)
Morbidity – 5% adverse change	**$ (262)**	$ (279)
Investment returns		
Parallel shift in yield curve		
1% increase	**$ –**	$ –
1% decrease	**$ –**	$ –
Change in interest rates		
1% increase	**$ 197**	$ 224
1% decrease	**$ (555)**	$ (920)
Change in publicly traded common stock values		
20% increase	**$ 21**	$ 28
10% increase	**$ 13**	$ 15
10% decrease	**$ (19)**	$ (51)
20% decrease	**$ (66)**	$ (208)
Change in other non-fixed income asset values		
10% increase	**$ 79**	$ 34
5% increase	**$ 39**	$ 6
5% decrease	**$ (30)**	$ (69)
10% decrease	**$ (112)**	$ (108)
Change in best estimate return assumptions for equities		
1% increase	**$ 567**	$ 556
1% decrease	**$ (649)**	$ (682)
Expenses – 5% increase	**$ (207)**	$ (165)
Policy termination and renewal – 10% adverse change	**$ (1,002)**	$ (1,017)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

	2021			2020		
	Gross liability	**Reinsurance assets**	**Net**	Gross liability	Reinsurance assets	Net
Canada	**$ 84,829**	**$ 92**	**$ 84,737**	$ 81,556	$ 439	$ 81,117
United States	**74,632**	**14,721**	**59,911**	76,793	15,921	60,872
Europe	**47,356**	**6,197**	**41,159**	48,243	5,622	42,621
Capital and Risk Solutions	**14,016**	**128**	**13,888**	11,455	139	11,316
Total	**$ 220,833**	**$ 21,138**	**$ 199,695**	$ 218,047	$ 22,121	$ 195,926

(ii) Reinsurance risk

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

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

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

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

14. Segregated Funds and Other Structured Entities

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

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

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $3,125 at December 31, 2021 ($1,490 at December 31, 2020).

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. As these amounts do not directly impact the revenues and expenses of the Company, these amounts are not included separately in the Consolidated Statements of Earnings.

Segregated Funds Guarantee Exposure

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

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

In the U.S., the Company offers group variable annuities with guaranteed minimum withdrawal benefits (GMWB) and group standalone GMDB products which mainly provide return of premium on death.

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

The Company also offers a GMWB product in the U.S., and Germany, and previously offered GMWB product in Canada and Ireland. Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2021, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $3,316 ($3,375 at December 31, 2020).

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

	2021	2020
Cash and cash equivalents	$ 12,500	$ 15,558
Bonds	60,647	65,338
Mortgage loans	2,377	2,686
Stocks and units in unit trusts	134,568	112,675
Mutual funds	133,916	127,577
Investment properties	12,776	12,430
	356,784	336,264
Accrued income	442	463
Other liabilities	(2,932)	(4,185)
Non-controlling mutual funds interest	3,125	1,490
Total (1)	$ 357,419	$ 334,032

(1) At December 31, 2021, $83,754 of investments on account of segregated fund policyholders are reinsured by the Company on a modified coinsurance basis ($84,785 at December 31, 2020). Included in this amount are $301 of cash and cash equivalents, $13,557 of bonds, $26 of stocks and units in unit trusts, $69,852 of mutual funds, $78 of accrued income and $(60) of other liabilities.

(b) Investment and insurance contracts on account of segregated fund policyholders

	2021	2020
Balance, beginning of year	$ 334,032	$ 231,022
Additions (deductions):		
Policyholder deposits	29,657	21,916
Net investment income	9,442	2,695
Net realized capital gains on investments	15,799	8,954
Net unrealized capital gains on investments	11,473	474
Unrealized gains (losses) due to changes in foreign exchange rates	(7,109)	3,920
Policyholder withdrawals	(40,324)	(20,371)
Business acquisitions (1)	2,844	84,785
Change in Segregated Fund investment in General Fund	(30)	51
Change in General Fund investment in Segregated Fund	(22)	234
Net transfer from General Fund	22	9
Non-controlling mutual funds interest	1,635	343
Total	23,387	103,010
Balance, end of year	$ 357,419	$ 334,032

(1) Investment and insurance contracts on account of segregated fund policyholders acquired through the acquisition of Ark Life in 2021 and the MassMutual acquisition in 2020 (note 3).

(c) Investment income on account of segregated fund policyholders

	2021	2020
Net investment income	$ 9,442	$ 2,695
Net realized capital gains on investments	15,799	8,954
Net unrealized capital gains on investments	11,473	474
Unrealized gains (losses) due to changes in foreign exchange rates	(7,109)	3,920
Total	29,605	16,043
Change in investment and insurance contracts liability on account of segregated fund policyholders	29,605	16,043
Net	$ –	$ –

14. Segregated Funds and Other Structured Entities (cont'd)

(d) Investments on account of segregated fund policyholders by fair value hierarchy level (note 9)

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders (1)	**$ 249,543**	**$ 96,575**	**$ 13,822**	**$ 359,940**

(1) Excludes other liabilities, net of other assets, of $2,521.

	2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders (1)	$ 224,831	$ 98,424	$ 13,556	$ 336,811

(1) Excludes other liabilities, net of other assets, of $2,779.

During 2021, certain foreign stock holdings valued at $2,137 have been transferred from Level 2 to Level 1 ($3,190 were transferred from Level 1 to Level 2 at December 31, 2020) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings at year end. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

As at December 31, 2021, $5,394 ($9,770 at December 31, 2020) of the segregated funds were invested in funds managed by related parties IG Wealth Management and Mackenzie Investments, members of the Power Corporation group of companies (note 25).

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:

	2021	2020
Balance, beginning of year	**$ 13,556**	$ 13,988
Total gains included in segregated fund investment income	**415**	78
Purchases	**333**	167
Sales	**(482)**	(712)
Transfers into Level 3	**5**	35
Transfers out of Level 3	**(5)**	–
Balance, end of year	**$ 13,822**	$ 13,556

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

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

Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. Management fees can be variable due to performance of factors – such as markets or industries – in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets.

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

During 2021, fee and other income earned by the Company resulting from the Company's interests in segregated funds and other structured entities was $6,194 ($5,034 during 2020).

Included within other assets (note 12) at December 31, 2021 is $1,525 ($557 at December 31, 2020) of investments by the Company in bonds and stocks of Putnam sponsored funds and $146 ($156 at December 31, 2020) of investments in stocks of sponsored unit trusts in Europe.

15. Debentures and Other Debt Instruments

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Short-term				
Commercial paper and other short-term debt instruments with interest rates from 0.172% to 0.203% (0.223% to 0.274% at December 31, 2020), unsecured	$ **122**	$ **122**	$ 125	$ 125
Revolving credit facility with interest equal to LIBOR plus 0.70% (U.S. $50; U.S. $165 at December 31, 2020), unsecured	**64**	**64**	210	210
Revolving credit facility with interest equal to LIBOR plus 1.00% (U.S. $0; U.S. $500 at December 31, 2020), unsecured	**–**	**–**	635	635
Total short-term	**186**	**186**	970	970
Capital:				
Long-term				
Lifeco				
6.74% Debentures due November 24, 2031, unsecured	**195**	**270**	195	287
6.67% Debentures due March 21, 2033, unsecured	**394**	**549**	394	575
5.998% Debentures due November 16, 2039, unsecured	**342**	**478**	342	504
3.337% Debentures due February 28, 2028, unsecured	**498**	**533**	498	566
2.981% Debentures due July 8, 2050, unsecured	**493**	**479**	493	514
2.50% Debentures due April 18, 2023, unsecured, (€500) (1)	**720**	**743**	774	825
2.379% Debentures due May 14, 2030, unsecured	**597**	**602**	597	637
1.75% Debentures due December 7, 2026, unsecured, (€500) (1)	**717**	**768**	771	857
	3,956	**4,422**	4,064	4,765
Canada Life				
6.40% Subordinated debentures due December 11, 2028, unsecured	**100**	**125**	100	135
Canada Life Capital Trust (CLCT)				
7.529% due June 30, 2052, unsecured, face value $150	**157**	**215**	158	222
Great-West Lifeco Finance 2018, LP				
4.581% Senior notes due May 17, 2048, unsecured, (U.S. $500)	**629**	**820**	628	867
4.047% Senior notes due May 17, 2028, unsecured, (U.S. $300)	**379**	**431**	379	446
	1,008	**1,251**	1,007	1,313
Great-West Lifeco Finance (Delaware) LP				
4.15% Senior notes due June 3, 2047, unsecured, (U.S. $700)	**874**	**1,057**	874	1,117
Great-West Lifeco U.S. Finance 2020, LP				
0.904% Senior notes due August 12, 2025, unsecured, (U.S. $500)	**632**	**617**	631	638
Empower Finance 2020, LP				
3.075% Senior notes due September 17, 2051, unsecured, (U.S. $700)	**879**	**899**	879	984
1.776% Senior notes due March 17, 2031, unsecured, (U.S. $400)	**506**	**490**	505	521
1.357% Senior notes due September 17, 2027, unsecured, (U.S. $400)	**506**	**493**	505	512
	1,891	**1,882**	1,889	2,017
Total long-term	**8,618**	**9,569**	8,723	10,207
Total	$ **8,804**	$ **9,755**	$ 9,693	$ 11,177

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

The Company made payments of U.S. $400 on July 2, 2021 and U.S. $100 on September 29, 2021 on its committed line of credit related to GWL&A's acquisition of the retirement services business from MassMutual on December 31, 2020. As at December 31, 2021 the balance drawn on this line of credit is nil ($635 as at December 31, 2020).

Capital Trust Securities

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

Distributions and interest on the capital trust securities are classified as financing charges in the Consolidated Statements of Earnings (note 16). The fair value for capital trust securities is determined by the bid-ask price. Refer to note 8 for financial instrument risk management disclosures.

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

16. Financing Charges

Financing charges consist of the following:

	2021	2020
Operating charges:		
Interest on operating lines and short-term debt instruments	$ 7	$ 5
Financial charges:		
Interest on long-term debentures and other debt instruments	275	251
Interest on limited recourse capital notes	20	–
Interest on capital trust securities	11	11
Other	15	17
	321	279
Total	$ 328	$ 284

17. Other Liabilities

	2021	2020
Pension and other post-employment benefits (note 23)	$ **989**	$ 1,630
Lease liabilities	**522**	568
Bank overdraft	**407**	444
Deferred income reserves	**314**	345
Other	**3,831**	2,160
Total	$ **6,063**	$ 5,147

Total other liabilities of $4,238 ($2,604 at December 31, 2020) are expected to be realized within 12 months from the reporting date. This amount excludes deferred income reserves, the changes in which are noted below.

Deferred income reserves	2021	2020
Balance, beginning of year	$ **345**	$ 380
Additions	**70**	51
Amortization	**(71)**	(78)
Changes in foreign exchange	**(14)**	12
Disposals	**(16)**	(20)
Balance, end of year	$ **314**	$ 345

	2021		
Lease liabilities	Property	Equipment	Total
Balance, beginning of year	$ **565**	$ **3**	$ **568**
Additions	**21**	**5**	**26**
Modifications	**(2)**	**–**	**(2)**
Lease payments	**(86)**	**(3)**	**(89)**
Changes in foreign exchange rates	**(2)**	**–**	**(2)**
Interest	**21**	**–**	**21**
Balance, end of year	$ **517**	$ **5**	$ **522**

	2020		
	Property	Equipment	Total
Balance, beginning of year	$ 580	$ 5	$ 585
Additions	56	1	57
Modifications	(4)	–	(4)
Lease payments	(85)	(3)	(88)
Changes in foreign exchange rates	(4)	–	(4)
Interest	22	–	22
Balance, end of year	$ 565	$ 3	$ 568

The following table presents the contractual undiscounted cash flows for lease obligations:

	2021	2020
One year or less	$ **83**	$ 88
Over one year to two years	**71**	78
Over two years to three years	**63**	67
Over three years to four years	**55**	60
Over four years to five years	**52**	54
Over five years	**340**	387
Total undiscounted lease obligations	$ **664**	$ 734

18. Non-Controlling Interests

The Company has a controlling equity interest in Canada Life, GWL&A, and Putnam at December 31, 2021 and December 31, 2020.

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

Non-controlling interests in subsidiaries also include non-controlling interests for the issued and outstanding shares of Putnam and PanAgora held by employees of the respective companies, and non-controlling interests through Irish Life's controlling interest in Invesco Ltd. (Ireland).

(a) The non-controlling interests recorded in the Consolidated Statements of Earnings and other comprehensive income are as follows:

	2021	2020
Net earnings attributable to participating account before policyholder dividends		
Canada Life	$ 1,708	$ 1,429
GWL&A	–	1
	1,708	1,430
Policyholder dividends		
Canada Life	(1,405)	(1,362)
GWL&A	(1)	(2)
	(1,406)	(1,364)
Net earnings – participating account	302	66
Non-controlling interests in subsidiaries	(1)	12
Total	$ 301	$ 78

The non-controlling interests recorded in other comprehensive income (loss) for the year ended December 31, 2021 was $(28) ($37 for the year ended December 31, 2020).

(b) The carrying value of non-controlling interests consists of the following:

	2021	2020
Participating account surplus in subsidiaries:		
Canada Life	$ 3,126	$ 2,858
GWL&A	12	13
Total	$ 3,138	$ 2,871
Non-controlling interests in subsidiaries	$ 129	$ 116

19. Share Capital

(a) Limited Recourse Capital Notes

On August 16, 2021, the Company issued $1,500 aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026 and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield, plus 2.641%. Commencing November 30, 2026, the Company will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. The Company will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if GWL&A's acquisition of Prudential's full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement). The LRCN Series 1 are presented within equity on the Consolidated Balance Sheets. Transaction costs incurred in connection with the LRCN Series 1 issue of $17 ($13 after-tax) were charged to accumulated surplus. Interest expense of $20 for the year ended December 31, 2021 was recognized in financing charges in the Consolidated Statements of Earnings. The LRCN Series 1 had a fair value of $1,475 at December 31, 2021.

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

(b) Preferred Shares

Authorized

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

Unlimited Common Shares

Issued and outstanding and fully paid

	2021		2020	
	Number	Carrying value	Number	Carrying value
First Preferred Shares				
Series F, 5.90% Non-Cumulative	–	$ –	7,740,032	$ 194
Series G, 5.20% Non-Cumulative	**12,000,000**	**300**	12,000,000	300
Series H, 4.85% Non-Cumulative	**12,000,000**	**300**	12,000,000	300
Series I, 4.50% Non-Cumulative	**12,000,000**	**300**	12,000,000	300
Series L, 5.65% Non-Cumulative	**6,800,000**	**170**	6,800,000	170
Series M, 5.80% Non-Cumulative	**6,000,000**	**150**	6,000,000	150
Series N, 1.749% Non-Cumulative Rate Reset	**10,000,000**	**250**	10,000,000	250
Series P, 5.40% Non-Cumulative	**10,000,000**	**250**	10,000,000	250
Series Q, 5.15% Non-Cumulative	**8,000,000**	**200**	8,000,000	200
Series R, 4.80% Non-Cumulative	**8,000,000**	**200**	8,000,000	200
Series S, 5.25% Non-Cumulative	**8,000,000**	**200**	8,000,000	200
Series T, 5.15% Non-Cumulative	**8,000,000**	**200**	8,000,000	200
Series Y, 4.50% Non-Cumulative	**8,000,000**	**200**	–	–
Total	**108,800,000**	**$ 2,720**	108,540,032	$ 2,714
Common shares				
Balance, beginning of year	**927,853,106**	**$ 5,651**	927,281,186	$ 5,633
Exercised and issued under stock option plan	**2,767,232**	**97**	571,920	18
Balance, end of year	**930,620,338**	**$ 5,748**	927,853,106	$ 5,651

On October 8, 2021, the Company issued 8,000,000, 4.50% Non-Cumulative First Preferred Shares, Series Y at $25.00 per share for gross proceeds of $200. The shares are redeemable at the option of the Company on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of $4 ($3 after-tax) were charged to accumulated surplus.

On December 31, 2021 the Company redeemed all of its issued and outstanding, 5.90% Non-Cumulative First Preferred Shares, Series F for $25.00 per share plus an amount equal to all declared and unpaid dividends, less any tax required to be deducted and withheld by the Company.

19. Share Capital (cont'd)

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

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

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

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

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

The Series N, Non-Cumulative 5-Year Rate Reset First Preferred Shares carry an annual fixed non-cumulative dividend rate of 1.749% up to but excluding December 31, 2025 and are redeemable at the option of the Company on December 31, 2025 and on December 31 every five years thereafter for $25.00 per share plus all declared and unpaid dividends up to but excluding the date of redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series N share conditions, each Series N share is convertible into one Series O, Non-Cumulative Floating Rate First Preferred Share at the option of the holders on December 31, 2025 and on December 31 every five years thereafter.

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

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

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

The Series S, 5.25% Non-Cumulative First Preferred Shares are redeemable at the option of the Company for $25.00 per share plus a premium if redeemed prior to June 30, 2023, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series T, 5.15% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after June 30, 2022 for $25.00 per share plus a premium if redeemed prior to June 30, 2026, together with all declared and unpaid dividends up to but excluding the date of redemption.

(c) Common Shares

Normal Course Issuer Bid

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2021 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. During the year ended December 31, 2021, the Company did not purchase any common shares under the NCIB (nil for the year ended December 31, 2020, under the previous NCIB). On November 4, 2021, OSFI withdrew its guidance provided in March 2020 at the outset of the COVID-19 pandemic that Canadian banks and insurers should suspend share buybacks and not increase dividend payments.

Subsequent Event

On January 25, 2022, the Company announced a new NCIB commencing January 27, 2022 and terminating January 26, 2023 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

20. Earnings Per Common Share

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

	2021	2020
Earnings		
Net earnings	$ **3,262**	$ 3,076
Preferred share dividends	**(134)**	(133)
Net earnings – common shareholders	$ **3,128**	$ 2,943
Number of common shares		
Average number of common shares outstanding	**929,461,348**	927,675,108
Add: Potential exercise of outstanding stock options	**1,496,586**	109,974
Average number of common shares outstanding – diluted basis	**930,957,934**	927,785,082
Basic earnings per common share	$ **3.365**	$ 3.173
Diluted earnings per common share	$ **3.360**	$ 3.172
Dividends per common share (1)	$ **1.804**	$ 1.752

(1) Includes an additional dividend of $0.052 declared November 14, 2021.

21. 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 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.

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.

(b) Regulatory Capital

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

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

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

	2021	2020
Tier 1 Capital	$ **12,584**	$ 11,593
Tier 2 Capital	**4,417**	4,568
Total Available Capital	**17,001**	16,161
Surplus Allowance & Eligible Deposits	**13,225**	14,226
Total Capital Resources	$ **30,226**	$ 30,387
Required Capital	$ **24,323**	$ 23,607
Total LICAT Ratio (OSFI Supervisory Target = 100%) (1)	**124%**	129%

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

PART B
GREAT-WEST LIFECO INC.

21. Capital Management (cont'd)

For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2021 and December 31, 2020, all European regulated entities met the capital and solvency requirements as prescribed under Solvency II.

GWL&A is subject to the risk-based capital regulatory regime in the U.S. Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2021 and December 31, 2020, the Company maintained capital levels above the minimum local regulatory requirements in each of its foreign operations.

22. Share-Based Payments

(a) The Company has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Lifeco and its affiliates. The Company's Human Resources Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options granted prior to January 1, 2019 vest over a period of five years. Options granted on or after January 1, 2019 vest 50% three years after the grant date and 50% four years after the grant date. Options have a maximum exercise period of ten years from the grant date. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. In 2021, the maximum number of Lifeco common shares issuable under the Plan was 72,500,000.

During 2021, 2,638,300 common share options were granted (1,932,200 during 2020). The weighted average fair value of common share options granted during 2021 was $2.60 per option ($1.86 in 2020). The fair value of each common share option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2021: dividend yield 5.43% (5.44% in 2020), expected volatility 18.47% (15.75% in 2020), risk-free interest rate 1.18% (1.10% in 2020), and expected life of eight years (eight in 2020).

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

	2021		2020	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of year	**16,399,279**	**$ 32.69**	15,378,339	$ 32.57
Granted	**2,638,300**	**32.28**	1,932,200	32.22
Exercised	**(2,767,232)**	**30.90**	(571,920)	26.71
Forfeited/expired	**(146,620)**	**33.39**	(339,340)	34.74
Outstanding, end of year	**16,123,727**	**$ 32.92**	16,399,279	$ 32.69
Options exercisable at end of year	**8,522,967**	**$ 33.78**	10,084,559	$ 32.94

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2021 was $36.11 ($32.59 in 2020).

Compensation expense due to the Plan transactions accounted for as equity-settled share-based payments of $5 after-tax in 2021 ($4 after-tax in 2020) has been recognized in the Consolidated Statements of Earnings.

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2021:

	Outstanding			Exercisable		
Exercise price ranges	**Options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options**	**Weighted average exercise price**	**Expiry**
$23.16 – $36.87	501,180	0.30	28.15	494,580	28.12	2022
$27.13 – $36.87	910,680	1.29	30.35	910,680	30.35	2023
$30.28 – $36.87	1,566,428	2.32	32.98	1,566,428	32.98	2024
$34.68 – $36.87	1,488,059	3.19	35.67	1,488,059	35.67	2025
$30.28 – $36.87	2,196,260	4.19	34.32	2,196,260	34.32	2026
$36.87 – $36.87	1,153,200	5.16	36.87	925,740	36.87	2027
$32.99 – $34.21	1,560,020	6.16	34.20	932,820	34.20	2028
$30.28 – $32.50	2,400,400	7.16	30.33	8,400	30.28	2029
$32.22 – $32.22	1,809,800	8.16	32.22	–	–	2030
$32.10 – $38.75	2,537,700	9.16	32.28	–	–	2031

(b) To promote greater alignment of interests between the Directors and Lifeco's shareholders, the Company and certain of its subsidiaries have mandatory DSU Plans and/or voluntary DSU Plans (the "Mandatory DSU Plans" and the "Voluntary DSU Plans" respectively) in which the Directors of the Company participate. Under the Mandatory DSU Plans, each Director who is a resident of Canada or the United States must receive 50% of their annual Board retainer in the form of Deferred Share Units (DSUs). Under the Voluntary DSU Plans, each Director may elect to receive the balance of their annual Board retainer and Board Committee fees entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. In both cases, the number of DSUs granted is determined by dividing the amount of remuneration payable to the Director by the weighted average trading price per Lifeco common share on the Toronto Stock Exchange (TSX) for the last five trading days of the preceding fiscal quarter. Directors receive additional DSUs for dividends payable on the Company's common shares based on the value of a DSU at the dividend payment date. DSUs are redeemable when an individual ceases to be a Director, or as applicable, an officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the weighted average trading price per Lifeco common share on the TSX for the last five trading days preceding the date of redemption. In 2021, $6 in Directors' fees were used to acquire DSUs ($6 in 2020). At December 31, 2021, the carrying value of the DSU liability is $69 ($49 in 2020) recorded within other liabilities.

Certain employees of the Company are entitled to receive DSUs. Under these DSU Plans, certain employees may elect to receive DSUs as settlement of their annual incentive plan or as settlement of PSUs issued under the Company's PSU Plan. In both cases these employees are granted DSUs equivalent to the Company's common shares. Employees receive additional DSUs in respect of dividends payable on the common shares based on the value of the DSUs at the time. DSUs are redeemable when an individual ceases to be an officer or employee of the Company or any of its affiliates, by a lump sum cash payment representing the value of the DSUs at that date. The Company uses the fair-value based method to account for the DSUs granted to employees under the plans. For the year ended December 31, 2021, the Company recognized compensation expense of $16 ($4 in 2020) for the DSU Plans recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2021, the carrying value of the DSU liability is $40 ($25 in 2020) recorded within other liabilities in the Consolidated Balance Sheets.

(c) Certain employees of the Company are entitled to receive PSUs. Under the PSU Plan, these employees are granted PSUs equivalent to the Company's common shares vesting over a three-year period. Employees receive additional PSUs in respect of dividends payable on the common shares based on the value of a PSU at that time. At the maturity date, employees receive cash representing the value of the PSU at this date. The Company uses the fair-value based method to account for the PSUs granted to employees under the plan. For the year ended December 31, 2021, the Company recognized compensation expense, excluding the impact of hedging, of $102 ($41 in 2020) for the PSU Plan recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2021, the carrying value of the PSU liability is $156 ($93 in 2020) recorded within other liabilities.

(d) The Company's Employee Share Ownership Plan (ESOP) is a voluntary plan where eligible employees can contribute up to 5% of their previous year's eligible earnings to purchase common shares of Lifeco. The Company matches 50% of the total employee contributions. The contributions from the Company vest immediately and are expensed. For the year ended December 31, 2021, the Company recognized compensation expense of $13 ($13 in 2020) for the ESOP recorded in operating and administrative expenses in the Consolidated Statements of Earnings.

(e) Putnam sponsors the Putnam Investments, LLC Equity Incentive Plan. Under the terms of the Equity Incentive Plan, Putnam is authorized to grant or sell Class B Shares of Putnam (the Putnam Class B Shares), subject to certain restrictions, and to grant options to purchase Putnam Class B Shares (collectively, the Awards) to certain senior management and key employees of Putnam at fair value at the time of the award. Fair value is determined under the valuation methodology outlined in the Equity Incentive Plan. Awards vest over a period of up to five years and are specified in the individual's award letter. Holders of Putnam Class B Shares are not entitled to vote other than in respect of certain matters in regards to the Equity Incentive Plan and have no rights to convert their shares into any other securities. The number of Putnam Class B Shares that may be subject to Awards under the Equity Incentive Plan is limited to 16,764,705.

During 2021, Putnam granted 2,824,156 (3,092,859 in 2020) restricted Class B common shares to certain members of senior management and key employees.

Compensation expense recorded for the year ended December 31, 2021 related to restricted Class B common shares and Class B stock options earned was $41 ($31 in 2020) and is recorded in operating and administrative expenses in the Consolidated Statements of Earnings.

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

Compensation expense recorded for the year ended December 31, 2021 related to restricted Class C Shares and stock appreciation rights was $13 in 2021 ($14 in 2020) and is included as a component of operating and administrative expenses in the Consolidated Statements of Earnings.

23. Pension Plans and Other Post-Employment Benefits

Characteristics, Funding and Risk

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

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

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

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

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

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

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

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

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	**$ 7,602**	$ 6,972	**$ –**	$ –
Interest income	**159**	179	**–**	–
Actual return over (less than) interest income	**498**	453	**–**	–
Employer contributions	**115**	164	**19**	17
Employee contributions	**18**	15	**–**	–
Benefits paid	**(306)**	(285)	**(19)**	(17)
Settlements	**(142)**	(11)	**–**	–
Administrative expenses	**(8)**	(8)	**–**	–
Foreign exchange rate changes	**(193)**	123	**–**	–
Fair value of plan assets, end of year	**$ 7,743**	$ 7,602	**$ –**	$ –
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	**$ 8,554**	$ 7,836	**$ 409**	$ 388
Current service cost	**91**	88	**3**	2
Interest cost	**181**	204	**10**	12
Employee contributions	**18**	15	**–**	–
Benefits paid	**(306)**	(285)	**(19)**	(17)
Curtailments and termination benefits	**(1)**	(11)	**–**	–
Settlements	**(200)**	(14)	**–**	–
Actuarial loss (gain) on financial assumption changes	**(150)**	599	**(25)**	28
Actuarial loss (gain) on demographic assumption changes	**(16)**	(9)	**(10)**	1
Actuarial loss (gain) arising from member experience	**(16)**	18	**(1)**	(4)
Foreign exchange rate changes	**(194)**	113	**–**	(1)
Defined benefit obligation, end of year	**$ 7,961**	$ 8,554	**$ 367**	$ 409
Asset (liability) recognized on the Consolidated Balance Sheets				
Funded status of plans – surplus (deficit)	**$ (218)**	$ (952)	**$ (367)**	$ (409)
Unrecognized amount due to asset ceiling	**(41)**	(29)	**–**	–
Asset (liability) recognized on the Consolidated Balance Sheets	**$ (259)**	$ (981)	**$ (367)**	$ (409)
Recorded in:				
Other assets (note 12)	**$ 363**	$ 240	**$ –**	$ –
Other liabilities (note 17)	**(622)**	(1,221)	**(367)**	(409)
Asset (liability) recognized on the Consolidated Balance Sheets	**$ (259)**	$ (981)	**$ (367)**	$ (409)
Analysis of defined benefit obligation				
Wholly or partly funded plans	**$ 7,646**	$ 8,213	**$ –**	$ –
Wholly unfunded plans	**$ 315**	$ 341	**$ 367**	$ 409

23. Pension Plans and Other Post-Employment Benefits (cont'd)

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

	Defined benefit pension plans	
	2021	2020
Change in asset ceiling		
Asset ceiling, beginning of year	**$ 29**	$ 37
Interest on asset ceiling	**1**	1
Change in asset ceiling	**11**	(11)
Foreign exchange rate changes	**–**	2
Asset ceiling, end of year	**$ 41**	$ 29

(b) Pension and Other Post-Employment Benefits Expense

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

	All pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Defined benefit current service cost	**$ 109**	$ 103	**$ 3**	$ 2
Defined contribution current service cost	**184**	145	**–**	–
Employee contributions	**(18)**	(15)	**–**	–
Employer current service cost	**275**	233	**3**	2
Administrative expense	**8**	8	**–**	–
Curtailments	**(1)**	(11)	**–**	–
Settlements	**(58)**	(3)	**–**	–
Net interest cost	**23**	26	**10**	12
Expense – profit or loss	**247**	253	**13**	14
Actuarial (gain) loss recognized	**(182)**	608	**(36)**	25
Return on assets (greater) less than assumed	**(498)**	(453)	**–**	–
Change in the asset ceiling	**11**	(11)	**–**	–
Re-measurements – other comprehensive (income) loss	**(669)**	144	**(36)**	25
Total expense (income) including re-measurements	**$ (422)**	$ 397	**$ (23)**	$ 39

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

	Defined benefit pension plans	
	2021	2020
Equity securities	**39%**	40%
Debt securities	**51%**	48%
Real estate	**7%**	7%
Cash and cash equivalents	**3%**	5%
Total	**100%**	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds and other funds managed by subsidiaries of the Company of $6,980 at December 31, 2021 and $6,871 at December 31, 2020, of which $6,902 ($6,790 at December 31, 2020) are included on the Consolidated Balance Sheets. Plan assets do not include any property occupied or other assets used by the Company.

(d) Details of Defined Benefit Obligation

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

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Benefit obligation without future salary increases	**$ 7,361**	$ 7,893	**$ 367**	$ 409
Effect of assumed future salary increases	**600**	661	**–**	–
Defined benefit obligation	**$ 7,961**	$ 8,554	**$ 367**	$ 409

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

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

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Benefit obligation without future pension increases	**$ 7,137**	$ 7,918	**$ 367**	$ 409
Effect of assumed future pension increases	**824**	636	**–**	–
Defined benefit obligation	**$ 7,961**	$ 8,554	**$ 367**	$ 409

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

(iii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Actives	**41%**	40%	**15%**	16%
Deferred vesteds	**18%**	20%	**n/a**	n/a
Retirees	**41%**	40%	**85%**	84%
Total	**100%**	100%	**100%**	100%
Weighted average duration of defined benefit obligation	**17.6 years**	18.7 years	**11.8 years**	11.9 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2022:			
Funded (wholly or partly) defined benefit plans	$ 80	$ –	$ 80
Unfunded plans	25	22	47
Defined contribution plans	179	–	179
Total	**$ 284**	**$ 22**	**$ 306**

23. Pension Plans and Other Post-Employment Benefits (cont'd)

(f) Actuarial Assumptions and Sensitivities

(i) Actuarial Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
To determine benefit cost:				
Discount rate – past service liabilities	**2.2%**	2.6%	**2.5%**	3.1%
Discount rate – future service liabilities	**2.8%**	3.2%	**2.6%**	3.3%
Rate of compensation increase	**3.0%**	2.9%	**–**	–
Future pension increases [(1)]	**1.2%**	1.3%	**–**	–
To determine defined benefit obligation:				
Discount rate – past service liabilities	**2.6%**	2.1%	**3.1%**	2.5%
Rate of compensation increase	**3.1%**	2.9%	**–**	–
Future pension increases [(1)]	**1.7%**	1.0%	**–**	–
Medical cost trend rates:				
Initial medical cost trend rate			**4.7%**	4.7%
Ultimate medical cost trend rate			**4.1%**	4.1%
Year ultimate trend rate is reached			**2039**	2039

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

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	**22.6**	22.7	**22.5**	22.5
Age 65 for those age 35 in the fiscal year	**24.5**	24.7	**24.0**	24.0
Female				
Age 65 in fiscal year	**24.7**	24.8	**24.9**	24.7
Age 65 for those age 35 in the fiscal year	**26.6**	26.7	**26.2**	26.2

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

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

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of $246 for the defined benefit pension plans and $12 for other post-employment benefits.

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

	1% increase		1% decrease	
	2021	2020	**2021**	2020
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (1,199)**	$ (1,350)	**$ 1,568**	$ 1,784
Impact of a change to the rate of compensation increase	**299**	329	**(269)**	(291)
Impact of a change to the rate of inflation	**578**	662	**(507)**	(569)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	**24**	31	**(21)**	(26)
Impact of a change to the discount rate	**(36)**	(44)	**44**	53

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

24. Accumulated Other Comprehensive Income

	2021								
	Unrealized foreign exchange gains (losses) on translation of foreign operations	**Unrealized gains (losses) on hedges of the net investment in foreign operations**	**Unrealized gains (losses) on available-for-sale assets**	**Unrealized gains (losses) on cash flow hedges**	**Re-measurements on defined benefit pension and other post-employment benefit plans**	**Revaluation surplus on transfer to investment properties**	**Total**	**Non-controlling interest**	**Shareholders**
Balance, beginning of year	**$ 1,339**	**$ (135)**	**$ 266**	**$ 24**	**$ (978)**	**$ 10**	**$ 526**	**$ (39)**	**$ 487**
Other comprehensive income (loss)	**(391)**	**117**	**(159)**	**12**	**705**	**–**	**284**	**40**	**324**
Income tax	**–**	**(12)**	**38**	**(3)**	**(190)**	**–**	**(167)**	**(12)**	**(179)**
	(391)	**105**	**(121)**	**9**	**515**	**–**	**117**	**28**	**145**
Balance, end of year	**$ 948**	**$ (30)**	**$ 145**	**$ 33**	**$ (463)**	**$ 10**	**$ 643**	**$ (11)**	**$ 632**

	2020								
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on hedges of the net investment in foreign operations	Unrealized gains (losses) on available-for-sale assets	Unrealized gains (losses) on cash flow hedges	Re-measurements on defined benefit pension and other post-employment benefit plans	Revaluation surplus on transfer to investment properties	Total	Non-controlling interest	Shareholders
Balance, beginning of year	$ 1,236	$ (57)	$ 154	$ 13	$ (849)	$ –	$ 497	$ (2)	$ 495
Other comprehensive income (loss)	105	(90)	146	15	(169)	11	18	(54)	(36)
Income tax	(2)	12	(34)	(4)	40	(1)	11	17	28
	103	(78)	112	11	(129)	10	29	(37)	(8)
Balance, end of year	$ 1,339	$ (135)	$ 266	$ 24	$ (978)	$ 10	$ 526	$ (39)	$ 487

25. Related Party Transactions

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

(a) Principal subsidiaries

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

Company	Incorporated in	Primary business operation	% Held
The Canada Life Assurance Company	Canada	Insurance and wealth management	100.00%
Great-West Life & Annuity Insurance Company	United States	Financial services	100.00%
Putnam Investments, LLC	United States	Asset management	100.00%[1]

(1) Lifeco holds 100% of the voting shares and 96.19% of the total outstanding shares.

(b) Transactions with related parties included in the consolidated financial statements

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

During the year, Canada Life provided to and received from IGM and its subsidiaries, a member of the Power Corporation group of companies, certain administrative and information technology services. During the year, Canada Life and IGM executed a termination agreement covering the transition of shared information technology services from Canada Life to alternate providers over a number of years. Canada Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. In addition, Canada Life provided distribution services to IGM. All transactions were provided at market terms and conditions.

The Company owns 9,200,448 shares, held through Canada Life, representing a 3.85% ownership interest in IGM. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2021, the Company recognized $33 for the equity method share of IGM net earnings and received dividends of $21 from its investment in IGM (note 6).

During the year, the Company completed an agreement for a long-term strategic relationship with Sagard, a wholly-owned subsidiary of Power Corporation, which includes the sale of EverWest to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. (note 3).

During the year ended December 31, 2020, the Company completed the sale of GLC Asset Management Group Ltd to Mackenzie. The Company recorded a gain on disposal of $143 after-tax, net of restructuring and other one-time costs of $16 after-tax ($22 pre-tax) in 2020.

During the year ended December 31, 2020, GWL&A completed the acquisition of 100% of the equity of Personal Capital. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM.

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. Mackenzie Investments also manages certain of the Company's portfolio investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. All transactions were provided at market terms and conditions (note 14).

The Company held debentures issued by IGM; the interest rates and maturity dates are as follows:

	2021	2020
3.44%, matures January 26, 2027	$ **21**	$ 22
6.65%, matures December 13, 2027	**16**	17
7.45%, matures May 9, 2031	**13**	14
7.00%, matures December 31, 2032	**14**	14
4.56%, matures January 25, 2047	**24**	25
4.115%, matures December 9, 2047	**11**	12
4.174%, matures July 13, 2048	**6**	6
Total	$ **105**	$ 110

During 2021, the Company purchased residential mortgages of $12 from IGM ($21 in 2020).

The Company holds investments in Portag3 Ventures Limited Partnership, Portag3 Ventures II Limited Partnership, Sagard Holdings Management Inc., Northleaf Capital Partners Ltd., and other entities which invest in the FinTech sector. These investments were made in partnership with Power Corporation, IGM and, in certain cases, outside investors.

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

There were no material loans or guarantees issued to or from related parties during 2021 or 2020. There were no significant outstanding loans or guarantees with related parties at December 31, 2021 or December 31, 2020. There were no provisions for uncollectible amounts with related parties at December 31, 2021 or December 31, 2020.

(c) Key management compensation

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

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

	2021	2020
Salary	$ **19**	$ 20
Share-based awards	**17**	17
Option-based awards	**6**	6
Annual non-equity incentive plan compensation	**24**	24
Pension value	**(1)**	1
Total	$ **65**	$ 68

26. Income Taxes

(a) Components of the income tax expense

(i) Income tax recognized in Consolidated Statements of Earnings

Current income tax

	2021	2020
Total current income tax	$ **148**	$ 271

Deferred income tax

	2021	2020
Origination and reversal of temporary differences	$ **147**	$ (168)
Effect of changes in tax rates or imposition of new income taxes	**21**	7
Tax expense (recovery) arising from unrecognized tax losses, tax credits or temporary differences	**(12)**	(192)
Total deferred income tax	$ **156**	$ (353)
Total income tax expense (recovery)	$ **304**	$ (82)

(ii) Income tax recognized in other comprehensive income (note 24)

	2021	2020
Current income tax expense (recovery)	$ **(38)**	$ 28
Deferred income tax expense (recovery)	**205**	(39)
Total	$ **167**	$ (11)

(iii) Income tax recognized in Consolidated Statements of Changes in Equity

	2021	2020
Current income tax recovery	$ **(1)**	$ –
Deferred income tax recovery	**(6)**	–
Total	$ **(7)**	$ –

26. Income Taxes (cont'd)

(b) The effective income tax rate reported in the Consolidated Statements of Earnings varies from the combined Canadian federal and provincial income tax rate of 26.5% for the following items:

	2021		2020	
Earnings before income taxes	**$ 3,867**		$ 3,072	
Combined basic Canadian federal and provincial tax rate	**1,025**	**26.50%**	814	26.50%
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income [1]	**(266)**	**(6.88)**	(332)	(10.81)
Operations outside of Canada subject to a lower average foreign tax rate	**(374)**	**(9.66)**	(375)	(12.21)
Impact of rate changes on deferred income taxes	**21**	**0.54**	7	0.23
Recognition of deferred tax assets associated with prior year tax losses	**(15)**	**(0.39)**	(197)	(6.41)
Other	**(87)**	**(2.25)**	1	0.03
Total income tax expense (recovery) and effective income tax rate	**$ 304**	**7.86%**	$ (82)	(2.67)%
Total income tax expense (recovery) and effective income tax rate – common shareholders	**$ 358**	**9.89%**	$ (27)	(0.88)%

(1) In 2020, a $64 tax benefit from the non-taxable gains on the sale of the shares of GLC and IPSI reduced the effective income tax rate by 2.08 points.

(c) Composition and changes in net deferred income tax assets are as follows:

2021

	Insurance and investment contract liabilities	**Portfolio investments**	**Losses carried forward**	**Intangible assets**	**Tax credits**	**Other**	**Total**
Balance, beginning of year	**$ (320)**	**$ (766)**	**$ 1,411**	**$ (670)**	**$ 285**	**$ 389**	**$ 329**
Recognized in Statements of Earnings	**(236)**	**116**	**(19)**	**(125)**	**39**	**69**	**(156)**
Recognized in Statements of Comprehensive Income	**–**	**8**	**–**	**–**	**–**	**(213)**	**(205)**
Recognized in Statements of Changes in Equity	**–**	**–**	**(2)**	**–**	**–**	**8**	**6**
Acquired in business acquisitions	**–**	**(1)**	**1**	**(17)**	**–**	**(4)**	**(21)**
Foreign exchange rate changes and other	**(19)**	**(1)**	**(3)**	**5**	**–**	**33**	**15**
Balance, end of year	**$ (575)**	**$ (644)**	**$ 1,388**	**$ (807)**	**$ 324**	**$ 282**	**$ (32)**

2020

	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	$ (999)	$ (536)	$ 1,056	$ (542)	$ 311	$ 287	$ (423)
Recognized in Statements of Earnings	375	(237)	238	(63)	(25)	65	353
Recognized in Statements of Comprehensive Income	–	(12)	–	–	–	51	39
Recognized in Statements of Changes in Equity	–	–	–	–	–	–	–
Acquired in business acquisitions	300	–	107	(73)	–	7	341
Foreign exchange rate changes and other	4	19	10	8	(1)	(21)	19
Balance, end of year	$ (320)	$ (766)	$ 1,411	$ (670)	$ 285	$ 389	$ 329

	2021	2020
Recorded on Consolidated Balance Sheets:		
Deferred tax assets	$ **1,057**	$ 975
Deferred tax liabilities	**(1,089)**	(646)
Total	$ **(32)**	$ 329

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

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

Management assesses the recoverability of the deferred income tax assets carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as of December 31, 2021 are recoverable.

At December 31, 2021, the Company has recognized a deferred tax asset of $1,388 ($1,411 at December 31, 2020) on tax loss carryforwards totaling $6,235, of which $4,731 expire between 2022 and 2041 while $1,504 have no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

One U.S. subsidiary has had a history of losses. The subsidiary has a net deferred income tax asset balance of $499 (U.S. $393) as at December 31, 2021, comprised principally of net operating losses and future deductions related to goodwill. Management has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income to utilize the unused U.S. losses and deductions.

The Company has not recognized a deferred tax asset of $42 ($37 in 2020) on tax loss carryforwards totaling $212 ($188 in 2020). Of this amount, $104 expire between 2022 and 2041 while $108 have no expiry date. In addition, the Company has not recognized a deferred tax asset of $20 ($21 in 2020) on other temporary differences of $94 ($99 in 2020) associated with investments in subsidiaries, branches, and associates.

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

27. Operating and Administrative Expenses

	2021	2020
Salaries and other employee benefits	$ **4,191**	$ 3,716
General and administrative	**1,938**	1,554
Interest expense on leases	**21**	22
Amortization of fixed assets	**119**	129
Depreciation of right-of-use assets	**68**	71
Total	$ **6,337**	$ 5,492

28. Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end-user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 8 discloses the credit quality of the Company's exposure to counterparties. Credit risk equivalent amounts are presented net of collateral received, including initial margin on exchange-traded derivatives, of $318 as at December 31, 2021 ($211 at December 31, 2020).

(a) The following summarizes the Company's derivative portfolio and related credit exposure using the following definitions of risk as prescribed by OSFI:

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

	2021				
	Notional amount	**Maximum credit risk**	**Future credit exposure**	**Credit risk equivalent**	**Risk weighted equivalent**
Interest rate contracts					
Swaps	**$ 5,075**	**$ 207**	**$ 59**	**$ 263**	**$ 5**
Futures – long	**1**	**–**	**–**	**–**	**–**
Futures – short	**147**	**–**	**–**	**–**	**–**
Options purchased	**11**	**–**	**–**	**–**	**–**
	5,234	**207**	**59**	**263**	**5**
Foreign exchange contracts					
Cross-currency swaps	**22,654**	**564**	**1,424**	**1,958**	**36**
Forward contracts	**4,455**	**50**	**65**	**100**	**1**
	27,109	**614**	**1,489**	**2,058**	**37**
Other derivative contracts					
Equity contracts	**2,146**	**142**	**134**	**261**	**1**
Futures – long	**15**	**–**	**–**	**–**	**–**
Futures – short	**578**	**1**	**–**	**–**	**–**
Other forward contracts	**1,488**	**3**	**129**	**133**	**1**
	4,227	**146**	**263**	**394**	**2**
Total	**$ 36,570**	**$ 967**	**$ 1,811**	**$ 2,715**	**$ 44**

	2020				
	Maximum Notional amount	Future credit risk	Credit credit exposure	Risk risk equivalent	weighted equivalent
Interest rate contracts					
Swaps	$ 3,688	$ 331	$ 43	$ 333	$ 7
Futures – long	9	–	–	–	–
Futures – short	194	–	–	–	–
Options purchased	221	–	1	1	–
	4,112	331	44	334	7
Foreign exchange contracts					
Cross-currency swaps	15,186	388	1,004	1,237	25
Forward contracts	5,079	57	72	125	1
	20,265	445	1,076	1,362	26
Other derivative contracts					
Equity contracts	727	43	46	86	1
Futures – long	17	–	–	–	–
Futures – short	682	1	–	–	–
Other forward contracts	4,318	9	394	403	3
	5,744	53	440	489	4
Total	$ 30,121	$ 829	$ 1,560	$ 2,185	$ 37

(b) The following provides the notional amount, term to maturity and estimated fair value of the Company's derivative portfolio by category:

	2021				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Swaps	$ 518	$ 948	$ 3,586	$ 5,052	$ 164
Futures – long	1	–	–	1	–
Futures – short	147	–	–	147	–
Options purchased	11	–	–	11	–
	677	948	3,586	5,211	164
Foreign exchange contracts					
Cross-currency swaps	2,574	4,298	13,462	20,334	(420)
Forward contracts	2,450	–	–	2,450	(4)
	5,024	4,298	13,462	22,784	(424)
Other derivative contracts					
Equity contracts	1,952	–	–	1,952	52
Futures – long	15	–	–	15	–
Futures – short	578	–	–	578	(2)
Other forward contracts	1,488	–	–	1,488	3
	4,033	–	–	4,033	53
Fair value hedges					
Foreign exchange forward contracts	78	–	–	78	(1)
Cash flow hedges					
Interest rate contracts					
Swaps	–	–	23	23	8
Other derivative contracts					
Equity contracts	43	58	93	194	89
	43	58	116	217	97
Net investment hedges					
Cross-currency swaps	–	–	2,320	2,320	–
Foreign exchange forward contracts	1,409	518	–	1,927	48
	1,409	518	2,320	4,247	48
Total	$ 11,264	$ 5,822	$ 19,484	$ 36,570	$ (63)

28. Derivative Financial Instruments (cont'd)

	2020				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Swaps	$ 325	$ 770	$ 2,565	$ 3,660	$ 281
Futures – long	6	3	–	9	–
Futures – short	190	4	–	194	–
Options purchased	41	166	14	221	–
	562	943	2,579	4,084	281
Foreign exchange contracts					
Cross-currency swaps	896	3,068	11,222	15,186	(783)
Forward contracts	3,689	–	–	3,689	32
	4,585	3,068	11,222	18,875	(751)
Other derivative contracts					
Equity contracts	626	–	–	626	18
Futures – long	17	–	–	17	–
Futures – short	682	–	–	682	(4)
Other forward contracts	4,318	–	–	4,318	8
	5,643	–	–	5,643	22
Fair value hedges					
Foreign exchange forward contracts	74	–	–	74	3
Cash flow hedges					
Interest rate contracts					
Swaps	–	–	28	28	14
Other derivative contracts					
Equity contracts	–	101	–	101	24
	–	101	28	129	38
Net investment hedges					
Foreign exchange forward contracts	786	530	–	1,316	15
Total	$ 11,650	$ 4,642	$ 13,829	$ 30,121	$ (392)

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

(c) *Interest Rate Contracts*

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

Foreign Exchange Contracts

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

Other Derivative Contracts

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

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

The ineffective portion of the cash flow hedges during 2021, which includes interest rate contracts, foreign exchange contracts, and equity total return swap contracts, and the anticipated net gains (losses) expected to be reclassified out of accumulated other comprehensive income within the next twelve months is nil. The maximum time frame for which variable cash flows are hedged is 23 years.

29. Legal Provisions and Contingent Liabilities

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

30. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. $1,904 of which U.S. $1,599 were issued as of December 31, 2021.

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

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were $4,027 as at December 31, 2021, with $3,831 maturing within one year, $188 maturing within two years, $2 maturing within three years and $6 maturing in over 5 years.

(c) Pledged Assets

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

(i) The amount of assets included in the Company's balance sheet which have a security interest by way of pledging is $1,263 ($1,421 at December 31, 2020) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

(ii) The Company has pledged, in the normal course of business, $63 ($75 at December 31, 2020) of assets of the Company for the purpose of providing collateral for the counterparty.

31. Segmented Information

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

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

The Company has a capital allocation model to measure the performance of the operating segments. The impact of the capital allocation model is included in the segmented information presented below.

(a) Consolidated Net Earnings

	2021					
	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	$ 13,900	$ 4,518	$ 4,862	$ 29,533	$ –	$ 52,813
Net investment income						
Regular net investment income (loss)	2,878	1,937	1,325	262	(9)	6,393
Changes in fair value through profit or loss	522	(900)	(1,375)	(334)	4	(2,083)
Total net investment income (loss)	3,400	1,037	(50)	(72)	(5)	4,310
Fee and other income	1,991	3,880	1,415	8	–	7,294
	19,291	9,435	6,227	29,469	(5)	64,417
Benefits and expenses						
Paid or credited to policyholders	13,577	4,797	3,200	28,721	–	50,295
Other (1)	3,792	3,654	1,736	212	107	9,501
Financing charges	134	159	24	9	2	328
Amortization of finite life intangible assets	110	171	55	–	–	336
Restructuring and integration expenses	–	90	–	–	–	90
Earnings (loss) before income taxes	1,678	564	1,212	527	(114)	3,867
Income taxes	182	73	140	(30)	(61)	304
Net earnings (loss) before non-controlling interests	1,496	491	1,072	557	(53)	3,563
Non-controlling interests	304	(7)	4	–	–	301
Net earnings (loss)	1,192	498	1,068	557	(53)	3,262
Preferred share dividends	114	–	18	–	2	134
Net earnings (loss) before capital allocation	1,078	498	1,050	557	(55)	3,128
Impact of capital allocation	109	1	(74)	(25)	(11)	–
Net earnings (loss) – common shareholders	$ 1,187	$ 499	$ 976	$ 532	$ (66)	$ 3,128

(1) Includes commissions, operating and administrative expenses, and premium taxes.

	2020					
	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	$ 13,188	$ 6,773	$ 3,651	$ 19,407	$ –	$ 43,019
Net investment income						
Regular net investment income	3,050	1,278	1,313	320	2	5,963
Changes in fair value through profit or loss	2,633	938	1,669	459	–	5,699
Total net investment income	5,683	2,216	2,982	779	2	11,662
Fee and other income	1,756	2,769	1,366	11	–	5,902
	20,627	11,758	7,999	20,197	2	60,583
Benefits and expenses						
Paid or credited to policyholders	15,572	8,413	5,184	19,318	–	48,487
Other [(1)]	3,545	2,870	1,686	239	28	8,368
Financing charges	127	110	25	12	10	284
Amortization of finite life intangible assets	104	83	51	–	–	238
Restructuring and integration expenses	92	42	–	–	–	134
Earnings (loss) before income taxes	1,187	240	1,053	628	(36)	3,072
Income taxes	54	(158)	33	(1)	(10)	(82)
Net earnings (loss) before non-controlling interests	1,133	398	1,020	629	(26)	3,154
Non-controlling interests	76	7	1	(6)	–	78
Net earnings (loss)	1,057	391	1,019	635	(26)	3,076
Preferred share dividends	114	–	19	–	–	133
Net earnings (loss) before capital allocation	943	391	1,000	635	(26)	2,943
Impact of capital allocation	127	(11)	(87)	(21)	(8)	–
Net earnings (loss) – common shareholders	$ 1,070	$ 380	$ 913	$ 614	$ (34)	$ 2,943

(1) Includes commissions, operating and administrative expenses, and premium taxes.

The revenue by source currency for Capital and Risk Solutions:

	2021	2020
Revenue		
United States	**$ 21,256**	$ 16,118
United Kingdom	**1,369**	1,807
Japan	**4,297**	–
Other	**2,547**	2,272
Total revenue	**$ 29,469**	$ 20,197

31. Segmented Information (cont'd)

(b) Consolidated Total Assets and Liabilities

	2021				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 92,400**	**$ 55,376**	**$ 48,669**	**$ 9,359**	**$ 205,804**
Goodwill and intangible assets	**5,722**	**5,826**	**3,047**	**–**	**14,595**
Other assets	**4,323**	**30,090**	**10,220**	**8,037**	**52,670**
Investments on account of segregated fund policyholders	**101,537**	**116,919**	**138,963**	**–**	**357,419**
Total	**$ 203,982**	**$ 208,211**	**$ 200,899**	**$ 17,396**	**$ 630,488**

	2021				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Liabilities					
Insurance and investment contract liabilities	**$ 84,829**	**$ 74,632**	**$ 47,356**	**$ 14,016**	**$ 220,833**
Other liabilities	**7,752**	**8,800**	**4,309**	**892**	**21,753**
Investment and insurance contracts on account of segregated fund policyholders	**101,537**	**116,919**	**138,963**	**–**	**357,419**
Total	**$ 194,118**	**$ 200,351**	**$ 190,628**	**$ 14,908**	**$ 600,005**

	2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 87,732	$ 54,522	$ 50,793	$ 5,951	$ 198,998
Goodwill and intangible assets	5,625	5,729	3,037	–	14,391
Other assets	3,661	30,347	10,151	8,910	53,069
Investments on account of segregated fund policyholders	90,680	117,982	125,370	–	334,032
Total	$ 187,698	$ 208,580	$ 189,351	$ 14,861	$ 600,490

	2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Liabilities					
Insurance and investment contract liabilities	$ 81,556	$ 76,793	$ 48,243	$ 11,455	$ 218,047
Other liabilities	7,731	8,004	4,767	894	21,396
Investment and insurance contracts on account of segregated fund policyholders	90,680	117,982	125,370	–	334,032
Total	$ 179,967	$ 202,779	$ 178,380	$ 12,349	$ 573,475

The assets by source currency for Capital and Risk Solutions:

	2021	2020
Assets		
United Kingdom	**$ 6,507**	$ 7,572
United States	**5,902**	6,667
Japan	**4,102**	–
Other	**885**	622
Total assets	**$ 17,396**	$ 14,861

32. Comparative Figures

The Company reclassified and adjusted certain comparative figures for disclosure items to conform to the current year's presentation. These reclassifications and adjustments had no impact on the total equity or net earnings of the Company.

Independent Auditor's Report

To the Shareholders of Great-West Lifeco Inc.

Opinion

We have audited the consolidated financial statements of Great-West Lifeco Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities – Refer to Notes 2 and 13 to the financial statements

Key Audit Matter Description

The Company has insurance contract liabilities representing a significant portion of its total liabilities. Insurance contract liabilities are determined in accordance with generally accepted actuarial practices established by the Canadian Institute of Actuaries using the Canadian Asset Liability Method (CALM). This method requires the use of complex valuation models incorporating projections of cash inflows and outflows using the best estimate of future experience together with a margin for adverse deviation.

While there are many assumptions which management makes, the assumptions with the greatest estimation uncertainty are those related to mortality, including the impact, if any, of the COVID-19 pandemic, and policyholder behaviour. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Company and industry experience data, and (ii) the historical experience may not be a good indicator of the future. Auditing of certain valuation models, mortality and policyholder behaviour assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Key Audit Matter was Addressed in the Audit

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

- With the assistance of actuarial specialists, tested the appropriateness of certain valuation models used in the estimation process by:
  - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate.
  - Testing the accuracy of certain valuation models for changes in key assumptions.
- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions, by:
  - Evaluating whether management's assumptions were determined in accordance with actuarial principles and practices under the Canadian actuarial standards of practice.
  - Testing experience studies and other inputs used in the determination of the mortality and policyholder behaviour assumptions.
  - Analyzing management's interpretation and judgment of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.

Income Taxes – Refer to Notes 2 and 26 to the financial statements

Key Audit Matter Description

The Company recognizes deferred income taxes for the tax expected to be payable or recoverable on differences arising between the financial statement and tax basis of assets and liabilities, and is recorded at enacted or substantively enacted tax rates in effect for the years in which the differences are expected to be realized. The Company applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections. Certain of the Company's subsidiaries have had a history of losses and have a deferred income tax asset comprised principally of net operating losses. The Company has concluded that through the use of certain tax planning opportunities, it is probable that sufficient taxable income will be generated to utilize certain of the unused losses.

The determination of the recoverability of the Company's deferred tax assets in the Company's subsidiaries required management to make judgements related to the assessment of management's planned implementation of tax strategies. In addition, management makes significant estimates and assumptions in projecting future taxable income, specifically the revenue growth rates and projected expense margins and in the determination of whether the deferred tax asset will be realized. Auditing these judgements required a high degree of auditor judgment as the estimations made by management contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve income tax and other specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the tax strategies, revenue growth rates and projected expense margins, and the determination of whether the deferred tax assets in the Company's subsidiaries will be realized included the following, among others:

- With the assistance of income tax specialists, analyzed the reasonableness of management's projected future taxable income available to determine whether the models properly factored in the impact of the tax planning strategies.
- Tested the reasonableness of the revenue growth rates and projected expense margins used to project future taxable income that was available to realize the deferred tax asset by:
  - Assessing the key factors influencing management's revenue growth rates and projected expense margins used in the projections through both market and internally entity specific driven evidence.
  - Performing a retrospective analysis of projected future taxable income against actual results from prior years.
- With the assistance of income tax and other specialists, evaluated the proposed tax planning strategies considered in the recoverability analysis to assess whether the deferred tax asset will be realized.

Massachusetts Mutual Life Insurance Acquisition – Refer to Note 3(a) to the financial statements

Key Audit Matter Description

On December 31, 2020, the Company purchased the retirement services business of Massachusetts Mutual Life Insurance Company ("MassMutual") via indemnity reinsurance and recognized the assets acquired and the liabilities assumed at their acquisition-date fair values, including customer contract intangible assets ("intangible assets") and certain insurance contract liabilities ("insurance contract liabilities"). During the measurement period in 2021, management finalized the purchase price allocation of the MassMutual acquisition.

Management used discounted cash flow models to determine the fair value of the intangible assets. While there are several assumptions and estimates required, those with the highest degree of subjectivity are the forecasted revenues and earnings and discount rates.

There are many components embedded in the determination of the fair value of the insurance contract liabilities that required management to make judgments and assumptions relating to (1) the appropriate accounting treatment and (2) appropriateness of valuation models that incorporate projections of cash inflows and outflows using the best estimate of future experience together with the discount rates. The judgments and assumptions with the greatest subjectivity are the determination of the appropriate accounting treatment, appropriateness of the valuation models, policyholder behaviour and discount rates assumptions.

Auditing of these judgments, assumptions and estimates required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, actuarial and financial instrument specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to these judgments, assumptions and estimates used to determine the fair value of intangible assets and insurance contract liabilities included the following, among others:

Intangible assets:

- Evaluated the reasonableness of forecasted revenue and earnings by comparing the forecasts to:
  - Historical results of the acquired entity.
  - Actual results of the acquired entity post acquisition.
  - Underlying analyses detailing business strategies and growth plans including estimated revenue and cost per participant.
  - Third-party reports and comparable company performance.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.

Insurance contract liabilities:

- With the assistance of financial instrument specialists evaluated management's assessment related to the accounting treatment of the insurance contract liabilities by:
  - Assessing the executed contracts to understand the nature of the products and to determine whether all key facts and circumstances were incorporated into management's assessment.
  - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.
- With the assistance of actuarial specialists, tested the appropriateness of the valuation models used in the estimation process by:
  - Testing the valuation models for the incorporation of the key assumptions.
  - Recalculating management's estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate.
- With the assistance of actuarial specialists, tested the reasonableness of policyholder behaviour assumptions, by:
  - Evaluating whether management's assumptions were determined in accordance with actuarial principles and practices.
  - Testing experience studies and other inputs used in the determination of the policyholder behaviour assumptions.
  - Analyzing management's interpretation and judgments based on the relative inputs, considering reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information and methodology underlying the determination of the discount rates and compare it to the discount rates selected by management.

Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Paul Stauch.

/s/ **Deloitte LLP**

Chartered Professional Accountants

Winnipeg, Manitoba
February 9, 2022

IGM Financial Inc.

PART C

Management's Discussion and Analysis

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Financial Statements and Notes

PAGE C 75

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

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

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

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

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and the financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2021 and 2020 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2021 is as of February 10, 2022.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars (Note 2 of the Consolidated Financial Statements).

Principal Holders of Voting Shares

As at December 31, 2021, Power Corporation of Canada (Power) and Great-West Lifeco Inc. (Lifeco), a subsidiary of Power, held directly or indirectly 61.7% and 3.8%, respectively, of the outstanding common shares of IGM Financial.

Forward-looking Statements

Certain statements in this report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided to assist the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

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

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

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

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

Non-IFRS Financial Measures and Additional IFRS Measures

Net earnings available to common shareholders, which is an additional measure in accordance with IFRS, may be subdivided into two components consisting of:

- Adjusted net earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

"Adjusted net earnings available to common shareholders", "adjusted diluted earnings per share" (EPS) and "adjusted return on average common equity" (ROE) are non-IFRS financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before interest and taxes" (EBIT), "adjusted earnings before interest and taxes" (Adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, Adjusted EBIT, EBITDA before sales commissions and EBITDA after sales commissions are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA before sales commissions excludes all sales commissions. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before income taxes" and "net earnings available to common shareholders" are additional IFRS measures which are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

Refer to the appropriate reconciliations of non-IFRS financial measures to reported results in accordance with IFRS in Tables 1 to 4.

IGM Financial Inc.

Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management (IG) and asset manager Mackenzie Investments (Mackenzie). The Company also operates through wealth manager Investment Planning Counsel (IPC) and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

In the third quarter of 2020, the Company realigned its financial reporting and related disclosures to reflect its current reportable segments of Wealth Management, Asset Management and Strategic Investments and Other. In the first quarter of 2021, the Company further expanded its reportable segment disclosures to report to Net Earnings. These segments are described later in this MD&A.

IGM Financial's assets under management and advisement were $277.1 billion as at December 31, 2021, the highest level in the history of the Company, compared with $240.0 billion at December 31, 2020, as detailed in Table 6. Average total assets under management and advisement for the year ended December 31, 2021 were $259.7 billion compared to $191.2 billion in 2020. Average total assets under management and advisement for the fourth quarter of 2021 were $272.0 billion compared to $202.2 billion in the fourth quarter of 2020.

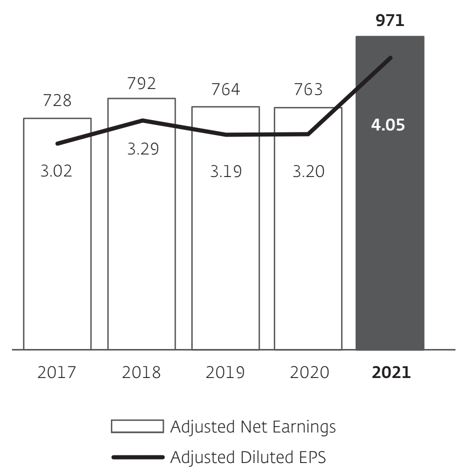
Total assets under management were $245.3 billion at December 31, 2021, the highest level in the history of the Company, compared with $214.0 billion at December 31, 2020. Average total assets under management for the year ended December 31, 2021 were $231.4 billion compared to $168.5 billion in 2020. Average total assets under management for the fourth quarter of 2021 were $241.9 billion compared to $177.6 billion in the fourth quarter of 2020.

Net earnings available to common shareholders for the year ended December 31, 2021 were at a record high of $978.9 million or $4.08 per share compared to net earnings available to common shareholders of $764.4 million or $3.21 per share in 2020, representing an increase of 27.1% in earnings per share. Net earnings available to common shareholders for the three months ended December 31, 2021 were $268.5 million or $1.11 per share compared to net earnings available to common shareholders of $229.1 million or $0.96 per share for the comparative period in 2020, an increase of 15.6% in earnings per share.

Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2021 were at a record high of $971.2 million or $4.05 per share compared to adjusted net earnings available to common shareholders of $762.9 million or $3.20 per share in 2020, representing an increase of 26.6% in earnings per share. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended December 31, 2021 were $260.8 million or $1.08 per share compared to adjusted net earnings available to common shareholders of $204.3 million or $0.86 per share for the comparative period in 2020, an increase of 25.6% in earnings per share.

Other items for the quarter ended December 31, 2021 consisted of additional consideration receivable of $10.6 million ($7.7 million after-tax) related to the sale of the Company's equity interest in Personal Capital Corporation (Personal Capital) in 2020.

Adjusted Net Earnings and Adjusted Net Earnings per Share
For the financial year ($ millions, except per share amounts)



Adjusted net earnings and adjusted net earnings per share excluded the following after-tax amounts:

2017 – charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.

2018 – charges related to restructuring and other and the premium paid on the early redemption of debentures.

2019 – the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges.

2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acqusition costs, the Company's proportionate share of associate's adjustments and restructuring and other.

2021 – additional consideration receivable related to the sale of Personal Capital in 2020.

Other items for the year ended December 31, 2020 consisted of:

- A gain on the sale of the Quadrus Group of Funds net of acquisition costs, of $21.4 million after-tax ($25.2 million pre-tax), recorded in the fourth quarter.
- The Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments related to the revaluation of a deferred tax asset less certain restructuring and transaction costs, of $3.4 million, recorded in the fourth quarter.
- A gain on the sale of the investment in Personal Capital of $31.4 million after-tax ($37.2 million pre-tax), recorded in the third quarter.
- Restructuring and other charges of $54.7 million after-tax ($74.5 million pre-tax), recorded in the third quarter, resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC Asset Management Group Ltd. (GLC) and other changes to our investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. The Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.

Shareholders' equity was $6.5 billion at December 31, 2021, compared to $5.0 billion at December 31, 2020. Return on average common equity based on adjusted net earnings for the year ended December 31, 2021 was 16.4%, compared with 16.1% for the comparative period in 2020. Excluding the impact of fair value through other comprehensive income investments net of tax, return on average common equity for the year ended December 31, 2021 is 19.0%. The quarterly dividend per common share was 56.25 cents in 2021, unchanged from the end of 2020.

2021 DEVELOPMENTS

WEALTHSIMPLE FINANCIAL CORP. (WEALTHSIMPLE)

Wealthsimple is an online investment manager that provides financial investment guidance.

On May 3, 2021, Wealthsimple announced a $750 million equity fundraising, valuing IGM Financial's investment in Wealthsimple at $1,448 million. As part of the transaction, IGM Financial disposed of a portion of its investment for proceeds of $294 million ($258 million after-tax).

The Company continues to be the largest shareholder in Wealthsimple with an interest of 23% and fair value of $1,153 million.

CHINA ASSET MANAGEMENT CO. LTD. (ChinaAMC)

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of $1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM Financial will sell 15,200,662 common shares of Lifeco to Power for cash consideration of $575 million, which will reduce the Company's equity interest in Lifeco from 4% to 2.4%. These transactions are expected to close in the first half of 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco is conditional on IGM Financial's purchase of the ChinaAMC shares.

Benefits of the ChinaAMC acquisition include:

- Enhancing participation in the rapidly growing Chinese asset management industry, through a meaningful ownership position in one of the leading asset managers in China.
- Reinforcing relationships and business opportunities between Mackenzie and ChinaAMC as Mackenzie builds global, fully diversified and differentiated solutions for its clients and strengthens distribution opportunities in China.
- Simplifying the IGM Financial and Power organization structure by consolidating the ChinaAMC ownership position at Mackenzie.
- Providing a financially attractive outcome that is expected to be accretive to IGM Financial's earnings in the first year of increased ownership.

COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to global businesses. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The distribution of vaccines has resulted in the easing of restrictions in many economies and has contributed to strong gains in certain economic sectors during 2021. However, there is uncertainty regarding the effectiveness of vaccines against new variants of the virus, and this contributes towards uncertainty of the timing of a full economic recovery. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

COVID-19 has the current and ongoing potential to expose the Company to a number of risks inherent in our business activities. These include: liquidity risk; credit risk; business risk and risks related to assets under management and advisement; operational risk; governance, oversight and strategic risk; regulatory developments; and people risk. These risks are discussed in further detail in the Risk Management section of this MD&A.

MARKET OVERVIEW

Returns in financial markets have remained strong in 2021 with a continued upward trend since the first quarter of 2020:

- The S&P TSX Composite total return index increased by 6.5% in the fourth quarter of 2021 and 25.1% for the year.
- U.S. equity markets, as measured by the S&P 500 total return index, increased by 11.0% in the fourth quarter of 2021 and 28.7% for the year.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
($ millions)	**2021 DEC. 31**	2021 SEP. 30	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31
Adjusted net earnings available to common shareholders – Non-IFRS measure	**$ 260.8**	$ 270.8	$ 204.3	**$ 971.2**	$ 762.9
Gain on sale of Personal Capital, net of tax	**7.7**	–	–	**7.7**	31.4
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**–**	–	21.4	**–**	21.4
Proportionate share of associate's adjustments	**–**	–	3.4	**–**	3.4
Restructuring and other, net of tax	**–**	–	–	**–**	(54.7)
Net earnings available to common shareholders – IFRS	**$ 268.5**	$ 270.8	$ 229.1	**$ 978.9**	$ 764.4
Adjusted net earnings per share[1] available to common shareholders – Non-IFRS measure	**$ 1.08**	$ 1.13	$ 0.86	**$ 4.05**	$ 3.20
Gain on sale of Personal Capital, net of tax	**0.03**	–	–	**0.03**	0.13
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**–**	–	0.09	**–**	0.09
Proportionate share of associate's adjustments	**–**	–	0.01	**–**	0.02
Restructuring and other, net of tax	**–**	–	–	**–**	(0.23)
Net earnings per share[1] available to common shareholders – IFRS	**$ 1.11**	$ 1.13	$ 0.96	**$ 4.08**	$ 3.21
Average outstanding shares – Diluted *(thousands)*	**241,443**	240,575	238,308	**240,019**	238,307
EBITDA before sales commissions – Non-IFRS measure	**$ 411.8**	$ 422.3	$ 326.4	**$ 1,547.0**	$ 1,226.4
Sales-based commissions paid	**(42.9)**	(37.8)	(41.3)	**(170.5)**	(139.5)
EBITDA after sales commissions – Non-IFRS measure	**368.9**	384.5	285.1	**1,376.5**	1,086.9
Sales-based commissions paid subject to amortization	**39.3**	33.8	36.1	**151.0**	117.6
Amortization of capitalized sales commissions	**(16.2)**	(14.8)	(10.6)	**(56.7)**	(36.4)
Amortization of capital, intangible and other assets	**(25.4)**	(24.9)	(21.5)	**(99.8)**	(83.5)
Adjusted earnings before interest and income taxes – Non-IFRS measure	**366.6**	378.6	289.1	**1,371.0**	1,084.6
Interest expense[2]	**28.6**	28.7	27.9	**113.9**	110.6
Adjusted earnings before income taxes – Non-IFRS measure	**338.0**	349.9	261.2	**1,257.1**	974.0
Income taxes	**76.5**	78.4	56.7	**283.9**	210.9
Adjusted net earnings – Non-IFRS measure	**261.5**	271.5	204.5	**973.2**	763.1
Gain on sale of Personal Capital, net of tax	**7.7**	–	–	**7.7**	31.4
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**–**	–	21.4	**–**	21.4
Proportionate share of associate's adjustments	**–**	–	3.4	**–**	3.4
Restructuring and other, net of tax	**–**	–	–	**–**	(54.7)
Net earnings – IFRS	**$ 269.2**	$ 271.5	$ 229.3	**$ 980.9**	$ 764.6

(1) Diluted earnings per share.

(2) Interest expense includes interest on long-term debt and leases.

- European equity markets, as measured by the MSCI Europe, net total return index increased by 7.7% in the fourth quarter of 2021 and 25.1% for the year.
- Asian equity markets, as measured by the MSCI AC Asia Pacific net total return index, decreased by 1.8% in the fourth quarter of 2021 and decreased by 1.5% for the year.
- The FTSE TMX Canada Universe Bond total return Index increased by 1.5% in the fourth quarter of 2021 and decreased by 2.5% for the year.
- Our clients experienced an average investment return of 4.3% in the fourth quarter of 2021 and 11.9% for the year.

IGM Financial's assets under management and advisement increased by 15.5% from $240.0 billion at December 31, 2020 to $277.1 billion at December 31, 2021. See Table 29 for the composition of IGM Financial's assets under management by asset class.

REPORTING CHANGES

Effective January 1, 2021, the Company expanded its reportable segment disclosures to report to Net earnings, whereas previously it reported to Earnings before interest and taxes. These changes further build on the disclosure enhancements announced by the Company in the third quarter of 2020, which were introduced to improve transparency into key drivers of each business line and help stakeholders understand and assess components of value. The Company's reportable segments are Wealth Management, Asset Management and Strategic Investments & Other.

Prior period comparative information has been restated to reflect these changes.

These changes have no impact on the reported earnings of the Company.

These changes are intended to:

- Better reflect the business performance of underlying segments
- Reflect the capacity for financial leverage within the segments
- Encourage sum-of-parts approach to value assessment

To calculate segment Net earnings, debt and interest is allocated to each segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income tax expense is calculated based on revenue and expenses included in each segment.

REPORTABLE SEGMENTS

The segments as described below reflect the Company's internal financial reporting and performance measurement (Tables 2 to 4):

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

Assets under Management and Advisement (AUM&A) represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM Financial's operating companies.

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

FINANCIAL PRESENTATION

The financial presentation includes revenues and expenses to align with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The categories are as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and revenue relating to mortgage lending activities.
- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising; and wholesale distribution activities performed by the Asset Management segment. A significant component of these expenses varies directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.
- **Operations and support expenses** – expenses associated with business operations, including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

Interest expense represents interest expense on long-term debt and leases. Interest expense is allocated to each segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced.

Income taxes are reported in each segment. IGM Financial consolidated changes in the effective tax rates are detailed in Table 5.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

Other items, as reflected in Tables 2, 3 and 4, include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful and are not allocated to segments. Other items in 2021 and 2020 included:

- *Gain on sale of Personal Capital*
  - 2021 – $10.6 million ($7.7 million after-tax), recorded in the fourth quarter, resulting from additional consideration receivable related to the sale of the Company's equity interest in Personal Capital in 2020.
  - 2020 – $37.2 million ($31.4 million after-tax), recorded in the third quarter, resulting from the sale of the Company's investment in Personal Capital.
- *2020 Gain on sale of the Quadrus Group of Funds net of acquisition costs* – $25.2 million ($21.4 million after-tax), recorded in the fourth quarter.
- *2020 Proportionate share of associate's adjustments* – $3.4 million which represented the Company's proportionate share in GreatWest Lifeco Inc.'s after-tax adjustments, recorded in the fourth quarter, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs.
- *2020 Restructuring and other* – $74.5 million ($54.7 million after-tax), recorded in the third quarter, resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC and other changes to our investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. The Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2021 VS. Q4 2020

THREE MONTHS ENDED ($ millions)	WEALTH MANAGEMENT 2021 DEC. 31	WEALTH MANAGEMENT 2020 DEC. 31	ASSET MANAGEMENT 2021 DEC. 31	ASSET MANAGEMENT 2020 DEC. 31	STRATEGIC INVESTMENTS & OTHER 2021 DEC. 31	STRATEGIC INVESTMENTS & OTHER 2020 DEC. 31	INTERSEGMENT ELIMINATIONS 2021 DEC. 31	INTERSEGMENT ELIMINATIONS 2020 DEC. 31	TOTAL 2021 DEC. 31	TOTAL 2020 DEC. 31
Revenues										
Wealth management	$ 672.5	$ 598.5	$ –	$ –	$ –	$ –	$ (5.0)	$ (4.3)	$ 667.5	$ 594.2
Asset management	–	–	296.8	242.1	–	–	(30.0)	(25.8)	266.8	216.3
Dealer compensation expense	–	–	(91.7)	(78.6)	–	–	5.0	4.3	(86.7)	(74.3)
Net asset management	–	–	205.1	163.5	–	–	(25.0)	(21.5)	180.1	142.0
Net investment income and other	1.4	1.0	1.3	1.0	1.1	1.1	–	0.1	3.8	3.2
Proportionate share of associates' earnings	–	–	–	–	50.7	40.1	–	–	50.7	40.1
	673.9	599.5	206.4	164.5	51.8	41.2	(30.0)	(25.7)	902.1	779.5
Expenses										
Advisory and business development	284.8	254.8	24.1	28.3	–	–	–	–	308.9	283.1
Operations and support	115.9	113.3	88.3	74.6	1.3	0.9	–	0.2	205.5	189.0
Sub-advisory	49.5	42.7	1.6	1.5	–	–	(30.0)	(25.9)	21.1	18.3
	450.2	410.8	114.0	104.4	1.3	0.9	(30.0)	(25.7)	535.5	490.4
Adjusted earnings before interest and taxes[1]	223.7	188.7	92.4	60.1	50.5	40.3	–	–	366.6	289.1
Interest expense[2]	22.7	22.7	5.9	5.2	–	–	–	–	28.6	27.9
Adjusted earnings before income taxes	201.0	166.0	86.5	54.9	50.5	40.3	–	–	338.0	261.2
Income taxes	53.8	44.2	21.2	14.2	1.5	(1.7)	–	–	76.5	56.7
Adjusted net earnings[1]	147.2	121.8	65.3	40.7	49.0	42.0	–	–	261.5	204.5
Non-controlling interest	–	–	–	–	0.7	0.2	–	–	0.7	0.2
Adjusted net earnings available to common shareholders[1]	$ 147.2	$ 121.8	$ 65.3	$ 40.7	$ 48.3	$ 41.8	$ –	$ –	260.8	204.3
Other items, net of tax										
Gain on sale of Personal Capital									7.7	–
Gain on sale of Quadrus Group of Funds net of acquisition costs									–	21.4
Proportionate share of associate's adjustments									–	3.4
Net earnings available to common shareholders									$ 268.5	$ 229.1

(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

(2) Interest expense includes interest on long-term debt and leases.

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – TWELVE MONTHS ENDED

	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
TWELVE MONTHS ENDED *($ millions)*	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31
Revenues										
Wealth management	**$ 2,572.9**	$ 2,276.0	**$**	$ –	**$ –**	$ –	**$ (19.3)**	$ (16.4)	**$ 2,553.6**	$ 2,259.6
Asset management	**–**	–	**1,126.1**	913.5	**–**	–	**(114.6)**	(100.6)	**1,011.5**	812.9
Dealer compensation expense	**–**	–	**(355.3)**	(299.5)	**–**	–	**19.3**	16.4	**(336.0)**	(283.1)
Net asset management	**–**	–	**770.8**	614.0	**–**	–	**(95.3)**	(84.2)	**675.5**	529.8
Net investment income and other	**3.6**	2.3	**5.8**	2.9	**2.7**	6.0	**(0.2)**	(0.2)	**11.9**	11.0
Proportionate share of associates' earnings	**–**	–	**–**	–	**196.4**	147.0	**–**	–	**196.4**	147.0
	2,576.5	2,278.3	**776.6**	616.9	**199.1**	153.0	**(114.8)**	(100.8)	**3,437.4**	2,947.4
Expenses										
Advisory and business development	**1,089.3**	960.0	**88.7**	80.2	**–**	–	**–**	–	**1,178.0**	1,040.2
Operations and support	**466.1**	453.7	**335.6**	293.7	**4.9**	4.1	**(0.2)**	(0.1)	**806.4**	751.4
Sub-advisory	**189.7**	163.2	**6.9**	8.7	**–**	–	**(114.6)**	(100.7)	**82.0**	71.2
	1,745.1	1,576.9	**431.2**	382.6	**4.9**	4.1	**(114.8)**	(100.8)	**2,066.4**	1,862.8
Adjusted earnings before interest and taxes[1]	**831.4**	701.4	**345.4**	234.3	**194.2**	148.9	**–**	–	**1,371.0**	1,084.6
Interest expense[2]	**90.3**	89.9	**23.6**	20.7	**–**	–	**–**	–	**113.9**	110.6
Adjusted earnings before income taxes	**741.1**	611.5	**321.8**	213.6	**194.2**	148.9	**–**	–	**1,257.1**	974.0
Income taxes	**198.0**	162.6	**81.0**	55.7	**4.9**	(7.4)	**–**	–	**283.9**	210.9
Adjusted net earnings[1]	**543.1**	448.9	**240.8**	157.9	**189.3**	156.3	**–**	–	**973.2**	763.1
Non-controlling interest	**–**	–	**–**	–	**2.0**	0.2	**–**	–	**2.0**	0.2
Adjusted net earnings available to common shareholders[1]	**$ 543.1**	$ 448.9	**$ 240.8**	$ 157.9	**$ 187.3**	$ 156.1	**$ –**	$ –	**971.2**	762.9
Other items, net of tax										
Gain on sale of Personal Capital									**7.7**	31.4
Gain on sale of Quadrus Group of Funds net of acquisition costs									**–**	21.4
Proportionate share of associate's adjustments									**–**	3.4
Restructuring and other									**–**	(54.7)
Net earnings available to common shareholders									**$ 978.9**	$ 764.4

(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

(2) Interest expense includes interest on long-term debt and leases.

PART C
IGM FINANCIAL INC.

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2021 VS. Q3 2021

	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
THREE MONTHS ENDED *($ millions)*	**2021 DEC. 31**	2021 SEP. 30	**2021 DEC. 31**	2021 SEP. 30	**2021 DEC. 31**	2021 SEP. 30	**2021 DEC. 31**	2021 SEP. 30	**2021 DEC. 31**	2021 SEP. 30
Revenues										
Wealth management	**$ 672.5**	$ 660.0	**$ –**	$ –	**$ –**	$ –	**$ (5.0)**	$ (5.0)	**$ 667.5**	$ 655.0
Asset management	**–**	–	**296.8**	293.1	**–**	–	**(30.0)**	(29.7)	**266.8**	263.4
Dealer compensation expense	**–**	–	**(91.7)**	(90.9)	**–**	–	**5.0**	5.0	**(86.7)**	(85.9)
Net asset management	**–**	–	**205.1**	202.2	**–**	–	**(25.0)**	(24.7)	**180.1**	177.5
Net investment income and other	**1.4**	(0.2)	**1.3**	2.2	**1.1**	0.6	**–**	(0.1)	**3.8**	2.5
Proportionate share of associates' earnings	**–**	–	**–**	–	**50.7**	55.9	**–**	–	**50.7**	55.9
	673.9	659.8	**206.4**	204.4	**51.8**	56.5	**(30.0)**	(29.8)	**902.1**	890.9
Expenses										
Advisory and business development	**284.8**	274.8	**24.1**	19.2	**–**	–	**–**	–	**308.9**	294.0
Operations and support	**115.9**	113.2	**88.3**	83.3	**1.3**	1.2	**–**	(0.1)	**205.5**	197.6
Sub-advisory	**49.5**	48.7	**1.6**	1.7	**–**	–	**(30.0)**	(29.7)	**21.1**	20.7
	450.2	436.7	**114.0**	104.2	**1.3**	1.2	**(30.0)**	(29.8)	**535.5**	512.3
Adjusted earnings before interest and taxes[1]	**223.7**	223.1	**92.4**	100.2	**50.5**	55.3	**–**	–	**366.6**	378.6
Interest expense[2]	**22.7**	22.8	**5.9**	5.9	**–**	–	**–**	–	**28.6**	28.7
Adjusted earnings before income taxes	**201.0**	200.3	**86.5**	94.3	**50.5**	55.3	**–**	–	**338.0**	349.9
Income taxes	**53.8**	53.5	**21.2**	23.3	**1.5**	1.6	**–**	–	**76.5**	78.4
Adjusted net earnings[1]	**147.2**	146.8	**65.3**	71.0	**49.0**	53.7	**–**	–	**261.5**	271.5
Non-controlling interest	**–**	–	**–**	–	**0.7**	0.7	**–**	–	**0.7**	0.7
Adjusted net earnings available to common shareholders[1]	**$ 147.2**	$ 146.8	**$ 65.3**	$ 71.0	**$ 48.3**	$ 53.0	**$ –**	$ –	**260.8**	270.8
Other items, net of tax										
Gain on sale of Personal Capital									**7.7**	–
Net earnings available to common shareholders									**$ 268.5**	$ 270.8

(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

(2) Interest expense includes interest on long-term debt and leases.

TABLE 5: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	**26.64 %**	26.65 %	26.60 %	**26.63 %**	26.68 %
Effect of:					
Proportionate share of associates' earnings	**(3.39)**	(3.78)	(3.29)	**(3.65)**	(3.71)
Tax loss consolidation[1]	**–**	–	(0.96)	**–**	(1.15)
Other	**(0.48)**	(0.47)	(0.19)	**(0.36)**	(0.11)
Effective income tax rate – adjusted net earnings	**22.77**	22.40	22.16	**22.62**	21.71
Disposition of assets net of acquisition costs	**–**	–	(0.98)	**–**	(0.82)
Proportionate share of associate's adjustments	**–**	–	(0.31)	**–**	(0.09)
Effective income tax rate – net earnings	**22.77 %**	22.40 %	20.87 %	**22.62 %**	20.80 %

(1) *See Note 27 – Related Party Transactions of the Consolidated Financial Statements included in the 2021 IGM Financial Inc. Annual Report (Consolidated Financial Statements). The benefits from the tax loss consolidation arrangements ended at December 31, 2020.*

TOTAL ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement were $277.1 billion at December 31, 2021 compared to $240.0 billion at December 31, 2020, an increase of 15.5%, as detailed in Table 6. Total assets under management were $245.3 billion at December 31, 2021 compared to $214.0 billion at December 31, 2020, an increase of 14.6%.

Full year net inflows of $8.7 billion are a record high and up from $7.1 billion in 2020. Full year investment fund net sales of $7.0 billion are a record high and up from net sales of $3.4 billion in 2020. Total net inflows were $1.2 billion in the fourth quarter of 2021 down from $2.2 billion in the fourth quarter of 2020. Investment fund net sales of $1.1 billion in the fourth quarter of 2021 were down from $1.7 billion in the fourth quarter of 2020. Net flows and net sales are based on assets under management and advisement excluding sub-advisory assets to Canada Life and to the Wealth Management segment.

Changes in assets under management for the Wealth Management and Asset Management segments are discussed further in each of their respective Review of the Business sections in the MD&A.

TABLE 6: ASSETS UNDER MANAGEMENT AND ADVISEMENT

	WEALTH MANAGEMENT				ASSET MANAGEMENT[1]					
	IG WEALTH MANAGEMENT		INVESTMENT PLANNING COUNSEL		MACKENZIE INVESTMENTS		INTERCOMPANY ELIMINATIONS[2]		CONSOLIDATED	
($ millions)	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31	**2021 DEC. 31**	2020 DEC. 31
THREE MONTHS ENDED										
Gross flows										
Mutual fund gross sales[3][4]	**$ 2,959**	$ 2,572	**$ 174**	$ 177	**$ 2,592**	$ 4,501	**$ –**	$ –	**$ 5,725**	$ 7,250
Dealer gross inflows	**3,437**	2,938	**1,509**	1,487	**–**	–	**–**	–	**4,946**	4,425
Net flows										
Mutual fund net sales[3][4]	**457**	(9)	**(129)**	(89)	**512**	1,376	**–**	–	**840**	1,278
ETF net creations[5]	**–**	–	**–**	–	**245**	372	**–**	–	**245**	372
Investment fund net sales	**457**	(9)	**(129)**	(89)	**757**	1,748	**–**	–	**1,085**	1,650
Institutional SMA net sales[6]	**–**	–	**–**	–	**(576)**	(75)	**–**	–	**(576)**	(75)
Mackenzie net sales through Wealth Management	**36**	130	**20**	59	**–**	–	**(56)**	(189)	**–**	–
IGM product net sales	**493**	121	**(109)**	(30)	**181**	1,673	**(56)**	(189)	**509**	1,575
Other dealer net flows	**492**	364	**232**	279	**–**	–	**1**	3	**725**	646
Total net flows	**985**	485	**123**	249	**181**	1,673	**(55)**	(186)	**1,234**	2,221
TWELVE MONTHS ENDED										
Gross flows										
Mutual fund gross sales[3][4]	**$ 11,845**	$ 8,987	**$ 774**	$ 577	**$ 12,022**	$ 13,565	**$ –**	$ –	**$ 24,641**	$ 23,129
Dealer gross inflows	**13,434**	9,977	**5,366**	4,760	**–**	–	**–**	–	**18,800**	14,737
Net flows										
Mutual fund net sales[3][4]	**1,813**	(451)	**(288)**	(307)	**3,908**	2,956	**–**	–	**5,433**	2,198
ETF Net creations[5]	**–**	–	**–**	–	**1,532**	1,232	**–**	–	**1,532**	1,232
Investment fund net sales	**1,813**	(451)	**(288)**	(307)	**5,440**	4,188	**–**	–	**6,965**	3,430
Institutional SMA net sales[6]	**–**	–	**–**	–	**(306)**	2,062	**–**	–	**(306)**	2,062
Mackenzie net sales through Wealth Management	**431**	211	**180**	113	**–**	–	**(611)**	(324)	**–**	–
IGM product net sales	**2,244**	(240)	**(108)**	(194)	**5,134**	6,250	**(611)**	(324)	**6,659**	5,492
Other dealer net flows	**1,440**	1,035	**596**	567	**–**	–	**6**	5	**2,042**	1,607
Total net flows	**3,684**	795	**488**	373	**5,134**	6,250	**(605)**	(319)	**8,701**	7,099

(1) Asset Management flows activity excludes sub-advisory to Canada Life and the Wealth Management segment.
In the fourth quarter of 2020, Mackenzie Investments sold fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Lifeco and, as a result, gross and net mutual fund flows in 2021 are not directly comparable with 2020.

(2) Consolidated results eliminate double counting where business is reflected within multiple segments.

(3) IG Wealth Management and Investment Planning Counsel AUM and net sales include separately managed accounts.

(4) During the fourth quarter and the twelve month period, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes which resulted in:
2021 YTD – net redemptions of $361 million.
2020 YTD – sales of $1.4 billion and net sales of $612 million.
2020 Q4 – sales of $625 million and net sales of $32 million.

(5) ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in $370 million in purchases in Mackenzie ETFs and $325 million of redemptions from Mackenzie's ETFs, respectively.

(6) Sub-advisory, institutional and other accounts:
2021 Q2 – Mackenzie was awarded $680 million of sub-advisory wins.
Q4 – an institutional client re-assigned sub-advisory responsibilities on mandates advised by Mackenzie totalling $667 million.
2020 Q2 – Mackenzie was awarded $2.6 billion of sub-advisory wins.

TABLE 6: ASSETS UNDER MANAGEMENT AND ADVISEMENT (CONTINUED)

($ millions)	WEALTH MANAGEMENT: IG WEALTH MANAGEMENT 2021 Dec. 31	IG WEALTH MANAGEMENT 2020 DEC. 31	INVESTMENT PLANNING COUNSEL 2021 Dec. 31	INVESTMENT PLANNING COUNSEL 2020 DEC. 31	ASSET MANAGEMENT: MACKENZIE INVESTMENTS 2021 Dec. 31	MACKENZIE INVESTMENTS 2020 DEC. 31	INTERCOMPANY ELIMINATIONS(1) 2021 Dec. 31	INTERCOMPANY ELIMINATIONS(1) 2020 DEC. 31	CONSOLIDATED 2021 Dec. 31	CONSOLIDATED 2020 DEC. 31
Assets under Management and Advisement										
Wealth Management										
AUM	**$ 110,541**	$ 97,713	**$ 5,629**	$ 5,320			**$ –**	$ –	**$ 116,170**	$ 103,033
Mackenzie assets sold through Wealth Management	**957**	438	**3,640**	3,133			**–**	–	**4,597**	3,571
Other AUA	**8,059**	5,122	**23,808**	20,865			**(11)**	(8)	**31,856**	25,979
AUA	**119,557**	103,273	**33,077**	29,318			**(11)**	(8)	**152,623**	132,583
Asset Management										
Mutual funds					**$ 62,969**	$ 52,682			**62,969**	52,682
ETFs					**5,393**	3,788			**5,393**	3,788
Investment funds					**68,362**	56,470			**68,362**	56,470
Institutional SMA					**7,948**	7,293			**7,948**	7,293
Sub-Advisory to Canada Life					**52,805**	47,175			**52,805**	47,175
Total Institutional SMA					**60,753**	54,468			**60,753**	54,468
Total ex sub-advisory to Wealth Management					**129,115**	110,938			**129,115**	110,938
Sub-advisory to Wealth Management					**81,228**	74,210			**81,228**	74,210
Total AUM					**210,343**	185,148			**210,343**	185,148
ETFs										
Distributed to third parties					**5,393**	3,788			**5,393**	3,788
Held within IGM managed products					**7,281**	4,663	**(7,281)**	(4,663)	**–**	–
Total ETFs					**12,674**	8,451	**(7,281)**	(4,663)	**5,393**	3,788
Consolidated										
AUM	**110,541**	97,713	**5,629**	5,320	**210,343**	185,148	**(81,228)**	(74,210)	**245,285**	213,971
Mackenzie assets sold through Wealth Management	**957**	438	**3,640**	3,133	**–**	–	**(4,597)**	(3,571)	**–**	–
Other AUA	**8,059**	5,122	**23,808**	20,865	**–**	–	**(11)**	(8)	**31,856**	25,979
AUM&A	**119,557**	103,273	**33,077**	29,318	**210,343**	185,148	**(85,836)**	(77,789)	**277,141**	239,950

(1) Consolidated results eliminate double counting where business is reflected within multiple segments.

PART C
IGM FINANCIAL INC.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 7.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 7, variations in net earnings and total revenues result primarily from changes in average assets under management and advisement. Assets under management and advisement were $190.0 billion in 2019, increased to $240.0 billion in 2020 and to $277.1 billion in 2021. Increases were driven largely by changes in financial markets during the periods, and in 2020 were primarily due to net business acquisitions of $30.3 billion. Average total assets under management and advisement for the year ended December 31, 2021 were $259.7 billion compared to $191.2 billion in 2020. The impact on earnings and revenues of changes in average total assets under management and advisement and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both IG Wealth Management and Mackenzie.

Net earnings in future periods will largely be determined by the level of assets under management and advisement which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were $2.25 in 2021, unchanged from 2020 and 2019.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 8 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 8, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

TABLE 7: SELECTED ANNUAL INFORMATION

	2021	2020	2019
Consolidated statements of earnings *($ millions)*			
Revenues			
Wealth management	$ 2,553.6	$ 2,259.6	$ 2,299.0
Net asset management	675.5	529.8	515.3
Net investment income and other	11.9	11.0	24.8
Proportionate share of associates' earnings	196.4	147.0	122.4
	3,437.4	2,947.4	2,961.5
Expenses	2,180.3	1,973.4	1,975.7
	1,257.1	974.0	985.8
Gain on sale of Personal Capital	10.6	37.2	–
Gain on sale of Quadrus Group of Funds net of acquisition costs	–	25.2	–
Proportionate share of associate's adjustments	–	3.4	–
Restructuring and other	–	(74.5)	–
Proportionate share of associate's one-time charges	–	–	(17.2)
Earnings before income taxes	1,267.7	965.3	968.6
Income taxes	286.8	200.7	219.7
Net earnings	980.9	764.6	748.9
Non-controlling interest	(2.0)	(0.2)	–
Perpetual preferred share dividends	–	–	(2.2)
Net earnings available to common shareholders	$ 978.9	$ 764.4	$ 746.7
Reconciliation of Non-IFRS financial measures[1] *($ millions)*			
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 971.2	$ 762.9	$ 763.9
Other items:			
Gain on sale of Personal Capital, net of tax	7.7	31.4	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	–	21.4	–
Proportionate share of associate's adjustments	–	3.4	–
Restructuring and other, net of tax	–	(54.7)	–
Proportionate share of associate's one-time charges	–	–	(17.2)
Net earnings available to common shareholders – IFRS	$ 978.9	$ 764.4	$ 746.7
Earnings per share *($)*			
Adjusted net earnings available to common shareholders[1]			
– Basic	$ 4.07	$ 3.20	$ 3.19
– Diluted	4.05	3.20	3.19
Net earnings available to common shareholders			
– Basic	4.10	3.21	3.12
– Diluted	4.08	3.21	3.12
Dividends per share *($)*			
Common	$ 2.25	$ 2.25	$ 2.25
Preferred, Series B	–	–	0.37
Average assets under management and advisement *($ billions)*			
Investment fund assets under management	$ 173.4	$ 161.7	$ 155.5
Total assets under management	231.4	168.5	161.1
Total assets under management and advisement	259.7	191.2	183.5
Ending assets under management and advisement *($ billions)*			
Investment fund assets under management	$ 184.5	$ 159.5	$ 161.8
Total assets under management	245.3	214.0	166.8
Total assets under management and advisement	277.1	240.0	190.0
Total corporate assets *($ millions)*	$ 17,661	$ 16,062	$ 15,391
Total long-term debt *($ millions)*	$ 2,100	$ 2,100	$ 2,100
Outstanding common shares *(thousands)*	239,679	238,308	238,294
Average outstanding shares – Diluted *(thousands)*	240,019	238,307	239,181

(1) *Refer to Non-IFRS Financial Measures and Additional IFRS Measures in addition to the Summary of Consolidated Operating Results section included in this MD&A for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.*

TABLE 8: SUMMARY OF QUARTERLY RESULTS

	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Wealth management	**$ 667.5**	$ 655.0	$ 627.6	$ 603.5	$ 594.2	$ 571.6	$ 531.1	$ 562.7
Asset management	**266.8**	263.4	248.3	233.0	216.3	207.4	190.7	198.5
Dealer compensation expense	**(86.7)**	(85.9)	(82.7)	(80.7)	(74.3)	(71.3)	(66.1)	(71.4)
Net asset management	**180.1**	177.5	165.6	152.3	142.0	136.1	124.6	127.1
Net investment income and other	**3.8**	2.5	2.5	3.1	3.2	2.2	7.6	(2.0)
Proportionate share of associates' earnings	**50.7**	55.9	48.2	41.6	40.1	43.5	43.3	20.1
	902.1	890.9	843.9	800.5	779.5	753.4	706.6	707.9
Expenses								
Advisory and business development	**308.9**	294.0	291.1	284.0	283.1	252.6	245.4	259.1
Operations and support	**205.5**	197.6	196.8	206.5	189.0	181.9	185.4	195.1
Sub-advisory	**21.1**	20.7	20.4	19.8	18.3	18.5	16.9	17.5
Interest(1)	**28.6**	28.7	28.5	28.1	27.9	27.9	27.5	27.3
	564.1	541.0	536.8	538.4	518.3	480.9	475.2	499.0
Earnings before undernoted	**338.0**	349.9	307.1	262.1	261.2	272.5	231.4	208.9
Gain on sale of Personal Capital	**10.6**	–	–	–	–	37.2	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs	**–**	–	–	–	25.2	–	–	–
Proportionate share of associate's adjustments	**–**	–	–	–	3.4	–	–	–
Restructuring and other	**–**	–	–	–	–	(74.5)	–	–
Earnings before income taxes	**348.6**	349.9	307.1	262.1	289.8	235.2	231.4	208.9
Income taxes	**79.4**	78.4	69.3	59.7	60.5	44.3	47.9	48.0
Net earnings	**269.2**	271.5	237.8	202.4	229.3	190.9	183.5	160.9
Non-controlling interest	**0.7**	0.7	0.4	0.2	0.2	–	–	–
Net earnings available to common shareholders	**$ 268.5**	$ 270.8	$ 237.4	$ 202.2	$ 229.1	$ 190.9	$ 183.5	$ 160.9
Reconciliation of Non-IFRS financial measures(2) *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	**$ 260.8**	$ 270.8	$ 237.4	$ 202.2	$ 204.3	$ 214.2	$ 183.5	$ 160.9
Other items:								
Gain on sale of Personal Capital, net of tax	**7.7**	–	–	–	–	31.4	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**–**	–	–	–	21.4	–	–	–
Proportionate share of associate's adjustments	**–**	–	–	–	3.4	–	–	–
Restructuring and other, net of tax	**–**	–	–	–	–	(54.7)	–	–
Net earnings available to common shareholders – IFRS	**$ 268.5**	$ 270.8	$ 237.4	$ 202.2	$ 229.1	$ 190.9	$ 183.5	$ 160.9
Earnings per Share *($)*								
Adjusted net earnings available to common shareholders(2)								
– Basic	**$ 1.09**	$ 1.13	$ 0.99	$ 0.85	$ 0.86	$ 0.90	$ 0.77	$ 0.68
– Diluted	**1.08**	1.13	0.99	0.85	0.86	0.90	0.77	0.68
Net earnings available to common shareholders								
– Basic	**1.12**	1.13	0.99	0.85	0.96	0.80	0.77	0.68
– Diluted	**1.11**	1.13	0.99	0.85	0.96	0.80	0.77	0.68
Average outstanding shares – Diluted *(thousands)*	**241,443**	240,575	239,821	238,474	238,308	238,308	238,308	238,316
Average assets under management and advisement *($ billions)*								
Investment fund assets under management	**$ 181.9**	$ 178.6	$ 170.2	$ 162.7	$ 169.8	$ 163.7	$ 152.6	$ 158.5
Total assets under management	**241.9**	238.3	227.8	217.6	177.6	171.4	159.2	163.3
Assets under management and advisement	**272.0**	267.4	255.4	243.9	202.2	194.9	181.5	186.0
Ending assets under management and advisement *($ billions)*								
Investment fund assets under management	**$ 184.5**	$ 176.8	$ 174.4	$ 165.5	$ 159.5	$ 164.9	$ 157.8	$ 143.2
Total assets under management	**245.3**	236.2	233.6	221.6	214.0	172.6	165.4	147.5
Assets under management and advisement	**277.1**	265.2	262.0	248.5	240.0	196.4	188.3	168.4

(1) Interest expense includes interest on long-term debt and leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in addition to the Summary of Consolidated Operating Results section included in this MD&A for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

Wealth Management

The Wealth Management segment consists of both IG Wealth Management (IG) and Investment Planning Counsel, Inc. (IPC).

Wealth Management revenue consists of:

- **Advisory fees** are related to providing financial advice to clients including fees related to the distribution of products.
- **Product and program fees** are related to the management of investment products and include management, administration and other related fees.
- **Other financial planning revenues** are fees related to providing clients other financial products including mortgages, insurance and banking products.

Sub-advisory fees are paid between segments and to third parties for investment management services provided to our investment products. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Effective January 1, 2021, each segment now reflects their results to adjusted net earnings. Debt and interest expense is allocated to segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

IG Wealth Management, founded in 1926, provides comprehensive personal financial planning and wealth management services to Canadians through our exclusive network of 3,278 Consultants. IG Wealth Management clients are more than one million individuals, families and business owners.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 675 financial advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management Consultants and IPC Advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 96% of adjusted net earnings of the total segment.

2021 DEVELOPMENTS

In the fourth quarter, IG Wealth Management launched IG Climate Action Portfolios, a suite of four diversified managed solutions:

- IG Climate Action Portfolio – Global Fixed Income Balanced
- IG Climate Action Portfolio – Global Neutral Balanced
- IG Climate Action Portfolio – Global Equity Balanced
- IG Climate Action Portfolio – Global Equity

These portfolios were developed with leading global asset managers and provide clients with a new way to support the world's transition to net zero emissions. The portfolios invest in both equity and fixed income securities that are believed to reduce the risks or are expected to benefit from the opportunities associated with climate change and the transition to a net zero emission global economy.

IG Wealth Management entered into a partnership with CapIntel that provides IG advisors access to a powerful investment analysis and proposal tool. Portfolio comparisons and product information is integrated with our Advisor Portal (Salesforce) to quickly and transparently deliver on demand analysis and generate compliant & compelling investment proposals to our clients. CapIntel also monitors daily investment funds and equities and notifies our advisors (through advisor portal) of any significant changes to investments that should be reviewed (for example, but not inclusive – material change reports, change in risk category, fund merger, corporate action, etc.)

IG WEALTH MANAGEMENT STRATEGY

IG Wealth Management's promise is to inspire financial confidence.

Our strategic mandate is to be Canada's financial partner of choice.

Canadians hold $5.6 trillion in discretionary financial assets with financial institutions at December 31, 2020, based on the most recent report from Investor Economics, and we view these savings as IG Wealth Management's addressable market. 76% of these savings are held by households with over $1 million, which are referred to as high net worth, and another 20% reside with households with between $100,000 and $1 million, which are referred to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

Our value proposition is to deliver better Gamma, better Beta and better Alpha.

We seek to deliver our value proposition through:

- Superior Advice – Acquiring a deep knowledge of Canadian investors and using those insights to shape everything we do.
- Segmented Client Experiences – Creating segmented experiences personalized throughout our clients' lifetimes.
- Entrepreneurial Advisors – Inspiring our entrepreneurial advisors to constantly deliver an engaging experience and a holistic plan that seeks to deliver superior outcomes.
- Powerful Financial Solutions – Providing our clients with a comprehensive suite of well-constructed, high-performing and competitively priced solutions.
- Business processes that are simple, easy and digitized – Re-designing client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- A high-performing and diverse culture.

DELIVERING GAMMA

THE VALUE OF ALL EFFORTS THAT SIT OUTSIDE OF INVESTMENT PORTFOLIO CONSTRUCTION. THIS INCLUDES THE VALUE THAT A FINANCIAL ADVISOR ADDS TO A CLIENT RELATIONSHIP, AND COMES FROM THE CREATION AND FOLLOW THROUGH OF A WELL-CONSTRUCTED FINANCIAL PLAN.

Entrepreneurial Advisors, Superior Advice

Our financial advisors provide value to clients by developing insight into their specific needs, creating and implementing well-constructed financial plans and offering superior advice. IG Wealth Management has a national distribution network of more than 3,000 highly qualified financial advisors (called Consultants) in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

IG Wealth Management Consultant practices are industry leaders in holding a credentialed financial planning designation. These designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at December 31, 2021:

- 1,761 Consultant practices (1,815 at December 31, 2020), which reflect Consultants with more than four years of experience. These practices may include Associates as described below. The level and productivity of Consultant practices is a key measurement of our business as they serve clientele representing approximately 96% of AUM.
- 380 New Consultants (445 at December 31, 2020), which are those Consultants with less than four years of experience.
- 1,137 Associates and Regional Directors (1,044 at December 31, 2020). Associates are licensed team members of Consultant practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total Consultant network of 3,278 (3,304 at December 31, 2020).

IG Wealth Management's recruiting standards increase the likelihood of success while also enhancing our culture and brand.

Our training curriculum is reviewed and refreshed each year to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers through a selection of focused educational programs.

We also support Consultants and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants or specialists.

Segmented Client Experiences

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients within the context of long-term relationships. A primary focus is on advising and attracting high net worth and mass affluent clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ is our holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan Portal, which is based on Conquest Planning, provides a single, integrated view of a client's entire financial picture and uses predictive tools to determine planning strategies customized to the individual.

The IG Living Plan leverages the expertise of IG Wealth Management's Consultants who serve approximately one million clients located in communities throughout Canada.

IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time.

These products include:

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of policy types from the leading insurers in Canada.
- Mortgage and banking solutions that are offered as part of a comprehensive financial plan.
- Charitable Giving Program, a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

IG Wealth Management's National Service Centre is focused on supporting more than 200,000 clients with less complex requirements while allowing our Consultant practices to focus on those clients with more complex needs.

IG Wealth Management Consultants are focused on the high net worth and mass affluent segments of the market, which we define as households with over $1 million and between $100 thousand and $1 million, respectively.

Assets under advisement for clients with household assets greater than $1 million (defined as "high net worth") totalled $43.5 billion at December 31, 2021, an increase of 40.8% from one year ago, and represented 36% of total assets under advisement.

Assets under advisement for clients with household assets between $100 thousand and $1 million (defined as "mass affluent") totalled $66.5 billion at December 31, 2021, an increase of 7.2% from one year ago, and represented 56% of total assets under advisement.

Assets under advisement for clients with household assets less than $100 thousand (defined as "mass market") totalled $9.6 billion at December 31, 2021, a decrease of 7.8% from one year ago, and represented 8.0% of total assets under advisement.

Business processes

IG Wealth Management continually seeks to enhance our systems and business processes so our Consultants can serve clients more effectively. We look to enhance client and advisor interactions on an ongoing basis to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.

The IG Wealth Management Advisor Portal is a customer relationship management platform based on Salesforce. It enables our Consultants to manage client relationships, improve their efficiency through digitized workflows, and access data-driven reporting to help better run their practices.

IG Wealth Management's dealer platform provides increased automation and supports both MFDA and IIROC licensed advisors as well as new products on our investment dealer platform designed to support the high net worth segment of our client base.

A high-performing and diverse culture

It is essential that we offer competitive compensation and benefits to attract and retain outstanding people. Our training and development approach, along with our use of feedback from periodic employee and advisor surveys, positions our employees and advisors to better serve our clients.

DELIVERING BETA AND ALPHA

BETA – THE VALUE CREATED BY WELL-CONSTRUCTED INVESTMENT PORTFOLIOS – ACHIEVING EXPECTED INVESTMENT RETURNS FOR THE LOWEST POSSIBLE RISK.

ALPHA – THE VALUE OF ACTIVE MANAGEMENT – ACHIEVING RETURNS SUPERIOR TO PASSIVE BENCHMARKS WITH A SIMILAR COMPOSITION AND RISK PROFILE.

IG Wealth Management strives to achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios (Beta), and to create value for clients through active management (Alpha). To do this, we select and engage high-quality sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

IG Wealth Management's relationships include Mackenzie Investments and other world class investment firms such as BlackRock, T. Rowe Price, PIMCO, ChinaAMC, Putnam and JP Morgan Asset Management.

Powerful Financial Solutions

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals.

Our solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed portfolios that rebalance investments to ensure that a chosen mix of risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.

- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with a transparent advisory fee. IGAA accounts increase fee transparency and can hold most securities and investment products available in the marketplace to individual investors.
- *iProfile™ Portfolios* – iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification and are designed to suit personal preferences for risk tolerance and investment goals. These portfolios provide exposure similar to the investments of the iProfile Private Pools. These portfolios are offered in both the IGAA and iProfile account structures.
- *iProfile™ Private Portfolios* – iProfile Private Portfolios are model portfolios comprised of iProfile Private Pools, available for households with investments held at IG Wealth Management in excess of $250,000. iProfile Private Portfolios have been designed to deliver strong risk-adjusted returns by diversifying across asset classes, management styles and geographic regions. Recent enhancements include the launch of new discretionary model portfolios and six new iProfile Private Pools to support the new models: three iProfile Active Allocation Private Pools, iProfile Alternatives Private Pool with mandates including long-short, global macro and global equity hedge strategies, iProfile ETF Private Pool providing exposure through exchange traded funds (ETF) and iProfile Low Volatility Private Pool with Canadian, U.S., International and Emerging Market geographic coverage.

  In addition, we have incorporated investments in private assets with the introduction of a Private Credit Mandate in the iProfile Fixed Income Private Pool. The pool has committed to three Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe, as well as to BlackRock, PIMCO and Sagard. We have also introduced Private Investment Mandates into both the iProfile Canadian Equity Private Pool and the iProfile U.S. Equity Private Pool. Both of these mandates intend to provide investors with enhanced diversification and long-term capital appreciation through exposure to investments in privately held companies. The iProfile Canadian Equity Private Pool has currently made a commitment to the Northleaf Growth Fund and the iProfile U.S. Equity Private Pool has made a commitment to the Northleaf Capital Opportunities Fund.
- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.
- Separately managed accounts (discretionary dealer-managed accounts).

In support of the global goal to reach net zero by 2050, IG Wealth Management is a founding Signatory to Responsible Investment Association's Canadian Investor Statement on Climate Change. To support this initiative, in the fourth quarter IG Wealth Management launched the IG Climate Action Portfolios, a suite of four diversified managed solutions.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. This separation provides clients with greater transparency into the fees they pay, and allows IG Wealth Management to differentiate pricing by client segment to ensure that it is competitive.

We have discontinued offering the bundled purchase option of mutual funds and substantially all of our investment account types.

IG Wealth Management monitors its investment performance by comparing to certain benchmarks. Morningstar† fund ranking service is one of the rankings monitored when determining fund performance.

At December 31, 2021, 75.8% of IG Wealth Management mutual fund assets had a rating of three stars or better from Morningstar† fund ranking service and 39.0% had a rating of four or five stars. This compared to the Morningstar† universe of 86.4% for three stars or better and 54.9% for four and five star funds at December 31, 2021. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were at a record high level of $152.6 billion at December 31, 2021, an increase of 15.1% from December 31, 2020. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were also at a record high level of $116.2 billion, an increase of 12.8% from December 31, 2020. The level of assets under management are influenced by sales, redemptions and investment returns.

Changes in Wealth Management assets under advisement and assets under management for the periods under review are reflected in Tables 9 and 10.

TABLE 9: CHANGE IN ASSETS UNDER ADVISEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Gross client inflows	$ 4,946	$ 4,278	$ 4,425	15.6 %	11.8 %
Gross client outflows	3,837	3,003	3,688	27.8	4.0
Net flows	1,109	1,275	737	(13.0)	50.5
Investment returns	6,052	842	6,831	N/M	(11.4)
Net change in assets	7,161	2,117	7,568	238.3	(5.4)
Beginning assets	145,462	143,345	125,015	1.5	16.4
Ending assets under advisement	$ 152,623	$ 145,462	$ 132,583	4.9 %	15.1 %
IG Wealth Management	119,557	113,958	103,273	4.9	15.8
Investment Planning Counsel	33,077	31,515	29,318	5.0	12.8
Average assets under advisement	$ 149,702	$ 146,531	$ 128,342	2.2 %	16.6 %
IG Wealth Management	117,379	114,820	100,295	2.2	17.0
Investment Planning Counsel	32,334	31,721	28,054	1.9	15.3

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Gross client inflows	$ 18,800	$ 14,737	27.6 %
Gross client outflows	14,622	13,564	7.8
Net flows	4,178	1,173	256.2
Investment returns	15,862	6,590	140.7
Net change in assets	20,040	7,763	158.1
Beginning assets	132,583	124,820	6.2
Ending assets under advisement	$ 152,623	$ 132,583	15.1 %
IG Wealth Management	119,557	103,273	15.8
Investment Planning Counsel	33,077	29,318	12.8
Average assets under advisement	$ 142,867	$ 122,919	16.2 %
IG Wealth Management	111,880	95,870	16.7
Investment Planning Counsel	30,997	27,056	14.6

TABLE 10: CHANGE IN ASSETS UNDER MANAGEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Sales	$ 3,133	$ 2,929	$ 2,749	7.0 %	14.0 %
Redemptions	2,805	2,343	2,847	19.7	(1.5)
Net sales (redemptions)	328	586	(98)	(44.0)	N/M
Investment returns	3,788	765	5,118	N/M	(26.0)
Net change in assets	4,116	1,351	5,020	204.7	(18.0)
Beginning assets	112,054	110,703	98,013	1.2	14.3
Ending assets under management	$ 116,170	$ 112,054	$ 103,033	3.7 %	12.8 %
IG Wealth Management	110,541	106,551	97,713	3.7	13.1
Investment Planning Counsel	5,629	5,503	5,320	2.3	5.8
Daily average mutual fund assets	$ 115,115	$ 113,145	$ 100,419	1.7 %	14.6 %
IG Wealth Management	109,521	107,557	95,194	1.8	15.1
Investment Planning Counsel	5,594	5,588	5,225	0.1	7.1

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Sales	$ 12,619	$ 9,564	31.9 %
Redemptions	11,094	10,322	7.5
Net sales (redemptions)	1,525	(758)	N/M
Investment returns	11,612	5,239	121.6
Net change in assets	13,137	4,481	193.2
Beginning assets	103,033	98,552	4.5
Ending assets under management	$ 116,170	$ 103,033	12.8 %
IG Wealth Management	110,541	97,713	13.1
Investment Planning Counsel	5,629	5,320	5.8
Daily average mutual fund assets	$ 110,445	$ 97,062	13.8 %
IG Wealth Management	104,962	91,929	14.2
Investment Planning Counsel	5,483	5,133	6.8

IG WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under advisement (AUA) are a key performance indicator for IG Wealth Management. AUA represents savings and investment products, including Assets Under Management where we provide investment management services, that are held within our clients' accounts. Advisory fees are charged based on an annual percentage of substantially all AUA, through the IG Advisory Account fee, and represent the majority of the fees earned from our clients. Our Consultants' compensation is also based on AUA and net assets contributed by our clients.

IG Wealth Management's assets under advisement and mutual fund assets under management were at record high levels at December 31, 2021. Assets under advisement were $119.6 billion at December 31, 2021, an increase of 15.8% from December 31, 2020, and mutual fund assets under management were $110.5 billion, an increase of 13.1%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 11 and 12.

For the quarter ended December 31, 2021, gross client inflows of IG Wealth Management assets under advisement were $3.4 billion, an increase of 17.0% from $2.9 billion in the comparable period in 2020. Net client inflows were $1.0 billion, an improvement of $500 million from net client inflows of $485 million in the comparable period in 2020. During the fourth quarter, investment returns resulted in an increase of $4.6 billion in assets under advisement compared to an increase of $5.3 billion in the fourth quarter of 2020.

For the twelve months ended December 31, 2021, gross client inflows of IG Wealth Management assets under advisement were $13.4 billion, the highest annual result in the history of the company, and represented an increase of 34.6% from $10.0 billion in the comparable period in 2020. Net client inflows

TABLE 11: CHANGE IN ASSETS UNDER ADVISEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Gross client inflows	$ 3,437	$ 3,141	$ 2,938	9.4 %	17.0 %
Gross client outflows	2,452	2,127	2,453	15.3	–
Net flows	985	1,014	485	(2.9)	103.1
Investment returns	4,614	759	5,250	N/M	(12.1)
Net change in assets	5,599	1,773	5,735	215.8	(2.4)
Beginning assets	113,958	112,185	97,538	1.6	16.8
Ending assets	$ 119,557	$ 113,958	$ 103,273	4.9 %	15.8 %
Average assets under advisement	$ 117,379	$ 114,820	$ 100,295	2.2 %	17.0 %

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Gross client inflows	$ 13,434	$ 9,977	34.6 %
Gross client outflows	9,750	9,182	6.2
Net flows	3,684	795	N/M
Investment returns	12,600	5,378	134.3
Net change in assets	16,284	6,173	163.8
Beginning assets	103,273	97,100	6.4
Ending assets	$ 119,557	$ 103,273	15.8 %
Average assets under advisement	$ 111,880	$ 95,870	16.7 %

were at an all-time high level of $3.7 billion in the twelve month period, an improvement of $2.9 billion from net client inflows of $795 million in the comparable period in 2020. During 2021, investment returns resulted in an increase of $12.6 billion in assets under advisement compared to an increase of $5.4 billion in 2020.

Changes in mutual fund assets under management for the periods under review are reflected in Table 12.

In addition to net sales of $457 million in the fourth quarter of 2021 to IG Wealth Management fund products, there were net sales to Mackenzie fund products of $36 million for a total of $493 million in net sales to IGM Financial's products. For the twelve month period, net sales to IG Wealth Management fund products were $1.8 billion and net sales to Mackenzie fund products were $0.4 billion for a total of $2.2 billion in net sales to IGM Financial's products.

At December 31, 2021, $77.8 billion, or 70% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 50.6% from $51.7 billion at December 31, 2020 which represented 53% of assets under management.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – 2021 VS. 2020

IG Wealth Management's assets under advisement were $119.6 billion at December 31, 2021, an increase of 15.8% from $103.3 billion at December 31, 2020. IG Wealth Management's mutual fund assets under management were $110.5 billion at December 31, 2021, representing an increase of 13.1% from $97.7 billion at December 31, 2020. Average daily mutual fund assets were $109.5 billion in the fourth quarter of 2021, up 15.1% from $95.2 billion in the fourth quarter of 2020. Average daily mutual fund assets were $105.0 billion for the twelve months ended December 31, 2021, up 14.2% from $91.9 billion in 2020.

For the quarter ended December 31, 2021, sales of IG Wealth Management mutual funds through its Consultant network were $3.0 billion, an increase of 15.0% from the comparable period in 2020. Mutual fund redemptions totalled $2.5 billion, a decrease of 3.1% from 2020. IG Wealth Management mutual fund net sales for the fourth quarter of 2021 were $457 million compared with net redemptions of $9 million in 2020. During the fourth quarter, investment returns resulted in an increase of $3.5 billion in mutual fund assets compared to an increase of $4.8 billion in the fourth quarter of 2020.

TABLE 12: CHANGE IN ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Sales	$ 2,959	$ 2,741	$ 2,572	8.0 %	15.0 %
Redemptions	2,502	2,165	2,581	15.6	(3.1)
Net sales (redemptions)	457	576	(9)	(20.7)	N/M
Investment returns	3,533	757	4,848	N/M	(27.1)
Net change in assets	3,990	1,333	4,839	199.3	(17.5)
Beginning assets	106,551	105,218	92,874	1.3	14.7
Ending assets	$110,541	$106,551	$ 97,713	3.7 %	13.1 %
Daily average assets under management	$109,521	$107,557	$ 95,194	1.8 %	15.1 %
Managed asset net sales					
Investment fund net sales	$ 457	$ 576	$ (9)	(20.7) %	N/M %
Mackenzie net sales through Wealth Management	36	65	130	(44.6)	(72.3)
	$ 493	$ 641	$ 121	(23.1) %	N/M %

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Sales	$ 11,845	$ 8,987	31.8 %
Redemptions	10,032	9,438	6.3
Net sales (redemptions)	1,813	(451)	N/M
Investment returns	11,015	5,003	120.2
Net change in assets	12,828	4,552	181.8
Beginning assets	97,713	93,161	4.9
Ending assets	$110,541	$ 97,713	13.1 %
Daily average assets under management	$104,962	$ 91,929	14.2 %
Managed asset net sales			
Investment fund net sales	$ 1,813	$ (451)	N/M %
Mackenzie net sales through Wealth Management	431	211	104.3
	$ 2,244	$ (240)	N/M %

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 8.8% in the fourth quarter of 2021, compared to 10.3% in the fourth quarter of 2020. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.2% at December 31, 2021, compared to 9.8% at December 31, 2020, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 13.5% at December 31, 2021. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

For the twelve months ended December 31, 2021, sales of IG Wealth Management mutual funds through its Consultant network were $11.8 billion, an increase of 31.8% from 2020. Mutual fund redemptions totalled $10.0 billion, an increase of 6.3% from 2020. Net sales of IG Wealth Management mutual funds were $1.8 billion compared with net redemptions of $451 million in 2020. During 2021, investment returns resulted in an increase of $11.0 billion in mutual fund assets compared to an increase of $5.0 million in 2020.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – Q4 2021 VS. Q3 2021

IG Wealth Management's assets under advisement were $119.6 billion at December 31, 2021, an increase of 4.9% from $114.0 billion at September 30, 2021. IG Wealth Management's mutual fund assets under management were $110.5 billion at December 31, 2021, an increase of 3.7% from $106.6 billion at September 30, 2021. Average daily mutual fund assets were $109.5 billion in the fourth quarter of 2021 compared to $107.6 billion in the third quarter of 2021, an increase of 1.8%.

For the quarter ended December 31, 2021, sales of IG Wealth Management mutual funds through its Consultant network were $3.0 billion, an increase of 8.0% from the third quarter of 2021. Mutual fund redemptions, which totalled $2.5 billion for the fourth quarter, increased 15.6% from the previous quarter, and the annualized quarterly redemption rate was 8.8% in the fourth quarter compared to 7.7% in the third quarter of 2021. IG Wealth Management mutual fund net sales were $457 million for the current quarter compared to net sales of $576 million in the previous quarter.

IG WEALTH MANAGEMENT OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At December 31, 2021, total segregated fund assets were $1.5 billion, compared to $1.6 billion at December 31, 2020.

INSURANCE

IG Wealth Management continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, IG Wealth Management offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance.

The average number of policies sold by each insurance-licensed Consultant was 2.3 for the quarter ended December 31, 2021, compared to 2.6 in 2020. For the twelve months ended December 31, 2021, the average number of policies sold by each insurance-licensed Consultant was 9.5 compared to 9.0 in 2020. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management Consultants can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

MORTGAGE AND BANKING OPERATIONS

IG Wealth Management Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their Consultants to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

Mortgages are offered to clients by IG Wealth Management, a national mortgage lender, and through IG Wealth Management's Solutions Banking†, provided by National Bank of Canada under a long-term distribution agreement. An All-in-One product, a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account, is also offered through Solutions Banking†.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking† for the three and twelve months ended December 31, 2021 were $221 million and $1.08 billion compared to $297 million and $1.12 billion in 2020, a decrease of 25.6% and 3.3%, respectively. At December 31, 2021, mortgages offered through both sources totalled $8.4 billion, compared to $9.5 billion at December 31, 2020, a decrease of 11.3%.

Available credit associated with Solutions Banking† All-in-One accounts originated for the three and twelve month periods ended December 31, 2021 were $276 million and $1.3 billion, respectively, compared to $411 million and $1.2 billion in 2020. At December 31, 2021, the balance outstanding of Solutions Banking† All-in-One products was $3.9 billion, compared to $3.4 billion one year ago, and represented approximately 52% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking† include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking†, clients have access to a network of banking machines, as well as a private labelled client website and client service centre. The Solutions Banking† offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total outstanding lending products of IG Wealth Management clients in the Solutions Banking† offering, including Solutions Banking† mortgages totalled $5.7 billion at December 31, 2021, compared to $5.1 billion at December 31, 2020.

Review of Segment Operating Results

The Wealth Management segment's adjusted net earnings are presented in Table 13 and include the operations of IG Wealth Management and Investment Planning Counsel.

IG WEALTH MANAGEMENT

IG Wealth Management adjusted net earnings are presented in Table 14. Adjusted net earnings for the fourth quarter of 2021 were $141.1 million, an increase of 20.2% from the fourth quarter in 2020 and an increase of 0.1% from the prior quarter. Adjusted net earnings for the year ended December 31, 2021 were $522.9 million, an increase of 20.5% from 2020.

Adjusted earnings before interest and taxes for the fourth quarter of 2021 were $215.0 million, an increase of 17.9% from the fourth quarter in 2020 and an increase of 0.1% from the prior quarter. Adjusted earnings before interest and taxes for the year ended December 31, 2021 were $802.8 million, an increase of 18.1% from 2020.

2021 VS. 2020

FEE INCOME

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were $301.1 million in the fourth quarter of 2021, an increase of $35.6 million or 13.4% from $265.5 million in 2020. For the twelve months ended December 31, 2021, advisory fees were $1,154.3 million, an increase of $135.2 million or 13.3% from $1,019.1 million in 2020.

The increase in advisory fees in the three and twelve month periods ending December 31, 2021 was primarily due to the increase in average assets under advisement of 17.0% and 16.7%, respectively, as shown in Table 11. In both periods, the increase in average assets was offset in part by a decrease in the advisory fee rate. The average advisory fee rate for the fourth quarter was 101.8 basis points of average assets under advisement compared to 105.3 basis points in 2020, and for the twelve month period, the rate was 103.2 basis points compared to 106.3 basis points in 2020. The decrease in rates reflects changes in product and client mix as we have more high net worth clients who are eligible for lower rates.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled $238.1 million in the current quarter, up 15.7% from $205.8 million a year ago. Product and program fees were $903.5 million for the twelve month period ended December 31, 2021 compared to $790.6 million in 2020, an increase of 14.3%.

The increase in product and program fees in both the three and twelve month periods of 2021 was primarily due to the increase in average assets under management of 15.1% and 14.2%, respectively, as shown in Table 12. The average product and program fee rate for the fourth quarter was 86.3 basis points of average assets under management compared to 85.8 basis points in 2020, and the rate for the twelve month period was 86.0 basis points of average assets under management compared to 85.8 basis points in 2020, reflecting changes in product mix and price in both periods.

Other financial planning revenues are primarily earned from:

- Mortgage banking operations
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking[†]

Other financial planning revenues of $41.7 million for the fourth quarter of 2021 decreased by $3.6 million from $45.3 million in 2020, primarily due to lower earnings from the mortgage banking operations partly offset by higher distribution fee income from insurance products. For the twelve month period, other financial planning revenues of $163.4 million increased by $13.9 million from $149.5 million in 2020, due to higher distribution fee income from insurance products partly offset by lower earnings from the mortgage banking operations.

A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 15.

NET INVESTMENT INCOME AND OTHER

Net investment income and other is primarily related to investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

EXPENSES

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our Consultants. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial planning specialist support and other costs incurred to support our adviser networks. These expenses tend to be discretionary or vary based upon the number of consultants or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation increased by $25.2 million and $90.5 million for the three and twelve month

TABLE 13: OPERATING RESULTS – WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Revenues					
Wealth Management					
Advisory fees	$ 370.6	$ 364.5	$ 325.5	1.7 %	13.9 %
Product and program fees	252.8	248.4	219.8	1.8	15.0
	623.4	612.9	545.3	1.7	14.3
Redemption fees	1.7	1.8	3.2	(5.6)	(46.9)
Other financial planning revenues	47.4	45.3	50.0	4.6	(5.2)
Total Wealth Management	672.5	660.0	598.5	1.9	12.4
Net investment income and other	1.4	(0.2)	1.0	N/M	40.0
	673.9	659.8	599.5	2.1	12.4
Expenses					
Advisory and business development					
Asset-based compensation	195.2	191.6	164.3	1.9	18.8
Sales-based compensation	15.9	14.7	10.6	8.2	50.0
Other					
Other product commissions	21.3	16.5	20.1	29.1	6.0
Business development	52.4	52.0	59.8	0.8	(12.4)
	73.7	68.5	79.9	7.6	(7.8)
Total advisory and business development	284.8	274.8	254.8	3.6	11.8
Operations and support	115.9	113.2	113.3	2.4	2.3
Sub-advisory	49.5	48.7	42.7	1.6	15.9
	450.2	436.7	410.8	3.1	9.6
Adjusted earnings before interest and taxes	223.7	223.1	188.7	0.3	18.5
Interest expense	22.7	22.8	22.7	(0.4)	–
Adjusted earnings before taxes	201.0	200.3	166.0	0.3	21.1
Income taxes	53.8	53.5	44.2	0.6	21.7
Adjusted net earnings	$ 147.2	$ 146.8	$ 121.8	0.3 %	20.9 %

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Revenues			
Wealth Management			
Advisory fees	$ 1,417.2	$ 1,245.7	13.8 %
Product and program fees	961.1	846.3	13.6
	2,378.3	2,092.0	13.7
Redemption fees	10.0	16.0	(37.5)
Other financial planning revenues	184.6	168.0	9.9
Total Wealth Management	2,572.9	2,276.0	13.0
Net investment income and other	3.6	2.3	56.5
	2,576.5	2,278.3	13.1
Expenses			
Advisory and business development			
Asset-based compensation	740.1	625.9	18.2
Sales-based compensation	56.1	36.4	54.1
Other			
Other product commissions	75.5	69.8	8.2
Business development	217.6	227.9	(4.5)
	293.1	297.7	(1.5)
Total advisory and business development	1,089.3	960.0	13.5
Operations and support	466.1	453.7	2.7
Sub-advisory	189.7	163.2	16.2
	1,745.1	1,576.9	10.7
Adjusted earnings before interest and taxes	831.4	701.4	18.5
Interest expense	90.3	89.9	0.4
Adjusted earnings before taxes	741.1	611.5	21.2
Income taxes	198.0	162.6	21.8
Adjusted net earnings	$ 543.1	$ 448.9	21.0 %

TABLE 14: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Revenues					
Wealth Management					
Advisory fees	**$ 301.1**	$ 296.9	$ 265.5	1.4 %	13.4 %
Product and program fees	**238.1**	233.5	205.8	2.0	15.7
	539.2	530.4	471.3	1.7	14.4
Redemption fees	**1.7**	1.8	3.0	(5.6)	(43.3)
Other financial planning revenues	**41.7**	39.8	45.3	4.8	(7.9)
Total Wealth Management	**582.6**	572.0	519.6	1.9	12.1
Net investment income and other	**1.3**	(0.5)	0.8	N/M	62.5
	583.9	571.5	520.4	2.2	12.2
Expenses					
Advisory and business development					
Asset-based compensation	**142.0**	138.4	116.8	2.6	21.6
Sales-based compensation	**15.9**	14.7	10.6	8.2	50.0
Other					
Other product commissions	**18.0**	13.3	17.3	35.3	4.0
Business development	**43.8**	43.8	52.3	–	(16.3)
	61.8	57.1	69.6	8.2	(11.2)
Total advisory and business development	**219.7**	210.2	197.0	4.5	11.5
Operations and support	**103.6**	101.8	101.8	1.8	1.8
Sub-advisory	**45.6**	44.7	39.2	2.0	16.3
	368.9	356.7	338.0	3.4	9.1
Adjusted earnings before interest and taxes	**215.0**	214.8	182.4	0.1	17.9
Interest expense	**22.5**	22.6	22.5	(0.4)	–
Adjusted earnings before taxes	**192.5**	192.2	159.9	0.2	20.4
Income taxes	**51.4**	51.3	42.5	0.2	20.9
Adjusted net earnings	**$ 141.1**	$ 140.9	$ 117.4	0.1 %	20.2 %

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Revenues			
Wealth Management			
Advisory fees	**$ 1,154.3**	$ 1,019.1	13.3 %
Product and program fees	**903.5**	790.6	14.3
	2,057.8	1,809.7	13.7
Redemption fees	**9.9**	15.7	(36.9)
Other financial planning revenues	**163.4**	149.5	9.3
Total Wealth Management	**2,231.1**	1,974.9	13.0
Net investment income and other	**2.6**	1.3	100.0
	2,233.7	1,976.2	13.0
Expenses			
Advisory and business development			
Asset-based compensation	**536.0**	445.5	20.3
Sales-based compensation	**56.1**	36.4	54.1
Other			
Other product commissions	**62.8**	58.6	7.2
Business development	**184.6**	199.1	(7.3)
	247.4	257.7	(4.0)
Total advisory and business development	**839.5**	739.6	13.5
Operations and support	**416.9**	407.1	2.4
Sub-advisory	**174.5**	149.7	16.6
	1,430.9	1,296.4	10.4
Adjusted earnings before interest and taxes	**802.8**	679.8	18.1
Interest expense	**89.6**	89.3	0.3
Adjusted earnings before taxes	**713.2**	590.5	20.8
Income taxes	**190.3**	156.7	21.4
Adjusted net earnings	**$ 522.9**	$ 433.8	20.5 %

TABLE 15: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	$ 33.1	$ 35.6	$ 44.1	(7.0) %	(24.9) %
Interest expense	25.5	27.3	33.5	(6.6)	(23.9)
Net interest income	7.6	8.3	10.6	(8.4)	(28.3)
Gains on sales[1]	0.5	1.8	3.7	(72.2)	(86.5)
Fair value adjustments	–	1.3	(1.0)	(100.0)	100.0
Other	0.7	0.2	1.8	250.0	(61.1)
	$ 8.8	$ 11.6	$ 15.1	(24.1) %	(41.7) %
Average mortgages serviced					
Securitizations	$ 5,111	$ 5,338	$ 6,126	(4.3) %	(16.6) %
Other	2,411	2,454	2,670	(1.8)	(9.7)
	$ 7,522	$ 7,792	$ 8,796	(3.5) %	(14.5) %
Mortgage sales to:[2]					
Securitizations	$ 297	$ 333	$ 434	(10.8) %	(31.6) %
Other[1]	176	222	246	(20.7)	(28.5)
	$ 473	$ 555	$ 680	(14.8) %	(30.4) %

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	$ 147.0	$ 181.1	(18.8) %
Interest expense	111.4	148.5	(25.0)
Net interest income	35.6	32.6	9.2
Gains on sales[1]	3.9	9.8	(60.2)
Fair value adjustments	1.4	(5.1)	N/M
Other	3.5	8.5	(58.8)
	$ 44.4	$ 45.8	(3.1) %
Average mortgages serviced			
Securitizations	$ 5,431	$ 6,465	(16.0) %
Other	2,503	2,748	(8.9)
	$ 7,934	$ 9,213	(13.9) %
Mortgage sales to:[2]			
Securitizations	$ 1,506	$ 1,605	(6.2) %
Other[1]	872	760	14.7
	$ 2,378	$ 2,365	0.5 %

(1) Represents sales to institutional investors through private placements, to IG Mackenzie Mortgage and Short Term Income Fund, and to IG Mackenzie Canadian Corporate Bond Fund as well as gains realized on those sales.

(2) Represents principal amounts sold.

periods ended December 31, 2021 to $142.0 million and $536.0 million, respectively, compared to 2020. The increase was primarily due to increased average assets under advisement and Consultant performance.

IG Wealth Management sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements). All sales-based compensation payments are capitalized and amortized as they reflect incremental costs to obtain a client contract.

Sales-based compensation was $15.9 million for the fourth quarter of 2021, an increase of $5.3 million from $10.6 million in 2020. For the twelve month period, sales-based compensation expense was $56.1 million, an increase of $19.7 million from $36.4 million in 2020. The increase in expense is due to additional sales-based commission being capitalized and amortized throughout 2020 and 2021.

Other advisory and business development expenses were $61.8 million in the fourth quarter of 2021, compared to $69.6 million in 2020. Other advisory and business development expenses were $247.4 million in the twelve months ended December 31, 2021, compared to $257.7 million in 2020.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were $103.6 million for the fourth quarter of 2021 compared to $101.8 million in 2020, an increase of $1.8 million or 1.8%. For the twelve month period, operations and support expenses were $416.9 million in 2021 compared to $407.1 million in 2020, an increase of $9.8 million or 2.4%.

Sub-advisory expenses were $45.6 million for the fourth quarter of 2021 compared to $39.2 million in 2020, an increase of $6.4 million or 16.3%. For the twelve month period, sub-advisory expenses were $174.5 million in 2021 compared to $149.7 million in 2020, an increase of $24.8 million or 16.6%. The increase in both periods is primarily due to higher assets under management.

INTEREST EXPENSE

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled $22.5 million in the fourth quarter of 2021, unchanged from 2020. For the twelve month period, interest expense totalled $89.6 million compared to $89.3 million in 2020. Long-term debt interest expense is calculated based on a long-term debt allocation of $1.7 billion to IG Wealth Management.

Q4 2021 VS. Q3 2021

FEE INCOME

Advisory fee income increased by $4.2 million or 1.4% to $301.1 million in the fourth quarter of 2021 compared with the third quarter of 2021. The increase in advisory fees in the fourth quarter was primarily due to the increase in average assets under advisement of 2.2% for the quarter, as shown in Table 11. The average advisory fee rate for the fourth quarter was 101.8 basis points of average assets under management, a decrease from 102.6 basis points in the third quarter primarily due to changes in client mix.

Product and program fees were $238.1 million in the fourth quarter of 2021, an increase of $4.6 million from $233.5 million in the third quarter of 2021. The increase in product and program fees was due to higher assets under management. The average product and program fee rate was 86.3 basis points in the current quarter, compared to 86.1 basis points in the third quarter.

Other financial planning revenues of $41.7 million in the fourth quarter of 2021 increased by $1.9 million from $39.8 million in the third quarter, due to higher insurance sales partly offset by lower mortgage income.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $1.3 million in the fourth quarter of 2021, an increase of $1.8 million from the third quarter.

EXPENSES

Advisory and business development expenses in the current quarter were $219.7 million, an increase of $9.5 million from $210.2 million in the previous quarter primarily due to higher assets under advisement, higher sales based compensation and higher insurance sales.

Operations and support expenses were $103.6 million for the fourth quarter of 2021 compared to $101.8 million in the previous quarter, an increase of $1.8 million or 1.8%.

INVESTMENT PLANNING COUNSEL

2021 VS. 2020

Adjusted net earnings related to Investment Planning Counsel were $1.7 million and $5.1 million higher in the three and twelve month periods ended December 31, 2021 than the comparable periods in 2020.

Q4 2021 VS. Q3 2021

Adjusted net earnings related to Investment Planning Counsel were $0.2 million higher in the fourth quarter of 2021 compared to the prior quarter.

Asset Management

The Asset Management segment includes Mackenzie Investments (Mackenzie).

Asset Management revenue reflects:

- **Net asset management fees – third party** includes fees received from our mutual funds and fees from third parties for investment management services. Compensation paid to dealers offsets the fees earned.
- **Asset management fees – Wealth Management** includes fees received from the Wealth Management segment. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Assets managed for IG Wealth Management are included in the Asset Management segment's assets under management.

Effective January 1, 2021, each segment now reflects their results to adjusted net earnings. Debt and interest expense is allocated to a segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We provide investment management and related services with a wide range of investment mandates through a boutique structure and using multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

Mackenzie earns asset management fees primarily from:

- Management fees earned from its investment funds, sub-advised accounts and institutional clients.
- Fees earned from its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

The largest component of Mackenzie's revenues is management fees. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. Equity based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts.

ASSET MANAGEMENT STRATEGY

Mackenzie's mission is to create a more invested world, together.

Mackenzie's objective is to become Canada's preferred global asset management solutions provider and business partner.

Mackenzie's focus is based on five key strategies:

- Win in retail in a segmented way
- Build a global institutional business with a targeted approach
- Deliver innovative investment solutions and performance
- Business processes that are simple, easy and digitized
- Continue to foster a high performance and diverse culture

These strategies impact our strategic priorities and drive future business growth. We aim to achieve this by attracting and fostering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

Mackenzie seeks to maximize returns on business investment by focusing our resources in areas that directly impact the success of our strategic focus: investment management, distribution and client experience.

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and portfolio management teams are located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong. In addition to our own investment teams, we supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of investment capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace.

Within the strategic alliance channel, Mackenzie offers certain series of our mutual funds and provides sub-advisory services to third-party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries. Mackenzie partners with Wealthsimple to distribute ETFs through their product shelf. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company.

In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. We attract new institutional business through our relationships with pension and management consultants.

Gross sales and redemption activity in strategic alliance and institutional accounts can be more pronounced than in the retail channel, given the relative size and the nature of the distribution relationships of these accounts. These accounts are also subject to ongoing reviews and rebalance activities which may result in a significant change in the level of assets under management.

Mackenzie continues to be positioned to continue to build and enhance our distribution relationships given our team of experienced investment professionals, strength of our distribution network, broad product shelf, competitively priced products and our focus on client experience and investment excellence.

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, Mackenzie acquired GLC, a Canadian investment management firm with $37 billion in assets under management, from Great-West Lifeco Inc. (Lifeco).

TABLE 16: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT[1]

				% CHANGE	
THREE MONTHS ENDED ($ millions)	**2021 DEC. 31**	2021 SEP. 30	2020 DEC. 31	2021 SEP. 30	2020 DEC. 31
Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment					
Net sales (redemptions)					
Mutual funds[1]	**$ 512**	$ 799	$ 1,376	(35.9) %	(62.8) %
ETF net creations[2]	**245**	320	372	(23.4)	(34.1)
Investment funds[3]	**757**	1,119	1,748	(32.4)	(56.7)
Sub-advisory, institutional and other accounts[4]	**(576)**	(27)	(75)	N/M	N/M
Total net sales (redemptions)	**181**	1,092	1,673	(83.4)	(89.2)
Change due to GLC[5]	**–**	–	(16,875)	–	100.0
Investment returns	**3,162**	54	4,365	N/M	(27.6)
Net change in assets	**3,343**	1,146	(10,837)	191.7	N/M
Beginning Assets	**72,967**	71,821	74,600	1.6	(2.2)
Ending Assets	**$ 76,310**	$ 72,967	$ 63,763	4.6 %	19.7 %
Consolidated Assets under management[5]					
Mutual funds	**$ 62,969**	$ 59,721	$ 52,682	5.4 %	19.5 %
ETFs	**5,393**	5,068	3,788	6.4	42.4
Investment funds[3]	**68,362**	64,789	56,470	5.5	21.1
Sub-advisory, institutional and other accounts	**7,948**	8,178	7,293	(2.8)	9.0
	76,310	72,967	63,763	4.6	19.7
Sub-advisory to Canada Life	**52,805**	51,131	47,175	3.3	11.9
Total excluding sub-advisory to Wealth Management	**129,115**	124,098	110,938	4.0	16.4
Sub-advisory to Wealth Management	**81,228**	79,242	74,210	2.5	9.5
Consolidated assets under management	**$ 210,343**	$ 203,340	$ 185,148	3.4 %	13.6 %
Average total assets[6]					
Excluding sub-advisory to Wealth Management	**$ 126,759**	$ 125,181	$ 77,186	1.3 %	64.2 %
Consolidated	**207,143**	204,850	149,491	1.1	38.6

PART C
IGM FINANCIAL INC.

TABLE 16: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT[1]

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment			
Net sales (redemptions)			
Mutual funds[1]	$ 3,908	$ 2,956	32.2 %
ETF net creations[2]	1,532	1,232	24.4
Investment funds[3]	5,440	4,188	29.9
Sub-advisory, institutional and other accounts[4]	(306)	2,062	N/M
Total net sales (redemptions)	5,134	6,250	(17.9)
Change due to GLC[5]	–	(16,875)	100.0
Investment returns	7,413	6,131	20.9
Net change in assets	12,547	(4,494)	N/M
Beginning Assets	63,763	68,257	(6.6)
Ending Assets	$ 76,310	$ 63,763	19.7 %
Average total assets[6]			
Excluding sub-advisory to Wealth Management	$120,988	$ 71,402	69.4 %
Consolidated	198,946	141,985	40.1

(1) *Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:*
2021 YTD – resulted in redemptions and net redemptions of $361 million.
2020 YTD – resulted in sales of $1.4 billion, redemptions of $785 million and net sales of $612 million.
2020 Q4 – resulted in sales of $625 million, redemptions of $593 million and net sales of $32 million.
Q3 – resulted in sales and net sales of $290 million.

(2) *ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in $370 million in purchases in Mackenzie ETFs and $325 million of redemptions from Mackenzie's ETFs, respectively.*

(3) *Investment fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.*

(4) *Sub-advisory, institutional and other accounts:*
2021 Q2 – Mackenzie was awarded $680 million of sub-advisory wins.
Q4 – an institutional client re-assigned sub-advisory responsibilities on mandates advised by Mackenzie totalling $667 million.
2020 Q2 – Mackenzie was awarded $2.6 billion of sub-advisory wins.

(5) *In the fourth quarter of 2020 Mackenzie Investments:*
– Sold $16.2 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Lifeco.
– Acquired $183 million in mutual fund assets under management related to the acquisition of Greenchip Financial Corp.
– Acquired $46.3 billion in institutional accounts as part of the transaction with Lifeco.

(6) *Based on daily average investment fund assets and month-end average sub-advisory, institutional and other assets.*

Separately, Lifeco's subsidiary, The Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF). Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

Benefits of the deal to Mackenzie include the following:

- The net addition of $30.1 billion in assets under management solidifying Mackenzie as one of Canada's largest asset managers.
- Expands Mackenzie's distribution reach to the fast-growing group retirement business channel and establishes Mackenzie as one of the top three providers in Canada of investment solutions to defined contribution plans and other group retirement offerings.
- Enhances Mackenzie's investment capabilities with the addition of a new Canadian Equity boutique.

The acquisition also includes a distribution agreement with Canada Life, positioning Mackenzie as the core investment advisor to its individual and group product offerings and enhancing Canada Life's capabilities and competitiveness.

Greenchip Financial Corp. (Greenchip)

On December 22, 2020, Mackenzie acquired Greenchip, a leading Canadian firm focused exclusively on the environmental economy since 2007. The acquisition added $618 million in assets under management, of which $435 million was sub-advisory mandates to the Mackenzie Global Environmental Equity Fund. Mackenzie has been a leader in bringing sustainable investing to Canadians, with an evolving suite of funds focused on environmental leadership, gender diversity and sustainability. The acquisition of Greenchip is a natural evolution reflecting the success of Greenchip's sub-advisory relationship to the Mackenzie Global Environmental Equity Fund.

ASSETS UNDER MANAGEMENT

The changes in total assets under management are summarized in Table 16 and the changes in investment fund assets under management are summarized in Table 17.

Assets managed for the Wealth Management segment are included in total assets under management. Prior to the third quarter of 2020, assets managed by Mackenzie for IG Wealth Management were excluded from the Mackenzie reportable segment. Comparative periods have been retroactively restated.

At December 31, 2021, Mackenzie's total assets under management were $210.3 billion, an all-time high, and an increase of 13.6% from $185.1 billion last year. Mackenzie's total assets under management (excluding sub-advisory to Wealth Management) were $129.1 billion, an all-time high, and an increase of 16.4% from $110.9 billion last year. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

CHANGE IN ASSETS UNDER MANAGEMENT – 2021 VS. 2020

Mackenzie's total assets under management at December 31, 2021 were $210.3 billion, an all-time high and an increase of 13.6% from $185.1 billion at December 31, 2020. Assets under management excluding sub-advisory to the Wealth Management segment were $129.1 billion, an all-time high and an increase of 16.4% from $110.9 billion at December 31, 2020.

Investment fund assets under management were $68.4 billion at December 31, 2021, compared to $56.5 billion at December 31, 2020, an increase of 21.1%. Mackenzie's mutual fund assets under management of $63.0 billion increased by 19.5% from $52.7 billion at December 31, 2020. Mackenzie's ETF assets excluding ETFs held within IGM Financial's managed products were $5.4 billion at December 31, 2021, an increase of 42.4% from $3.8 billion at December 31, 2020. ETF assets inclusive of IGM Financial's managed products were $12.7 billion at December 31, 2021 compared to $8.5 billion at December 31, 2020.

In the three months ended December 31, 2021, Mackenzie's mutual fund gross sales were $2.6 billion a decrease of 42.4% from $4.5 billion in 2020. Mutual fund redemptions in the current quarter were $2.1 billion, a decrease of 33.4% from last year. Mutual fund net sales for the three months ended December 31, 2021 were $512 million, as compared to net sales of $1.4 billion last year. In the three months ended December 31, 2021, ETF net creations were $245 million compared to $372 million last year. Investment fund net sales in the current quarter were $757 million compared to net sales of $1.7 billion last year. During the current quarter, investment returns resulted in investment fund assets increasing by $2.8 billion compared to an increase of $3.8 billion last year.

During the fourth quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $625 million, redemptions of $593 million and net sales of $32 million. Excluding these transactions in 2020, mutual fund gross sales decreased by 33.1% in the three months ended December 31, 2021 compared to last year, mutual fund redemptions decreased by 17.9% and mutual fund net sales of $512 million in 2021 compared to mutual fund net sales of $1.3 billion last year.

Total net sales excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended December 31, 2021 were $181 million compared to net sales of $1.7 billion last year. During the fourth quarter of 2021, an institutional client re-assigned sub-advisory responsibilities on mandates advised by Mackenzie totalling $667 million. Excluding this transaction and the mutual fund transactions discussed above, net sales were $848 million for the three months ended December 31, 2021 compared to net sales of $1.6 billion last year. During the current quarter, investment returns resulted in assets increasing by $3.2 billion compared to an increase of $4.4 billion last year.

In the twelve months ended December 31, 2021, Mackenzie's mutual fund gross sales were $12.0 billion, a decrease of 11.4% from $13.6 billion in 2020. Mutual fund redemptions in the current period were $8.1 billion, a decrease of 23.5% from last year. Mutual fund net sales for the year ended December 31, 2021 were $3.9 billion, as compared to net sales of $3.0 billion last year. In the year ended December 31, 2021, ETF net creations were $1.5 billion compared to $1.2 billion last year. Investment fund net sales in the current period were $5.4 billion compared to net sales of $4.2 billion last year. During the current period, investment returns resulted in investment fund assets increasing by $6.5 billion compared to an increase of $5.1 billion last year.

During the twelve months ended December 31, 2021, certain third party programs, which include Mackenzie mutual funds made fund allocation changes resulting in redemptions and net redemptions of $361 million. During the twelve months ended December 31, 2020, certain third party programs, which include Mackenzie mutual funds made fund allocation changes resulting in gross sales of $1.4 billion, redemptions of $785 million and net sales of $612 million. Excluding these transactions in 2021 and 2020, mutual fund gross sales decreased 1.2% and mutual fund redemptions decreased 21.1% in the twelve months ended December 31, 2021 compared to last year, and mutual fund net sales were $4.3 billion in the current year compared to $2.3 billion last year.

TABLE 17: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT[1]

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Sales	$ 2,592	$ 2,476	$ 4,501	4.7 %	(42.4) %
Redemptions	2,080	1,677	3,125	24.0	(33.4)
Mutual fund net sales (redemptions)[2]	512	799	1,376	(35.9)	(62.8)
ETF net creations[3]	245	320	372	(23.4)	(34.1)
Investment fund net sales (redemptions)[4]	757	1,119	1,748	(32.4)	(56.7)
Change due to divestiture of Quadrus Group of Funds and Greenchip acquisition[5]	–	–	(15,996)	–	100.0
Investment returns	2,816	16	3,789	N/M	(25.7)
Net change in assets	3,573	1,135	(10,459)	214.8	N/M
Beginning assets	64,789	63,654	66,929	1.8	(3.2)
Ending assets	$ 68,362	$ 64,789	$ 56,470	5.5 %	21.1 %
Consists of:					
Mutual funds	$ 62,969	$ 59,721	$ 52,682	5.4 %	19.5 %
ETFs	5,393	5,068	3,788	6.4	42.4
Investment funds	$ 68,362	$ 64,789	$ 56,470	5.5 %	21.1 %
Daily average investment fund assets	$ 66,833	$ 65,460	$ 69,343	2.1 %	(3.6) %

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Sales	$ 12,022	$ 13,565	(11.4) %
Redemptions	8,114	10,609	(23.5)
Mutual fund net sales (redemptions)[2]	3,908	2,956	32.2
ETF net creations[3]	1,532	1,232	24.4
Investment fund net sales (redemptions)[4]	5,440	4,188	29.9
Change due to divestiture of Quadrus Group of Funds and Greenchip acquisition[5]	–	(15,996)	100
Investment returns	6,452	5,067	27.3
Net change in assets	11,892	(6,741)	N/M
Beginning assets	56,470	63,211	(10.7)
Ending assets	$ 68,362	$ 56,470	21.1 %
Daily average investment fund assets	$ 63,003	$ 64,617	(2.5) %

(1) Investment fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.

(2) Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:
2021 YTD – resulted in redemptions and net redemptions of $361 million.
2020 YTD – resulted in sales of $1.4 billion, redemptions of $785 million and net sales of $612 million.
2020 Q4 – resulted in sales of $625 million, redemptions of $593 million and net sales of $32 million.
Q3 – resulted in sales and net sales of $290 million.
In the fourth quarter of 2020, Mackenzie Investments sold fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Lifeco and, as a result, gross and net mutual fund flows in 2021 are not directly comparable with 2020.

(3) ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in $370 million in purchases in Mackenzie ETFs and $325 million of redemptions from Mackenzie's ETFs, respectively.

(4) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

(5) In the fourth quarter of 2020 Mackenzie Investments:
– Sold $16.2 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Lifeco.
– Acquired $183 million in mutual fund assets under management related to the acquisition of Greenchip Financial Corp.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2021, were $2.0 billion and $8.0 billion, respectively, compared to $3.0 billion and $10.1 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were $7.6 billion in the twelve months ended December 31, 2021 compared to $9.3 billion in the comparative period last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 13.3% in the fourth quarter of 2021, compared to 18.2% in the fourth quarter of 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 14.5% in the fourth quarter of 2020. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 13.6% at December 31, 2021, compared to 16.6% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 12.9% at December 31, 2021, compared to 15.3% at December 31, 2020. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 13.1% at December 31, 2021. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

ETF net creations were $1.5 billion in the twelve months ended December 31, 2021, compared to $1.2 billion last year. During the twelve months ended December 31, 2020, Wealthsimple purchased $370 million and redeemed $325 million of Mackenzie ETFs. Excluding these transactions in 2020, ETF net creations were $1.5 billion in the current year compared to $1.2 billion last year.

Total net sales excluding sub-advisory to Canada Life and to the Wealth Management segment for the year ended December 31, 2021 were $5.1 billion, compared to net sales of $6.3 billion last year. During the second quarter of 2021, Mackenzie was awarded $680 million of sub-advisory mandates through our strategic partnership with ChinaAMC. During the second quarter of 2020, Mackenzie was awarded $2.6 billion of sub-advisory mandates from various clients. Excluding these transactions and the 2021 and 2020 transactions previously discussed, net sales were $5.5 billion for the twelve months ended December 31, 2021 compared to net sales of $3.0 billion last year. During the twelve months ended December 31, 2021, investment returns resulted in assets increasing by $7.4 billion compared to an increase of $6.1 billion last year.

As at December 31, 2021, Mackenzie's sub-advisory to Canada Life were $52.8 billion compared to $47.2 at December 31, 2020.

As at December 31, 2021, Mackenzie's sub-advisory to the Wealth Management segment were $81.2 billion or 69.9% of total Wealth Management assets under management compared to $74.2 billion or 72.0% of total Wealth Management assets under management at December 31, 2020.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2021 VS. Q3 2021

Mackenzie's total assets under management at December 31, 2021 were $210.3 billion, an increase of 3.4% from $203.3 billion at September 30, 2021. Assets under management excluding sub-advisory to the Wealth Management segment were $129.1 billion, an increase of 4.0% from $124.1 billion at September 30, 2021.

Investment fund assets under management were $68.4 billion at December 31, 2021, an increase of 5.5% from $64.8 billion at September 30, 2021. Mackenzie's mutual fund assets under management were $63.0 billion at December 31, 2021, an increase of 5.4% from $59.7 billion at September 30, 2021. Mackenzie's ETF assets were $5.4 billion at December 31, 2021 compared to $5.1 billion at September 30, 2021. ETF assets inclusive of IGM Financial's managed products were $12.7 billion at December 31, 2021 compared to $11.9 billion at September 30, 2021.

For the quarter ended December 31, 2021, Mackenzie mutual fund gross sales were $2.6 billion, an increase of 4.7% from the third quarter of 2021. Mutual fund redemptions were $2.1 billion, an increase of 24.0% from the third quarter of 2021. Net sales of Mackenzie mutual funds for the current quarter were $512 million compared with net sales of $799 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.0 billion, compared to $1.7 billion in the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 13.3% compared to 11.0% in the third quarter.

For the quarter ended December 31, 2021, Mackenzie ETF net creations were $245 million compared to $320 million in the third quarter.

Investment fund net sales in the current quarter were $757 million compared to net sales of $1.1 billion in the third quarter.

As at December 31, 2021, Mackenzie's sub-advisory to Canada Life were $52.8 billion compared to $51.1 at September 30, 2021.

As at December 31, 2021, Mackenzie's sub-advisory to the Wealth Management segment were $81.2 billion or 69.9% of total Wealth Management assets under management compared to $79.2 billion or 70.7% of total Wealth Management assets under management at September 30, 2021.

INVESTMENT MANAGEMENT

Mackenzie has $210.3 billion in assets under management at December 31, 2021, an all-time high, including $81.2 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong.

We continue to deliver our investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

Our investment team currently consists of seventeen boutiques, including the following additions during 2021:

- Addition of a new Canadian Equity boutique with the acquisition of GLC.
- Addition of a new boutique, Greenchip, that focuses on thematic investing to combat climate change, through the acquisition of Greenchip Financial Corp.
- Launch of a new sustainability-focused boutique "Betterworld" during the second quarter of 2021. This boutique invests exclusively in companies exemplifying leadership in environmental, social and governance (ESG) behaviours and practices.

Mackenzie's 56% ownership interest in Northleaf enhances its investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments, TOBAM, ChinaAMC, Impax Asset Management and Rockefeller Capital Management.

During 2021, Mackenzie undertook a number of initiatives on climate change in support of the global goal to reach net zero by 2050. This builds upon Mackenzie's sustainability strategy, and these items included the following:

- Signatory to the global Net Zero Asset Managers Initiative
- Founding participant to Climate Engagement Canada
- Founding Signatory to Responsible Investment Association's Canadian Investor Statement on Climate Change.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2021, 34.3% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 58.8% for the three year time frame and 59.5% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At December 31, 2021, 85.8% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 50.6% had a rating of four or five stars. This compared to the Morningstar† universe of 86.4% for three stars or better and 54.9% for four and five star funds at December 31, 2021.

Mackenzie was once again recognized for industry leading performance, winning eight 2021 Refinitiv Lipper Awards across its mutual funds and ETFs. The awards honour funds that lead in delivering strong, risk-adjusted performance relative to their peers:

- Mackenzie Canadian Growth Balanced Series F – Best ten-year performance in the Canadian Equity Balanced category. This fund is co-managed by Mackenzie's Bluewater, Fixed Income and Multi-Asset Strategies Teams.
- Mackenzie Canadian Growth Series F – Best ten-year performance in the Canadian Focused Equity category. This fund is managed by Mackenzie's Bluewater Team.
- Mackenzie Floating Rate Income Series F5 – Best five-year performance in the Floating Rate Loan category. This fund is managed by Mackenzie's Fixed Income Team.
- Mackenzie Global Resource Fund F U$ – Best ten-year performance in the Nature Resources Equity category. This fund is managed by Mackenzie's Resource Team.
- Mackenzie Precious Metals Fund F U$ – Best ten-year performance in the Precious Metals Equity category. This fund is managed by Mackenzie's Resource Team.
- Mackenzie Core Plus Canadian Fixed Income ETF – Best three-year and five-year performance in the ETF Canadian Fixed Income category. This ETF is managed by Mackenzie's Fixed Income Team.
- Mackenzie US TIPS Index ETF (CAD-Hedged) – Best three-year performance in the ETF Global Fixed Income category.

In addition, thirteen of Mackenzie's mutual funds and ETFs were recognized for industry leading performance at the Fundata FundGrade A+ awards.

PRODUCTS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2021, Mackenzie launched a number of new products and merged mutual funds to streamline and strengthen its product shelf. During 2021, Mackenzie launched ten mutual funds, two ETFs, and two alternative funds, including five mutual funds and one alternative fund during the fourth quarter. In January 2022, Mackenzie launched an additional two mutual funds, two ETFs and one alternative fund.

MUTUAL FUNDS

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors.

During the first three quarters of 2021, Mackenzie launched five mutual funds:

- Mackenzie Greenchip Global Balanced Fund
- Mackenzie Global Sustainable Bond Fund
- Mackenzie Tax-Managed Global Equity Fund
- Mackenzie Betterworld Canadian Equity Fund
- Mackenzie Betterworld Global Equity Fund

During the fourth quarter of 2021, Mackenzie launched five mutual funds:

- Furthering its commitment to offer Canadian investors expanded access to the strong growth taking place in China, Mackenzie launched the Mackenzie ChinaAMC All China Bond Fund and Mackenzie ChinaAMC Multi-Asset Fund. These Funds are sub-advised by ChinaAMC.
  - Mackenzie ChinaAMC All China Bond Fund seeks to generate above average income for investors with the potential for long-term capital growth by investing in China's fixed income markets, primarily in a diversified portfolio of Chinese fixed-income securities of any size, issued by companies and governments.
  - Mackenzie ChinaAMC Multi Asset Fund is an all-in-one solution for those seeking exposure to China. By investing in both fixed income and equity markets, the Fund offers the potential for favourable long term asset growth with high yield potential and the diversification benefits of low correlation to other markets.
- To address the needs of investors approaching retirement, Mackenzie added to the suite of Monthly Income Portfolios with the launch of the Mackenzie Monthly Income Growth Portfolio. This Fund is Mackenzie's first monthly income fund in the global equity balanced category. It seeks to provide investors with a diversified portfolio designed to provide a steady stream of income with long-term capital appreciation and reduced volatility. The Fund offers a fixed 4% distribution and is managed by Mackenzie's Multi-Asset Strategies Team.
- Mackenzie Global Green Bond Fund seeks to generate income with the potential for long-term capital appreciation by investing primarily in fixed income securities of global issuers of sustainable and responsible debt. The Fund focusses on labelled green bonds and other debt instruments that are used to finance a greener future. The Fund is managed by the Mackenzie Fixed Income Team.
- Mackenzie Maximum Diversification Global Multi-Asset Fund further expands the suite of Maximum Diversification portfolio solutions offered in partnership with sub-advisor TOBAM. The unique feature of the Fund is its exposure to cryptocurrency through an allocation to Bitcoin and Ethereum ETFs up to 10%. The Fund also has exposures to global equity and fixed income securities.

In January 2022, Mackenzie launched two mutual funds:

- Mackenzie North American Equity Fund invests primarily in US and Canadian companies, diversified across sectors and industries. The portfolio managers seek to identify leading businesses with above average growth rates and apply a strong valuation discipline when investing. The Fund is managed by the Mackenzie Bluewater Team.
- Mackenzie North American Balanced Fund invests with a balanced approach with value added from asset allocation and equity and fixed income selections. The Fund is in the global neutral balanced category, and as such will generally maintain between 40-60% equities and 40-60% fixed income, with a neutral target asset mix of 50% equity and 50% fixed income. The Fund is co-managed by the Mackenzie Bluewater Team, Mackenzie Fixed Team and Mackenzie Multi-Asset Strategies Team.

On July 30, 2021, Mackenzie wound-up the Mackenzie Financial Capital Corporation on a tax-deferred basis by merging each of the 34 corporate class funds into their corresponding trust fund equivalent. Changes to tax legislation and evolving market trends have eliminated many of the benefits that were available to corporate class funds. The continuing trust funds have a substantially similar investment objective.

EXCHANGE TRADED FUNDS

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option when building long-term diversified portfolios.

During 2021, Mackenzie launched two new ETFs. These ETFs further broadened our diverse offerings of ETFs:

- Wealthsimple Shariah World Equity Index ETF
- Mackenzie Global Sustainable Bond ETF

Mackenzie's current line-up consists of 43 ETFs: 24 active and strategic beta ETFs and 19 traditional index ETFs. ETF assets under management ended the quarter at $12.7 billion, inclusive of $7.3 billion in investments from IGM Financial's mutual funds. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

In early 2022, Mackenzie launched two ETFs:

- Wealthsimple Green Bond Index ETF seeks to replicate the performance of the Solactive Green Bond Index by investing primarily in investment-grade green, social and sustainable bonds, with its foreign currency exposure hedged back to the Canadian dollar. The Index will generally invest in issuers of green bonds that promote climate or other environmentally sustainable initiatives.
- Mackenzie Emerging Markets Equity Index ETF captures large and mid-cap representation across 20 emerging markets countries. It tracks the Solactive GBS Emerging Markets Large & Mid Cap CAD Index which is designed to track the performance of equity securities in emerging markets.

ALTERNATIVE FUNDS

During 2021 and early 2022, Mackenzie launched three products in collaboration with Northleaf Capital Partners (Northleaf) as part of its ongoing commitment to expand retail investor access to private market investment solutions.

- Mackenzie Northleaf Private Credit Fund was launched during the first quarter and is managed by Mackenzie's Fixed Income Team in partnership with Northleaf. It targets to invest a majority of its capital in Northleaf's senior secured private lending program for institutional investors. This enables the Fund to provide accredited retail investors with the opportunity to achieve higher income with enhanced lender protections as compared to investments in the public debt markets.
- Mackenzie Northleaf Private Infrastructure Fund was launched during the second quarter and is managed by Mackenzie's Multi-Asset Strategies Team in partnership with Northleaf. The Fund seeks to achieve long-term capital appreciation and income generation primarily through investments in private infrastructure assets.
- Mackenzie Northleaf Private Credit Interval Fund was launched during January 2022 and is managed by Mackenzie's Fixed Income Team in partnership with Northleaf. The Fund, a first-of-its-kind retail offering in Canada, uses an interval fund structure which allows for limited redemptions at quarterly intervals. This provides retail investors with a new way to access illiquid private credit investment strategies that have traditionally been reserved for accredited and institutional investors.

Review of Segment Operating Results

The Asset Management segment includes revenue earned on advisory mandates to the Wealth Management segment and investments into Mackenzie mutual funds and ETFs by the Wealth Management segment.

The Asset Management segment adjusted net earnings are presented in Table 18. Adjusted net earnings for the fourth quarter of 2021 were $65.3 million, an increase of 60.4% from the fourth quarter in 2020 and a decrease of 8.0% from the prior quarter.

Adjusted earnings before interest and taxes for the fourth quarter of 2021 were $92.4 million, an increase of 53.7% from the fourth quarter in 2020 and a decrease of 7.8% from the prior quarter.

2021 VS. 2020

REVENUES

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
  - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are retail and sold through third party financial advisors.
  - Redemption fees – consists of fees earned from the redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option.

TABLE 18: OPERATING RESULTS – ASSET MANAGEMENT

THREE MONTHS ENDED ($ millions)	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Revenues					
Asset management					
Asset management fees – third party	**$ 265.4**	$ 262.5	$ 215.1	1.1 %	23.4 %
Redemption fees	**1.4**	0.9	1.2	55.6	16.7
	266.8	263.4	216.3	1.3	23.3
Dealer compensation expenses					
Asset-based compensation	**(88.1)**	(86.9)	(73.5)	1.4	19.9
Sales-based compensation	**(3.6)**	(4.0)	(5.1)	(10.0)	(29.4)
	(91.7)	(90.9)	(78.6)	0.9	16.7
Net asset management fees – third party	**175.1**	172.5	137.7	1.5	27.2
Asset management fees – Wealth Management	**30.0**	29.7	25.8	1.0	16.3
Net asset management	**205.1**	202.2	163.5	1.4	25.4
Net investment income and other	**1.3**	2.2	1.0	(40.9)	30.0
	206.4	204.4	164.5	1.0	25.5
Expenses					
Advisory and business development	**24.1**	19.2	28.3	25.5	(14.8)
Operations and support	**88.3**	83.3	74.6	6.0	18.4
Sub-advisory	**1.6**	1.7	1.5	(5.9)	6.7
	114.0	104.2	104.4	9.4	9.2
Adjusted earnings before interest and taxes	**92.4**	100.2	60.1	(7.8)	53.7
Interest expense	**5.9**	5.9	5.2	–	13.5
Adjusted earnings before taxes	**86.5**	94.3	54.9	(8.3)	57.6
Income taxes	**21.2**	23.3	14.2	(9.0)	49.3
Adjusted net earnings	**$ 65.3**	$ 71.0	$ 40.7	(8.0) %	60.4 %

TABLE 18: OPERATING RESULTS – ASSET MANAGEMENT

TWELVE MONTHS ENDED ($ millions)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Revenues			
Asset management			
Asset management fees – third party	**$ 1,007.0**	$ 808.4	24.6 %
Redemption fees	**4.5**	4.5	–
	1,011.5	812.9	24.4
Dealer compensation expenses			
Asset-based compensation	**(335.8)**	(277.7)	20.9
Sales-based compensation	**(19.5)**	(21.8)	(10.6)
	(355.3)	(299.5)	18.6
Net asset management fees – third party	**656.2**	513.4	27.8
Asset management fees – Wealth Management	**114.6**	100.6	13.9
Net asset management	**770.8**	614.0	25.5
Net investment income and other	**5.8**	2.9	100.0
	776.6	616.9	25.9
Expenses			
Advisory and business development	**88.7**	80.2	10.6
Operations and support	**335.6**	293.7	14.3
Sub-advisory	**6.9**	8.7	(20.7)
	431.2	382.6	12.7
Adjusted earnings before interest and taxes	**345.4**	234.3	47.4
Interest expense	**23.6**	20.7	14.0
Adjusted earnings before taxes	**321.8**	213.6	50.7
Income taxes	**81.0**	55.7	45.4
Adjusted net earnings	**$ 240.8**	$ 157.9	52.5 %

Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option.

- Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Sales based compensation are paid to dealers on the sale of mutual funds under the deferred sales charge purchase option and on a low load purchase option.

• Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were $175.1 million for the three months ended December 31, 2021, an increase of $37.4 million or 27.2% from $137.7 million last year. The increase in net asset management fees – third party was primarily due to a 64.2% increase in average assets under management, as shown in Table 16, partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 54.8 basis points for the three months ended December 31, 2021 compared to 70.8 basis points in the comparative period in 2020. The decline in the net management fee rate was primarily due to the increase in sub-advisory assets from the GLC acquisition, which have lower effective rates.

Net asset management fees – third party were $656.2 million for the twelve months ended December 31, 2021, an increase of $142.8 million or 27.8% from $513.4 million last year. The increase in net asset management fees – third party was primarily due to a 69.4% increase in average assets under management, as shown in Table 16, partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 54.2 basis points for the twelve months ended December 31, 2021 compared to 72.0 basis points in the comparative period in 2020. The decline in the net management fee rate was primarily due to the increase in sub-advisory assets from the GLC acquisition, which have lower effective rates. Other factors include a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products. Contributing to the increase in non-retail assets was the onboarding of $2.6 billion of sub-advisory and institutional wins during the second quarter of 2020.

Management fees – Wealth Management were $30.0 million for the three months ended December 31, 2021, an increase of $4.2 million or 16.3% from $25.8 million last year. The increase in management fees was due to an increase in the effective management fee rate and a 11.2% increase in average assets under management. Mackenzie's management fee rate was 14.8 basis points for the three months ended December 31, 2021 compared to 14.2 basis points in the comparative period in 2020. The increase in the management fee rate was due to a change in the composition of assets under management.

Management fees – Wealth Management were $114.6 million for the twelve months ended December 31, 2021, an increase of $14.0 million or 13.9% from $100.6 million last year. The increase in management fees was due to an increase in the effective management fee rate and a 10.5% increase in average assets under management. Mackenzie's management fee rate was 14.7 basis points for the twelve months ended December 31, 2021 compared to 14.3 basis points in the comparative period in 2020. The increase in the management fee rate was due to a change in the composition of assets under management.

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $1.3 million for the three months ended December 31, 2021 compared to $1.0 million last year, and was $5.8 million for the twelve months ended December 31, 2021 compared to $2.9 million last year.

EXPENSES

Mackenzie incurs advisory and business development expenses that primarily include wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were $24.1 million for the three months ended December 31, 2021, a decrease of $4.2 million or 14.8% from $28.3 million in 2020. The decline in expenses in the current quarter is due to lower wholesaler commissions attributed to lower sales in the fourth quarter of 2021 compared to the fourth quarter of 2020. Expenses for the twelve months ended December 31, 2021 were $88.7 million, an increase of $8.5 million or 10.6% from $80.2 million last year. The increase in the twelve months ended December 31, 2021 compared to the prior year is due to higher wholesaler commissions attributed to record high level of sales during 2021.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were $88.3 million for the three months ended December 31, 2021, an increase of $13.7 million or 18.4% from $74.6 million in 2020. Expenses for the twelve months ended December 31, 2021 were $335.6 million, an increase of $41.9 million or 14.3% from $293.7 million last year. The increase in the three and twelve month periods ended December 31, 2021 compared to the prior year is due to strategic initiatives including the acquisitions during the fourth quarter of 2020.

Sub-advisory expenses were $1.6 million for the three months ended December 31, 2021, compared to $1.5 million in 2020. Expenses for the twelve months ended December 31, 2021 were $6.9 million, compared to $8.7 million last year.

INTEREST EXPENSE

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled $5.9 million in the fourth quarter of 2021 compared to $5.2 million in the fourth quarter of 2020. Interest expense for the twelve month period was $23.6 million compared to $20.7 million in 2020. Long-term debt interest expense is calculated based on a long-term debt allocation of $0.4 billion to Mackenzie.

Q4 2021 VS. Q3 2021

REVENUES

Net asset management fees – third party were $175.1 million for the current quarter, an increase of $2.6 million or 1.5% from $172.5 million in the third quarter. The increase in Net asset management fees – third party was primarily due to a 1.3% increase in average assets under management, as shown in Table 16, and an increase in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 54.8 basis points for the current quarter compared to 54.7 basis points in the third quarter.

Management fees – Wealth Management were $30.0 million in the current quarter, up from $29.7 million in the third quarter of 2021, primarily due to the increase in assets under management of 0.9% from the third quarter. The management fee rate was 14.8 basis points in the current quarter, consistent with the third quarter.

Net investment income and other was $1.3 million for the current quarter, a decrease of $0.9 million from the third quarter.

EXPENSES

Advisory and business development expenses were $24.1 million for the current quarter, an increase of $4.9 million or 25.5% from $19.2 million in the third quarter.

Operations and support expenses were $88.3 million for the current quarter, an increase of $5.0 million or 6.0% from $83.3 million compared to the third quarter.

Sub-advisory expenses were $1.6 million for the current quarter, compared to $1.7 million in the third quarter.

Strategic Investments and Other

Review of Segment Operating Results

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), Wealthsimple Financial Corp., Portag3 Ventures LPs., and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, ChinaAMC and Northleaf as well as net investment income on unallocated capital.

In January 2022, the Company entered into an agreement to acquire an additional 13.9% in ChinaAMC as discussed in the Consolidated Financial Position section of this MD&A. To partially fund the transaction, IGM Financial will sell 1.6% of its 4% interest in Lifeco.

In the third quarter of 2020, the Company sold its 24.8% equity interest in Personal Capital Corporation (Personal Capital) as discussed in the Consolidated Financial Position section of this MD&A.

Assets held by the Strategic Investments and Other segment are included in Table 19.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic Investments and Other segment adjusted net earnings are presented in Table 20.

2021 VS. 2020

The proportionate share of associates' earnings increased by $10.6 million in the fourth quarter of 2021 compared to the fourth quarter of 2020, and increased by $49.4 million in the twelve months ended December 31, 2021 compared to 2020. These earnings reflect equity earnings from Lifeco, ChinaAMC, Northleaf and, until the third quarter of 2020, Personal Capital, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the fourth quarter of 2021 resulted primarily from increases in the proportionate share of ChinaAMC's earnings of $5.2 million and Lifeco's earnings of $3.1 million. The increase in the twelve month period of 2021 resulted primarily from increases in the proportionate share of ChinaAMC's earnings of $20.1 million and Lifeco's earnings of $16.0 million and an increase due to Personal Capital, reflecting the sale of the Company's investment in the second quarter of 2020. The increase in both the three and twelve month periods was also due to the increase in the proportionate share of Northleaf's earnings of $1.8 million and $6.9 million, respectively, net of non-controlling interest.

Net investment income and other was $1.1 million in the fourth quarter of 2021, unchanged from 2020, and was $2.7 million in the twelve months ended December 31, 2021, a decrease from $6.0 million in 2020.

Q4 2021 VS. Q3 2021

The proportionate share of associates' earnings was $50.7 million in the fourth quarter of 2021, a decrease of $5.2 million from the third quarter of 2021, primarily due to a decrease in the proportionate share of Lifeco's earnings. Net investment income and other was $1.1 million in the fourth quarter of 2021, compared to $0.6 million in the third quarter.

TABLE 19: TOTAL ASSETS – STRATEGIC INVESTMENTS AND OTHER

($ millions)	2021 DECEMBER 31	2020 DECEMBER 31
Investments in associates		
Lifeco	**$ 1,020.8**	$ 962.4
ChinaAMC	**768.7**	720.3
Northleaf	**258.8**	248.5
	2,048.3	1,931.2
FVTOCI investments		
Wealthsimple (direct investment only)	**1,133.5**	511.6
Portag3 and other investments	**157.9**	81.7
	1,291.4	593.3
Unallocated capital and other	**767.5**	240.6
Total assets	**$ 4,107.2**	$ 2,765.1
Lifeco fair value	**$ 1,415.5**	$ 1,133.2

TABLE 20: OPERATING RESULTS – STRATEGIC INVESTMENTS AND OTHER

THREE MONTHS ENDED *($ millions)*	2021 DEC. 31	2021 SEP. 30	2020 DEC. 31	% CHANGE 2021 SEP. 30	% CHANGE 2020 DEC. 31
Revenues					
Net investment income and other	$ 1.1	$ 0.6	$ 1.1	83.3 %	– %
Proportionate share of associates' earnings					
Investment in Lifeco	30.4	35.3	27.3	(13.9)	11.4
Investment in ChinaAMC	17.0	17.0	11.8	–	44.1
Investment in Northleaf	3.3	3.6	1.0	(8.3)	230.0
	50.7	55.9	40.1	(9.3)	26.4
	51.8	56.5	41.2	(8.3)	25.7
Expenses					
Operations and support	1.3	1.2	0.9	8.3	44.4
Adjusted earnings before taxes	50.5	55.3	40.3	(8.7)	25.3
Income taxes	1.5	1.6	(1.7)	(6.3)	N/M
Adjusted net earnings	49.0	53.7	42.0	(8.8)	16.7
Non-controlling interest	0.7	0.7	0.2	–	250.0
Adjusted net earnings available to common shareholders	$ 48.3	$ 53.0	$ 41.8	(8.9) %	15.6 %

TWELVE MONTHS ENDED *($ millions)*	2021 DEC. 31	2020 DEC. 31	% CHANGE
Revenues			
Net investment income and other	$ 2.7	$ 6.0	(55.0) %
Proportionate share of associates' earnings			
Investment in Lifeco	125.1	109.1	14.7
Investment in ChinaAMC	61.6	41.5	48.4
Investment in Northleaf	9.7	1.0	N/M
Investment in Personal Capital	–	(4.6)	100.0
	196.4	147.0	33.6
	199.1	153.0	30.1
Expenses			
Operations and support	4.9	4.1	19.5
Adjusted earnings before taxes	194.2	148.9	30.4
Income taxes	4.9	(7.4)	N/M
Adjusted net earnings	189.3	156.3	21.1
Non-controlling interest	2.0	0.2	N/M
Adjusted net earnings available to common shareholders	$ 187.3	$ 156.1	20.0 %

IGM Financial Inc.

Consolidated Financial Position

IGM Financial's total assets were $17.7 billion at December 31, 2021, compared to $16.1 billion at December 31, 2020.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 21.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp. (Wealthsimple), and Portag3 Ventures LP, Portag3 Ventures II LP and Portage Ventures III LP (Portag3).

Wealthsimple is an online investment manager that provides financial investment guidance. The investment is classified at Fair value through other comprehensive income.

On May 3, 2021, Wealthsimple announced a $750 million equity fundraising, valuing IGM Financial's investment in Wealthsimple at $1,448 million. As part of the transaction, IGM Financial disposed of a portion of its investment for proceeds of $294 million ($258 million after-tax).

In 2021, a realized gain of $241 million ($209 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

The Company continues to be the largest shareholder in Wealthsimple with an interest of 23% and fair value of $1,153 million.

Portag3 consists of early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power Corporation of Canada.

The total fair value of Corporate investments of $1.4 billion at December 31, 2021 is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

In 2021, the Company recorded after-tax gains in Other comprehensive income of $834.5 million due to fair value changes in the Company's investments, primarily related to a $776.3 million fair value adjustment in the first quarter related to Wealthsimple.

In the fourth quarter of 2021, the Company recorded after-tax gains in Other comprehensive income of $31.5 million related to fair value changes in the Company's investment in Portag3 as well as the disposition of its investment in Aequitas Innovations, Inc. which is expected to close in 2022.

FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

LOANS

The composition of the Company's loans is detailed in Table 22.

Loans consisted of residential mortgages and represented 30.3% of total assets at December 31, 2021, compared to 39.4% at December 31, 2020.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An

TABLE 21: OTHER INVESTMENTS

	DECEMBER 31, 2021		DECEMBER 31, 2020	
($ millions)	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income				
Corporate investments	$ 226.2	$1,291.4	$ 251.4	$ 593.3
Fair value through profit or loss				
Equity securities	1.2	1.6	1.5	1.5
Proprietary investment funds	101.3	105.0	35.3	37.5
	102.5	106.6	36.8	39.0
	$ 328.7	$1,398.0	$ 288.2	$ 632.3

TABLE 22: LOANS

($ millions)	DECEMBER 31, 2021	DECEMBER 31, 2020
Amortized cost	$ 5,297.0	$ 6,329.4
Less: Allowance for expected credit losses	0.6	0.8
	5,296.4	6,328.6
Fair value through profit or loss	57.4	3.3
	$ 5,353.8	$ 6,331.9

offsetting liability, Obligations to securitization entities, has been recorded and totalled $5.1 billion at December 31, 2021, compared to $6.2 billion at December 31, 2020.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost. Total loans being held pending sale or securitization are $315.8 million at December 31, 2021, compared to $334.5 million at December 31, 2020.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. At December 31, 2021, IG Wealth Management serviced $9.7 billion of residential mortgages, including $2.3 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

Through the Company's mortgage banking operations, residential mortgages originated by IG Wealth Management mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal, are recorded at fair value, and iii) cash reserves held under the ABCP program are carried at amortized cost.

In the fourth quarter of 2021, the Company securitized loans through its mortgage banking operations with cash proceeds of $283.7 million compared to $422.8 million in 2020. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 7 to the Consolidated Financial Statements.

INVESTMENT IN ASSOCIATES

Great-West Lifeco Inc. (Lifeco)

At December 31, 2021, the Company held a 4.0% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three and twelve months ended December 31, 2021 compared with 2020 are shown in Table 23.

On January 5, 2022, to partially fund the acquisition of an additional 13.9% interest in ChinaAMC, the Company announced it will sell 15,200,662 common shares of Lifeco to Power for cash consideration of $575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. The sale of Lifeco is conditional on IGM Financial's purchase of the ChinaAMC shares and is expected to close in the first half of 2022.

In December 2020, Lifeco recorded a gain in relation to the revaluation of a deferred tax asset less certain restructuring and transaction costs. The Company's after-tax proportionate share of these adjustments was $3.4 million.

TABLE 23: INVESTMENT IN ASSOCIATES

($ millions)	DECEMBER 31, 2021 LIFECO	CHINAAMC	NORTHLEAF	TOTAL	DECEMBER 31, 2020 LIFECO	CHINAAMC	NORTHLEAF	PERSONAL CAPITAL[3]	TOTAL
THREE MONTHS ENDED									
Carrying value, October 1	**$ 1,001.5**	**$ 742.6**	**$ 255.3**	**$ 1,999.4**	$ 942.8	$ 713.0	$ –	$ –	$ 1,655.8
Investment	**–**	**–**	**0.2**	**0.2**	–	–	247.5	–	247.5
Dividends	**(18.3)**	**–**	**–**	**(18.3)**	(16.3)	–	–	–	(16.3)
Proportionate share of:									
Earnings[1]	**30.4**	**17.0**	**3.3**[2]	**50.7**	27.3	11.8	1.0[2]	–	40.1
Associate's adjustments[1]	**–**	**–**	**–**	**–**	3.4	–	–	–	3.4
Other comprehensive income (loss) and other adjustments	**7.2**	**9.1**	**–**	**16.3**	5.2	(4.5)	–	–	0.7
Carrying value, December 31	**$ 1,020.8**	**$ 768.7**	**$ 258.8**	**$ 2,048.3**	$ 962.4	$ 720.3	$ 248.5	$ –	$ 1,931.2
TWELVE MONTHS ENDED									
Carrying value, January 1	**$ 962.4**	**$ 720.3**	**$ 248.5**	**$ 1,931.2**	$ 896.7	$ 662.7	$ –	$ 194.5	$ 1,753.9
Investment	**–**	**–**	**0.6**	**0.6**	–	–	247.5	–	247.5
Dividends	**(67.4)**	**(26.8)**	**–**	**(94.2)**	(65.4)	(13.7)	–	–	(79.1)
Proportionate share of:									
Earnings (losses)[1]	**125.1**	**61.6**	**9.7**[2]	**196.4**	109.1	41.5	1.0[2]	(4.6)	147.0
Associate's adjustments[1]	**–**	**–**	**–**	**–**	3.4	–	–	–	3.4
Other comprehensive income (loss) and other adjustments	**0.7**	**13.6**	**–**	**14.3**	18.6	29.8	–	8.8	57.2
Disposition	**–**	**–**	**–**	**–**	–	–	–	(198.7)	(198.7)
Carrying value, December 31	**$ 1,020.8**	**$ 768.7**	**$ 258.8**	**$ 2,048.3**	$ 962.4	$ 720.3	$ 248.5	$ –	$ 1,931.2

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investments and Other segment.

(2) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $2.6 million and $7.7 million, respectively, for the three and twelve month periods in 2021 (2020 – $0.8 million in both periods).

(3) In 2020, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement.

China Asset Management Co., Ltd. (ChinaAMC)

Founded in 1998 as one of the first fund management companies in China, ChinaAMC has developed and maintained a position among the market leaders in China's asset management industry.

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,661.6 billion ($330.5 billion) at December 31, 2021, representing an increase of 13.7% (CAD$ 15.9%) from RMB¥ 1,461.1 billion ($285.1 billion) at December 31, 2020.

The equity method is used to account for the Company's 13.9% equity interest in ChinaAMC, as it exercises significant influence. Changes in the carrying value for the three and twelve months ended December 31, 2021 are shown in Table 23. The change in other comprehensive income of $9.1 million in the three month period ended December 31, 2021, was due to a 1.3% appreciation of the Chinese yuan relative to the Canadian dollar.

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of $1.15 billion from Power Corporation of Canada (Power) which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. The transaction is expected to close in the first half of 2022, subject to customary closing conditions, including Chinese regulatory approvals.

Northleaf Capital Group Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf, a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

The transaction was executed through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of $241 million and up to an additional $245 million in consideration at the end of five years from the acquisition date subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining equity and voting interest in Northleaf commencing in approximately five years from the acquisition date and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle therefore it recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%. Net of NCI, IGM Financial's investment at December 31, 2020 was $199.6 million, comprised of $192.6 million in cash consideration, $6.2 million in capitalized transaction costs, and proportionate share of 2020 earnings of $0.8 million.

Northleaf's assets under management, including invested capital and uninvested commitments, were $19.5 billion as at December 31, 2021 (December 31, 2020 – $14.6 billion). The increase of $4.9 billion in assets under management during the twelve month period was driven by $5.5 billion in new commitments and an increase of $0.1 billion related to foreign exchange on USD denominated assets, offset by a decrease of $0.7 billion in return of capital and other.

Personal Capital Corporation (Personal Capital)

In 2020, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of $232.8 million (USD $176.2 million) and up to an additional USD $24.6 million in consideration subject to Personal Capital achieving certain target growth objectives. As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of $37.2 million ($31.4 million net of tax) in Net investment income and other. During the fourth quarter of 2021, the Company recorded additional consideration receivable of $10.6 million ($7.7 million after tax) in Net investment income and other.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled $1,292.4 million at December 31, 2021 compared with $771.6 million at December 31, 2020. Cash and cash equivalents related to the Company's deposit operations were $1.3 million at December 31, 2021, compared to $5.2 million at December 31, 2020, as shown in Table 24.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities.

Working capital, which consists of current assets less current liabilities, totalled $908.0 million at December 31, 2021 compared with $330.8 million at December 31, 2020 (Table 25).

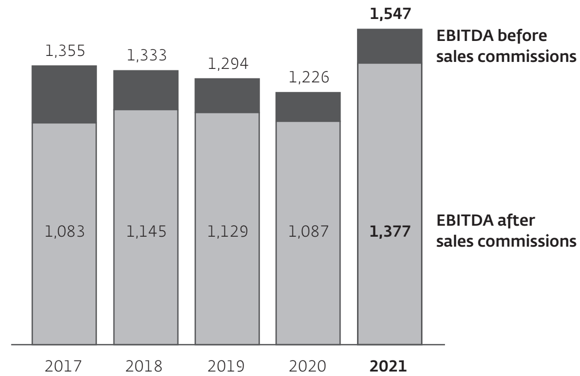
Working capital, which includes unallocated capital, is utilized to:

- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest related to long-term debt.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases and retirement of long-term debt.
- Capital investment in the business and business acquisitions.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions), a non-IFRS measure, totalled $1,547.0 million for the year ended December 31, 2021, compared to $1,226.4 million for 2020. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions), a non-IFRS measure, totalled $1376.5 million for the year ended December 31, 2021, compared to $1,086.9 million for 2020. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
For the financial year ($ millions)



Adjusted EBITDA before and after sales commissions excluded the following:

2017 – charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.

2018 – charges related to restructuring and other and the premium paid on the early redemption of debentures.

2019 – the Company's proportionate share of associate's one-time charges.

2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acqusition costs, the Company's proportionate share of associate's adjustments and restructuring and other.

2021 – additional consideration receivable related to the sale of Personal Capital in 2020.

TABLE 24: DEPOSIT OPERATIONS – FINANCIAL POSITION

AS AT DECEMBER 31 (*$ millions*)	**2021**	2020
Assets		
Cash and cash equivalents	**$ 1.3**	$ 5.2
Client funds on deposit	**2,238.6**	1,063.4
Accounts and other receivables	**0.6**	48.4
Loans	**10.8**	10.5
Total assets	**$ 2,251.3**	$ 1,127.5
Liabilities and shareholders' equity		
Deposit liabilities	**$ 2,220.3**	$ 1,104.9
Other liabilities	**20.4**	12.2
Shareholders' equity	**10.6**	10.4
Total liabilities and shareholders' equity	**$ 2,251.3**	$ 1,127.5

TABLE 25: WORKING CAPITAL

AS AT DECEMBER 31 (*$ millions*)	2021	2020
Current Assets		
Cash and cash equivalents	**$ 1,292.4**	$ 771.6
Client funds on deposit	**2,238.6**	1,063.4
Accounts receivable and other assets	**405.0**	391.3
Current portion of securitized mortgages and other	**1,234.5**	1,518.6
	5,170.5	3,744.9
Current Liabilities		
Accounts and other payables	**879.1**	756.5
Deposits and certificates	**2,219.0**	1,101.4
Current portion of obligations to securitization entities and other	**1,164.4**	1,556.2
	4,262.5	3,414.1
Working Capital	**$ 908.0**	$ 330.8

Refer to the Financial Instruments Risk section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity and funding risk.

CASH FLOWS

Table 26 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2021. Cash and cash equivalents increased by $520.8 million in 2021 compared to an increase of $51.6 million in 2020.

Adjustments to determine net cash from operating activities during the year ended 2021 compared to 2020 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sales commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The adjustment for other items in 2020, which included the add-back of restructuring provision and other and the deduction of the gain on the sale of the Company's investment in Personal Capital and the gain on the sale of the Quadrus Group of Funds.
- The deduction of restructuring provision cash payments.

Financing activities during the year ended December 31, 2021 compared to 2020 related to:

- An increase in obligations to securitization entities of $1,428.9 million and repayments of obligations to securitization entities of $2,442.7 million in 2021 compared to an increase in obligations to securitization entities of $1,568.5 million and repayments of obligations to securitization entities of $2,359.8 million in 2020.

TABLE 26: CASH FLOWS

TWELVE MONTHS ENDED (*$ millions*)	2021 DEC. 31	2020 DEC. 31	% CHANGE
Operating activities			
Earnings before income taxes	**$ 1,267.7**	$ 965.4	31.3 %
Income taxes paid	**(153.5)**	(172.3)	10.9
Adjustments to determine net cash from operating activities	**(170.6)**	(56.5)	(201.9)
	943.6	736.6	28.1
Financing activities	**(1,521.9)**	(1,358.4)	(12.0)
Investing activities	**1,099.1**	673.4	63.2
Change in cash and cash equivalents	**520.8**	51.6	N/M
Cash and cash equivalents, beginning of year	**771.6**	720.0	7.2
Cash and cash equivalents, end of year	**$ 1,292.4**	$ 771.6	67.5 %

- The payment of regular common share dividends which totalled $537.0 million in 2021 compared to $536.2 million in 2020.

Investing activities during the year ended December 31, 2021 compared to 2020 primarily related to:

- The purchases of other investments totalling $131.8 million and sales of other investments with proceeds of $348.2 million in 2021 compared to $32.7 million and $38.8 million, respectively, in 2020.
- An increase in loans of $1,776.1 million with repayments of loans and other of $2,744.7 million in 2021 compared to $1,793.0 million and $2,679.7 million, respectively, in 2020, primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was $75.3 million in 2021 compared to $68.8 million in 2020.

2020 also included the following investing activities:

- The acquisition of GLC Asset Management Group Ltd. for $175.8 million.
- The investment in Northleaf Capital Group Ltd. of $198.8 million.
- The sales of the Company's investment in Personal Capital and the Quadrus Group of Funds with proceeds of $262.8 million.

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt and common shareholders' equity which totalled $8.6 billion at December 31, 2021, compared to $7.1 billion at December 31, 2020. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The total outstanding long-term debt was $2.1 billion at December 31, 2021, unchanged from December 31, 2020. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Other activities in 2021 included the declaration of common share dividends of $537.8 million or $2.25 per share. Changes in common share capital are reflected in the Annual Consolidated Statements of Changes in Shareholders' Equity.

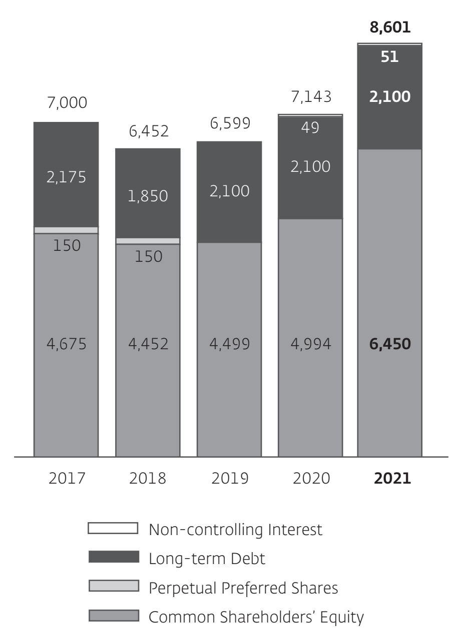
Standard & Poor's (S&P) current rating on the Company's senior unsecured debentures is "A" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

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

Capital

As at December 31 ($ millions)



The A rating assigned to IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

FINANCIAL INSTRUMENTS

Table 27 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.
- Loans classified as amortized cost are valued by discounting the expected future cash flows at prevailing market yields.
- Valuation methods used for Other investments classified as FVOCI include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 24 of the Consolidated Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the twelve months ended December 31, 2021.

TABLE 27: FINANCIAL INSTRUMENTS

	DECEMBER 31, 2021		DECEMBER 31, 2020	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	**$ 1,291.4**	**$ 1,291.4**	$ 593.3	$ 593.3
– Fair value through profit or loss	**106.6**	**106.6**	39.0	39.0
Loans				
– Fair value through profit or loss	**57.4**	**57.4**	3.3	3.3
Derivative financial instruments	**41.2**	**41.2**	37.3	37.3
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	**5,296.4**	**5,354.2**	6,328.6	6,532.8
Financial liabilities recorded at fair value				
Derivative financial instruments	**17.8**	**17.8**	34.5	34.5
Financial liabilities recorded at amortized cost				
Deposits and certificates	**2,220.3**	**2,220.5**	1,104.9	1,105.4
Obligations to securitization entities	**5,057.9**	**5,146.4**	6,173.9	6,345.2
Long-term debt	**2,100.0**	**2,544.4**	2,100.0	2,653.8

Risk Management

IGM Financial is exposed to a variety of risks that are inherent in our business activities. Our ability to manage these risks is key to our ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. Our approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

RISK MANAGEMENT FRAMEWORK

The Company's risk management approach is undertaken through our comprehensive Enterprise Risk Management (ERM) Framework which is composed of five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under our ERM Policy, which is approved by the Executive Risk Management Committee.

RISK GOVERNANCE

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM, Compliance and Internal Audit Departments.

The Risk Committee provides primary oversight and carries out its risk management mandate. The Risk Committee is responsible for assisting the Board in reviewing and overseeing the risk governance structure and risk management program of the Company by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as our compliance activities, including administration of the Code of Conduct.
- The Human Resource Committee oversees compensation policies and practices.
- The Governance and Nominating Committee oversees corporate governance practices.
- The Related Party and Conduct Review Committee oversees conflicts of interest.

Management oversight for risk management resides with the executive Risk Management Committee which is comprised of the Chief Executive Officers of IGM Financial, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, and the Chief Human Resources Officer. The committee is responsible for oversight of IGM Financial's risk management process by: i) establishing and maintaining the risk framework and policy; ii) defining the risk appetite; iii) ensuring our risk profile and processes are aligned with corporate strategy and risk appetite; and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line (the Internal Audit function) providing assurance and validation of the design and effectiveness of the ERM Framework.

In response to the impact of COVID-19, the Company is focusing our teams on addressing and managing COVID-19 issues and has established new committees and processes where required.

First Line of Defence

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's Legal and Compliance Departments which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

The Internal Audit Department is the third line of defence and provides independent assurance to senior management and the Board of Directors on the effectiveness of the Company's risk management policies, processes and practices.

RISK APPETITE AND RISK PRINCIPLES

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

RISK MANAGEMENT PROCESS

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.
- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks. Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Board Risk Committee.

RISK MANAGEMENT CULTURE

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in risk workshops and surveys to foster awareness and facilitate incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

KEY RISKS OF THE BUSINESS

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

This is the risk of an inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

Our liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance and other business leaders.

A key funding requirement is the funding of Consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and government regulations that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

As part of ongoing liquidity management during 2021 and 2020, the Company:

- Continued to assess additional funding sources for the Company's mortgage banking operations.
- Received proceeds of $310.8 million from the sales of a portion of the Company's investment in Wealthsimple and other investments in 2021.
- Received proceeds from the sales of the Company's investment in Personal Capital and the Quadrus Group of Funds of $262.8 million in 2020.
- Acquired GLC for $185 million and Northleaf for $241 million in 2020.

The Company's contractual obligations are reflected in Table 28.

The maturity schedule for long-term debt of $2.1 billion is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $825 million at December 31, 2021, unchanged from December 31, 2020. The lines of credit at December 31, 2021 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2020. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2021 and December 31, 2020, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2020, was completed in

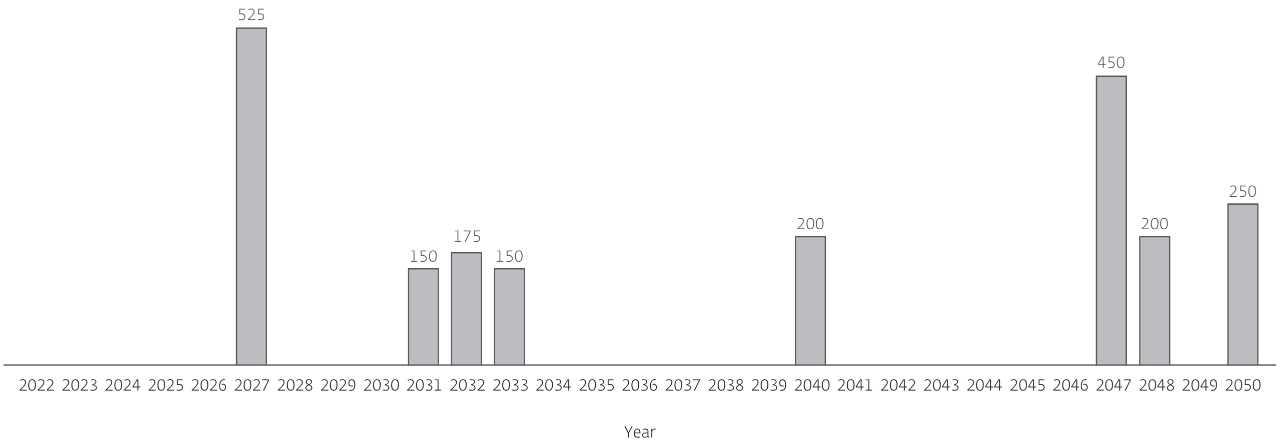
TABLE 28: CONTRACTUAL OBLIGATIONS

AS AT DECEMBER 31, 2021 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 6.7	$ 11.1	$ –	$ 17.8
Deposits and certificates	2,218.6	0.4	0.5	0.8	2,220.3
Obligations to securitization entities	–	1,157.8	3,893.3	6.8	5,057.9
Leases(1)	–	31.8	98.3	125.2	255.3
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding(2)	–	14.1	–	–	14.1
Total contractual obligations	$ 2,218.6	$ 1,210.8	$ 4,003.2	$ 2,232.8	$ 9,665.4

(1) Includes remaining lease payments related to office space and equipment used in the normal course of business.

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2021. Pension funding requirements beyond 2022 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Long-Term Debt Maturity Schedule
($ millions)



June 2021. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $61.3 million compared to $47.2 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2017. The increase in the solvency deficit resulted primarily as a result of lower interest rates and is required to be funded over five years. The registered pension plan had a going concern surplus of $79.2 million compared to $46.1 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2021. During the year, the Company has made cash contributions of $14.3 million (2020 – $25.6 million). IGM Financial expects annual contributions of approximately $14.1 million in 2022. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy. Effective December 20, 2021, the Government of Manitoba implemented funding changes for defined benefit pension plans. The changes include funding the solvency deficit only if it falls below 85% (previously was required to fund the entire solvency deficit). In determining the funding for going concern deficits, a margin known as the provision for adverse deviation will be added to the going concern deficit. The minimum provision is 5% of the going concern liabilities and can increase up to 22% based on the pension's target asset allocation. The funding period for going concern deficits will decrease from 15 years to 10 years. The changes in the funding requirements will be considered as part of the valuation of the pension plan that will be based on a measurement date of December 31, 2021. The changes also allow an employer to establish a solvency reserve account which is a separate account within the pension fund to which the employer can remit solvency deficiency payments. The administrator can refund all or a portion of the assets in this separate account to the employer provided the plan remains fully funded on a going concern basis and maintains a solvency ratio of at least 105%. Benefit improvements under the plan are not allowed if the solvency ratio is less than 85%.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2020.

CREDIT RISK

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

Cash and Cash Equivalents and Client Funds on Deposit

At December 31, 2021, cash and cash equivalents of $1,292.4 million (2020 – $771.6 million) consisted of cash balances of $326.2 million (2020 – $76.6 million) on deposit with Canadian chartered banks and cash equivalents of $966.2 million (2020 – $695.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $358.7 million (2020 – $96.0 million), provincial government treasury bills and promissory notes of $350.6 million (2020 – $148.8 million), bankers' acceptances of $198.3 million (2020 – $450.2 million) and other corporate commercial paper of $58.6 million (2020 – nil).

Client funds on deposit of $2,238.6 million (2020 – $1,063.4 million) represent cash balances held in client accounts deposited at Canadian financial institutions.

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

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2020.

Mortgage Portfolio

As at December 31, 2021, residential mortgages, recorded on the Company's balance sheet, of $5.4 billion (2020 – $6.3 billion) consisted of $5.0 billion sold to securitization programs (2020 – $6.0 billion), $315.8 million held pending sale or securitization (2020 – $334.5 million) and $13.7 million related to the Company's intermediary operations (2020 – $14.1 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling $2.6 billion (2020 – $3.2 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $2.4 billion (2020 – $2.8 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $67.6 million (2020 – $73.0 million) and $34.1 million (2020 – $45.6 million), respectively, at December 31, 2021. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages.

At December 31, 2021, residential mortgages recorded on balance sheet were 53.1% insured (2020 – 55.3%). As at December 31, 2021, impaired mortgages on these portfolios were $2.8 million, compared to $4.8 million at December 31, 2020. Uninsured non-performing mortgages over 90 days on these portfolios were $1.5 million at December 31, 2021, compared to $2.3 million at December 31, 2020.

The Company also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short Term Income Fund and to the IG Mackenzie Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

The Company's allowance for expected credit losses was $0.6 million at December 31, 2021, compared to $0.8 million at December 31, 2020, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2020.

Derivatives

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section of this MD&A.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of $39.5 million (2020 – $35.8 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $0.7 million at December 31, 2021 (2020 – $3.8 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2021. Management of credit risk related to derivatives has not changed materially since December 31, 2020.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Notes 2, 7 and 23 to the Consolidated Financial Statements.

MARKET RISK

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in interest rates, equity prices or foreign exchange rates.

Interest Rate Risk

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a fair value of $1.0 million (December 31, 2020 – negative $21.1 million) and an outstanding notional amount of $0.3 billion at December 31, 2021 (December 31, 2020 – $0.7 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled $3.5 million (December 31, 2020 – $19.9 million), on an outstanding notional amount of $1.3 billion at December 31, 2021 (December 31, 2020 – $1.3 billion). The net fair value of these swaps of $4.5 million at December 31, 2021 (December 31, 2020 – negative $1.2 million) is recorded on the balance sheet and has an outstanding notional amount of $1.6 billion (December 31, 2020 – $2.0 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth Management revenue over the term of the related Obligations to securitization entities. The fair value of these swaps was $0.6 million (December 31, 2020 – negative $0.3 million) on an outstanding notional amount of $128.6 million at December 31, 2021 (December 31, 2020 – $191.3 million).

As at December 31, 2021, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $3.0 million (December 31, 2020 – decrease of $1.3 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2020.

Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was $1.4 billion at December 31, 2021 (December 31, 2020 – $632.3 million), as shown in Table 21.

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. The Company hedges its exposure to this risk through the use of forward agreements and total return swaps.

Foreign Exchange Risk

IGM Financial is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. As at December 31, 2021, a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $36.3 million ($40.2 million).

The Company's proportionate share of ChinaAMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the year ended December 31, 2021, the impact to net earnings of a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately $2.9 million ($3.2 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

At December 31, 2021, IGM Financial's total assets under management and advisement were $277.1 billion compared to $240.0 billion at December 31, 2020.

The Company's primary sources of revenues are advisory fees and asset management fees which are applied as an annual percentage of the level of assets under management and advisement. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management and advisement on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

The Company's exposure to the value of assets under management and advisement aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets.

2) OPERATIONAL RISK

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

We are exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes.

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's Compliance Department, ERM Department and Internal Audit Department.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance

TABLE 29: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT DECEMBER 31, 2021	INVESTMENT FUNDS	TOTAL
Cash	1.2 %	2.2 %
Short-term fixed income and mortgages	3.7	3.5
Other fixed income	23.3	23.0
Domestic equity	20.6	25.8
Foreign equity	48.7	43.6
Real Property	2.5	1.9
	100.0 %	100.0 %
CAD	51.0 %	56.4 %
USD	32.4	29.5
Other	16.6	14.1
	100.0 %	100.0 %

that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

The Company's risk management framework emphasizes operational risk management and internal control. The Company has a very low appetite for risk in this area.

The business unit leaders are responsible for management of the day to day operational risks of their respective business units. Specific programs, policies, training, standards and governance processes have been developed to help manage operational risk.

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes simulation exercises on a regular basis. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

For the health and safety of the Company's employees and clients and to help efforts to limit the speed and spread of the COVID-19 infection, the Company moved substantially all of its employees and Consultants to work from home and temporarily closed its offices in March 2020. The Company is continuously assessing its plan and protocols, and taking direction from external governing bodies such as the Medical Officers of Health, to determine when employees and advisors will return to the office.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

TECHNOLOGY AND CYBER RISK

We use systems and technology to support business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. The volume of these activities in our society has increased since the onset of COVID-19. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and implemented threat and vulnerability assessment and response capabilities. Extended duration of work from home programs introduces increased need to mitigate risk of potential data loss.

THIRD PARTY RISK

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

MODEL RISK

We use a variety of models to assist in: the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position and reputation.

LEGAL AND REGULATORY COMPLIANCE RISK

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and continually evolve. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Board receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Compliance Department is responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight concerning regulatory compliance matters.

PRIVACY RISK

Our clients entrust us with their personal information, and we have a legal and ethical responsibility to protect it. In accordance with Canadian privacy laws, we collect only personal information that is necessary to provide our products and services to clients, or where we have consent to do so. We do not disclose personal information about clients unless required by law, when necessary to provide products or services to them, or as otherwise authorized by them.

If we need to share clients' personal information with third-party service providers, we remain responsible for that information and protect it through contracts that commit the service providers to maintain levels of protection comparable to ours.

IGM Financial has established an enterprise Privacy Policy, and our operating companies have supporting privacy policies and procedures relevant to their businesses. Our operating companies also have comprehensive procedures and controls to safeguard personal information and prevent privacy breaches. In the event of a privacy breach, our operating companies have policies and procedures to mitigate risks and prevent re-occurrence. If a breach is determined to pose a real risk of significant harm to a client, we will notify the individual, and the federal and/or provincial Privacy Commissioner where applicable, in a timely manner.

Employees and advisors are required to complete mandatory privacy training at onboarding, and annually thereafter. The training includes our privacy obligations, privacy tips and best practices, and how to prevent, handle and report privacy breaches, complaints and access to information requests. Each operating company also has its own Privacy Officer, who is responsible for the operating company's privacy program, provides guidance to employees and advisors, and manages our response to privacy concerns.

CONTINGENCIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) STRATEGIC RISK

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well-being of the Company and our shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer. The Company also has a strategy execution oversight function and committee that reviews and approves strategic initiative business cases and oversees progress against our strategic priorities and objectives.

The President and Chief Executive Officer of the Company, in collaboration with the Board of Directors, is responsible each year to develop, review and update the Company's strategic plan. The strategic plan sets out both the annual and longer-term objectives for the Company in light of emerging opportunities and risks and with a view to the Company's sustained profitable growth and long-term value creation. The Board is responsible for approving the Company's overall business strategy. In carrying out this responsibility, the Board reviews the short-, medium- and long-term risks associated with the strategic plan, considers the strengths and potential weaknesses of trends and opportunities, and approves the Company's annual business, financial and capital management plans. A portion of each Board meeting is dedicated to discussion of strategic matters including receiving updates on the progress and implementation of the strategic plan.

REGULATORY DEVELOPMENT RISK

This is the potential for changes to regulatory, legal, or tax requirements that may have an adverse impact on the Company's business activities or financial results.

We are exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

The Company continuously monitors regulatory developments, guidance and communications. .

ACQUISITION RISK

The Company is exposed to risks related to its acquisitions and strategic investments. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

4) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, inflation, demographics and other factors including geopolitical risk and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Consultants and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 30 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

CATASTROPHIC EVENTS OR LOSS

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance.

Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial markets and the level of the Company's assets under management and advisement.

TABLE 30: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2021 DEC. 31	2020 DEC. 31
IGM Financial Inc.		
IG Wealth Management	**9.2 %**	9.8 %
Mackenzie	**13.6 %**	16.6 %
Counsel	**22.3 %**	20.1 %

The global COVID-19 pandemic has caused economic disruption, adversely impacted economic conditions, has caused significant volatility in the level of financial markets, and has increased unemployment in Canada and globally.

In response, the Company implemented its business continuity plans and transitioned substantially all of its employees and Consultants to working from home.

It is difficult to predict the ongoing significance of the COVID-19 pandemic and government measures taken in response will affect world economies, our clients and our business. This event could have a material impact on the financial positions and results of the Company, subject to duration and severity.

PRODUCT / SERVICE OFFERING

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including investment performance, products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for further discussion.

We provide Consultants, independent financial advisors, as well as retail and institutional clients with a high level of service and support and a broad range of investment products, with a focus on building enduring relationships. The Company's subsidiaries also continually review their respective product and service offering and pricing to ensure competitiveness in the marketplace.

We strive to deliver strong investment performance on our products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

BUSINESS / CLIENT RELATIONSHIPS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and Consultants, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management Consultant network – IG Wealth Management derives all of its mutual fund sales through its Consultant network. IG Wealth Management Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of Consultants and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the Wealth Management Review of the Business section of this MD&A.

Asset Management – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. Lack of access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Asset Management Review of the Business section of this MD&A.

PEOPLE RISK

This risk refers to the potential inability to attract or retain employees or Consultants, develop them to an appropriate level of proficiency, or manage engagement and personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and engage sufficient numbers of qualified personnel could negatively affect IGM Financial's business and financial performance.

We have a Diversity, Equity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

We also have a Wellness Strategy to support our employees' wellbeing with a goal to ensure our employees are physically thriving, emotionally balanced, socially connected and financially secure.

COVID-19 has caused significant disruption in peoples' lives both professionally and personally. The Company's actions have included:

- Implementing a work at home strategy to maintain the health and safety of our employees and Consultants through social distancing.
- Providing tools and processes to enable our employees and Consultants to continue to operate effectively from home.
- Providing various wellness programs including Employee Assistance Programs, e-Health and other programs to support the mental and physical well-being of our employees, Consultants, and their families.
- Developing a return to office strategy including the introduction of a hybrid working model to enhance work life flexibility and to safely allow employees and Consultants to return to the office when appropriate.

5) *ENVIRONMENTAL AND SOCIAL RISK (INCLUDING CLIMATE CHANGE)*

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social (E&S) issues connected to our business operations, investment activities, meeting our sustainability commitments, and increasingly for regulatory compliance. We recognize that E&S risks can be within our operations or impact stakeholders along our supply chain, including clients, investee companies and suppliers.

Environmental risks include issues such as climate change, biodiversity and land use, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as: human rights; labour standards; diversity; equity and inclusion; Indigenous reconciliation; and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Sustainability Statement approved by the Board of Directors. Through its Risk Committee, the Board is responsible for ensuring that material E&S risks are appropriately identified, managed and monitored.

The Company's executive Risk Management Committee is responsible for oversight of the risk management process, including E&S and climate change risks. Other management committees provide oversight of specific risks including the Sustainability Committee and the Diversity and Inclusion Executive Council. The Sustainability Committee is composed of senior executives who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance (ESG) matters.

Our commitment to responsible management is demonstrated through various mechanisms. These include our Code of Conduct for employees, contractors, and directors; our Supplier Code of Conduct; our Workplace Harassment and Discrimination Prevention Policy; our Diversity Policy; our Environmental Policy; and other related policies.

IG Wealth Management and Mackenzie Investments, and their investment sub-advisors, are signatories to the Principles for Responsible Investment (PRI). Under the PRI, investors formally commit to incorporate ESG issues into their investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Sustainable Investment Policies outlining the practices at each company.

IGM Financial reports annually on ESG management and performance in its Sustainability Report available on our website. The Company has been recognized for demonstrating strong ESG performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, Corporate Knights' 2022 Global 100 and 2021 Best 50 Corporate Citizens.

IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management including setting and monitoring emission reduction targets. IGM Financial has been recognized by CDP at the leadership level for the past five years for its climate disclosures.

Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for enhanced information on climate-related risks and opportunities. IGM Financial and its operating companies support the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors, analysts, rating agencies and other stakeholders.

TCFD DISCLOSURE

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

GOVERNANCE

Our Board is responsible for providing oversight on risk and strategy, which includes sustainability and climate-related matters. The Board meets with management at least annually to discuss plans and emerging ESG issues. Through its Risk Committee, the Board is responsible for ensuring that material ESG risks are appropriately identified, managed and monitored.

The senior-most leaders at each of our operating companies have primary ownership and accountability for the ongoing climate risk and opportunity management associated with their respective activities. IGM Financial's Risk Management and Sustainability Committees perform oversight functions, and our Chief Financial Officer oversees implementation of the Corporate Sustainability and Enterprise Risk Management programs.

We have established a cross-functional, enterprise wide TCFD Working Group of senior leaders to lead the planning and implementation of the TCFD recommendations. This working group is focused on enhancing our knowledge and tools to quantify climate risks in tandem with our industry, further integrating climate into our business strategy, operations and product offering, evolving our engagement approach with investee companies, and addressing increased disclosure expectations.

The Mackenzie Sustainability Steering Committee is responsible for approving and governing corporate and sustainability related policies; approval and oversight for investment stewardship priorities including climate; approval and monitoring for targets related to climate change; and evaluation of progress relative to key performance indicators, strategy roadmap, and the market.

The IG Wealth Management Sustainable Investing Committee is responsible for reviewing and approving sustainable investing and ESG matters including but not limited to evaluating and considering climate-related risks and opportunities.

STRATEGY

Through IGM Financial's wealth and asset management businesses the company plays a role in the global transition to a low-carbon economy. In November 2021, IGM Financial detailed its climate commitments in a position statement on our website, with a focus on three key areas:

1. *Investing in a greener, climate resilient economy* – Our investment processes and products give us the opportunity to manage climate risks and create innovative solutions to our ongoing climate issues.

2. *Collaborating and engaging to help shape the global transition* – We play a role in bringing climate-smart investment advice and solutions to clients, helping companies adapt, and participating in industry and policy advancements.

3. *Demonstrating alignment through our corporate actions* – We will hold ourselves to a similar standard that we expect from the companies we invest in and empower our employees to stand behind our commitments.

Our operating companies are active participants in collaborative industry groups that support our climate commitments by engaging companies on improving climate change governance, reducing emissions and strengthening climate-related financial disclosures. IGM Financial also joined the Partnership for Carbon Accounting Financials (PCAF) to support our journey to measure and disclose the greenhouse gas emissions associated with our mortgage loans and investments.

Climate-related risks and opportunities are identified and assessed within IGM Financial through our business planning processes which define our strategic priorities, initiatives and budgets. Our climate-related risks and opportunities can be grouped into the physical impacts of climate change and the impacts related to the transition to a low-carbon economy.

Risks

Our climate risks relate primarily to the potential for physical or transition risks to: negatively affect the performance of our clients' investments, resulting in reduced fee revenue; harm our reputation; create market risks through shifts in product demand; or lead to new regulatory, legal or disclosure requirements that could affect our business. Diversification within and across our investment portfolios aids in managing exposure to any one company, sector or geographic region that might be exposed to climate-related risks. We are also exposed to the impact of extreme weather events on our corporate properties which could lead to business disruption, and on the valuations of investment properties and client mortgages, which if not addressed proactively, could affect financial performance and the ability to use the assets long-term.

Our operating companies are committed to sustainable investing programs and policies that include a focus on climate risk. We provide data and tools for our investment teams to carry out current and forward-looking climate analysis and we integrate material climate risks into our investment and oversight processes for investment management sub-advisors. As part of the hiring process and ongoing assessment of sub-advisors, our teams request information about how ESG, including climate risks and opportunities, is resourced, what processes and tools are used, metrics and targets, and how strategy and governance are influenced. As we continue to implement the TCFD recommendations, we are devoting increased resources to areas such as training, analysis, metrics, target-setting, strategy planning and working with collaborative organizations.

Opportunities

We are focused on meeting growing demand for sustainable investing and the opportunity to invest in the transition to a net-zero economy. We are also increasing our focus on educating and communicating with clients and advisors on sustainable investing and climate change.

At Mackenzie Investments, sustainable investing is an area of strategic emphasis, and we have established a dedicated team within Mackenzie's Sustainability Centre of Excellence who bring focus to ESG and climate across the organization. Mackenzie has an investment boutique, Greenchip, which is exclusively focused on thematic investing to combat climate change. In 2021, Mackenzie also launched the Betterworld Team who invests in companies making a positive impact on the people and the planet, and expanded its suite of climate offerings in 2021 through the addition of the Mackenzie Greenchip Global Balanced Fund, the Mackenzie Global Sustainable Bond ETF, and the Mackenzie Global Green Bond Fund.

At IG Wealth Management, we have integrated environmental and climate issues into our sub-advisory selection and oversight processes, and product development strategy. In October 2021, IG Wealth Management launched its Climate Action Portfolios, a suite of four diversified managed solutions which aim to provide clients with the opportunity to support and benefit from the global transition to net zero emissions.

Scenarios

We have implemented a tool for our investment funds to enhance our quantitative assessment of climate risks by analyzing emissions and other climate-related information at the investee company and portfolio levels. This system enables us to model potential transition pathways and track our portfolios against the goal of limiting global warming to 2°C above pre-industrial levels and examine the adequacy of emissions reductions over time in meeting the goals of the Paris Agreement. We are exploring scenario analysis tools with external data providers to support us in our efforts to run climate-related scenario analysis across our business.

RISK MANAGEMENT

Assessment and management of climate-related risks is integrated into our ERM framework. We use a consistent methodology across our organizations and business units for identification and assessment of risks, considering factors both internal and external to the organization. Risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social. We are increasingly focused on defining the relationship of climate risk to other material risks.

At Mackenzie Investments, each boutique investment team is responsible for determining when and how climate transition and physical risks are material, and for incorporating these risks into their investment process. At IG Wealth Management and IPC, management evaluates the sustainable investing practices of investment manager sub-advisors, including the integration of climate risks into their investment and active ownership practice.

Engagement

To maximize stewardship efforts, engagement at Mackenzie is undertaken both internally and by a third-party engagement specialist where climate change is a priority engagement topic. At IPC, a pooled engagement service provider is used to work with companies to enhance corporate behaviour and strategy related to topics including climate change. At IG Wealth Management, investment management sub-advisors including Mackenzie are responsible for engagement activities and IG Wealth Management monitors their practices as part of regular due diligence and oversight.

Mackenzie Investments became a founding participant in Climate Engagement Canada this quarter, and also participates in CERES' Investor Network on Climate Risk. Both Mackenzie Investments and IG Wealth Management support Climate Action 100+ and became founding signatories to the Canadian Investor Statement on Climate Change in October 2021.

METRICS AND TARGETS

We set, monitor and report on climate change-related metrics and targets annually in our CDP response and our Sustainability Report which are available on our website.

We currently report Scope 1, 2 and 3 GHG emissions, where possible, including Scope 3 investment emissions related to our real assets in the IG Real Property Fund. We are working to expand the measurement and reporting of emissions related to our investment portfolios in 2022.

Through IGM Financial's Climate Position Statement launched in November 2021, we have set a target to be climate neutral in our corporate offices and travel by the end of 2022. We also commit to setting interim targets for investment portfolios as a first step, consistent with the global ambition to achieve net zero emissions by 2050. As such, Mackenzie Investments joined the Net Zero Asset Managers Initiative and will set an interim investment target in line with the attainment of net zero emissions by 2050 or sooner by the end of 2022.

The Financial Services Environment

Canadians held $5.6 trillion in discretionary financial assets with financial institutions at December 31, 2020 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 64% ($3.6 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the $2.0 trillion held outside of a financial advisory relationship, approximately 59% consisted of bank deposits.

Financial advisors represent the primary distribution channel for IGM Financial's products and services, and the core emphasis of our business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. We actively promote the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 40% of Canadian discretionary financial assets or $2.2 trillion resided in investment funds at December 31, 2020, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 76% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With $185 billion in investment fund assets under management at December 31, 2021, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Traditional distinctions between bank branches, full-service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM Financial, that offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 47% of total industry long-term mutual fund assets at December 31, 2021.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 69% of industry long-term mutual fund assets and 69% of total mutual fund assets under management at December 31, 2021. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continues to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- A highly competitive landscape.
- Advancing and changing technology.

THE COMPETITIVE LANDSCAPE

Our subsidiaries, IG Wealth Management and Investment Planning Counsel, compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians' investment assets.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of our product and service offerings, including pricing, product structures, dealer and advisor compensation and disclosure. We monitor developments on an ongoing basis, and engage in policy discussions and develop product and service responses as appropriate.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective and responsible management of the Company and long-term value for our clients and shareholders.

We are midway through a five-year transformation to modernize our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Corporation group of companies.

BROAD AND DIVERSIFIED DISTRIBUTION

In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with global manufacturing and distribution entities to provide investment management services.

BROAD PRODUCT CAPABILITIES

Our subsidiaries continue to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

ENDURING CLIENT RELATIONSHIPS

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors have developed with clients. In addition, our subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

PART OF THE POWER CORPORATION GROUP OF COMPANIES

As part of the Power Corporation group of companies, IGM Financial benefits through expense savings from shared service arrangements, as well as through access to distribution, products and capital.

Critical Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying notes. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the financial services industry; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 2 of the Consolidated Financial Statements.

Critical accounting estimates relate to the fair value of financial instruments, goodwill and intangibles, income taxes, capitalized sales commissions, provisions and employee benefits.

The major critical accounting estimates are summarized below:

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans, deposits and certificates, obligations to securitization entities, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The fair value of financial instruments where published market prices are not available, including Corporate investments and derivatives related to the Company's securitized loans, are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 12 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

  These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing the recoverable amounts, valuation approaches are used that include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes, discount rates, and capitalization multiples.

  The Company completed its annual impairment tests of goodwill and indefinite life intangible assets as at April 1, 2021, and determined there was no impairment in the value of those assets.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 16 to the Consolidated Financial Statements.
- *Capitalized sales commissions* – Commissions paid directly by the client on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of capitalized sales commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized sales commission asset in relation to its carrying value. At December 31, 2021, there were no indications of impairment to capitalized sales commissions.

- *Provisions* – A provision is recognized when there is a present obligation as a result of a past transaction or event, it is "probable" that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, a single estimate, a weighted average of all possible outcomes, or the midpoint where there is a range of equally possible outcomes are all considered. A significant change in assessment of the likelihood or the best estimate may result in additional adjustments to net earnings.
- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings. The measurement date for the Company's defined benefit pension plan assets and for the accrued benefit obligations on all defined benefit plans is December 31.

  Due to the long-term nature of these plans, the calculation of the accrued benefit liability depends on various assumptions including discount rates, rates of return on assets, the level and types of benefits provided, healthcare cost trend rates, projected salary increases, retirement age, mortality and termination rates. The discount rate assumption is determined using a yield curve of AA corporate debt securities. All other assumptions are determined by management and reviewed by independent actuaries who calculate the pension and other future benefits expenses and accrued benefit obligations. Actual experience that differs from the actuarial assumptions will result in actuarial gains or losses as well as changes in benefits expense. The Company records actuarial gains and losses on all of its defined benefit plans in Other comprehensive income.

  During 2021, the performance of the defined benefit pension plan assets was positively impacted by market conditions. Corporate bond yields increased in 2021 thereby impacting the discount rate used to measure the Company's accrued benefit liability. The discount rate utilized to value the defined benefit pension plan accrued benefit liability at December 31, 2021 was 3.30% compared to 2.70% at December 31, 2020. Pension plan assets increased to $566.7 million at December 31, 2021 from $517.0 million at December 31, 2020. The increase in plan assets was due to market performance of $62.0 million comprised of interest income of $13.8 million calculated based on the discount rate, which was recorded as a reduction to the pension expense, and actuarial gains of $48.2 million, which were recorded in Other comprehensive income. The assets in the Company's registered defined benefit pension plan also increased due to the Company contributing $13.6 million (2020 – $25.6 million) to the pension plan. The increase in the discount rate utilized to value the defined benefit pension plan obligation resulted in actuarial gains of $75.5 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised which resulted in $3.3 million in net actuarial gains. The total defined benefit pension plan obligation was $588.4 million at December 31, 2021 compared to $650.1 million at December 31, 2020. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of $21.7 million at December 31, 2021 compared to $133.1 million at the end of 2020. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of $71.6 million and $32.6 million, respectively, at December 31, 2021 compared to $74.8 million and $42.1 million in 2020.

  A decrease of 0.25% in the discount rate utilized in 2021 would result in a change of $30.2 million in the accrued pension obligation, $27.8 million in other comprehensive income, and $2.4 million in pension expense. Additional information regarding the Company's accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 15 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

IGM Financial has not adopted any changes in accounting policies in 2021.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

The IASB is currently undertaking a number of projects which will result in changes to existing IFRS standards that may affect the Company. Updates will be provided as the projects develop.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that (a) material information relating to the Company is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluations as of December 31, 2021, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

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 adequate internal control over financial reporting.

All internal control systems have inherent limitations and may become inadequate 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.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2021, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Notwithstanding the above, during the fourth quarter of 2021, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with The Canada Life Assurance Company (Canada Life), which is a subsidiary of its affiliate, Lifeco, which is a subsidiary of Power Corporation of Canada. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2021 and 2020, the Company provided to and received from Canada Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributes insurance products under a distribution agreement with Canada Life and received $52.7 million in distribution fees (2020 – $45.1 million). The Company received $63.3 million (2020 – $18.4 million) and paid $22.6 million (2020 – $29.6 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $15.5 million (2020 – $78.3 million) to Canada Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2021, the Company sold residential mortgage loans to Canada Life for $11.9 million compared to $20.9 million in 2020.

After obtaining advanced tax rulings in October 2017, the Company agreed to tax loss consolidation transactions with the Power Corporation of Canada group whereby shares of a subsidiary that has generated tax losses may be acquired in each year up to and including 2020. On December 31, 2020, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired. The benefits from these tax loss consolidation arrangements ended at December 31, 2020.

On January 5, 2022, the Company entered into an agreement to acquire an additional interest in ChinaAMC from Power Corporation of Canada. The Company's Board of Directors (Board) established a special committee of independent directors (Committee) to assess, review and supervise negotiations regarding the proposed terms of the purchase of Power's equity interest in ChinaAMC and the sale of Lifeco shares and to make recommendations relating to the transactions to the Board. Having received and considered the recommendation of the Committee, the Board unanimously determined that each of the transactions is in the best interests of the Company and approved the transactions.

In 2020, additional transactions with related parties included the sale of Personal Capital, the investment in Northleaf, the acquisition of GLC Asset Management Group Ltd. and the sale of Quadrus Group of Funds (Notes 9 and 30 of the Consolidated Financial Statements).

For further information on transactions involving related parties, see Notes 9, 27 and 30 to the Company's Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2021 totalled 239,679,043. Outstanding stock options as at December 31, 2021 totalled 11,712,164 of which 6,179,244 were exercisable. As at February 4, 2022, outstanding common shares totalled 239,727,142 and outstanding stock options totalled 11,655,519 of which 6,131,145 were exercisable.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

Consolidated Financial Statements

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Independent Auditor's Report

To the Shareholders of IGM Financial Inc.

OPINION

We have audited the consolidated financial statements of IGM Financial Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

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

KEY AUDIT MATTERS

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Other investments – Wealthsimple Financial Corp. ("Wealthsimple") — Refer to Notes 2, 5 and 24 to the financial statements

Key Audit Matter Description

The Company's Other investments balance includes an equity investment in Wealthsimple, which is recognized at fair value through other comprehensive income. On May 3, 2021, Wealthsimple announced a $750 million equity fundraising, implying a fair value of the Company's investment in Wealthsimple of $1,153 million ("May 2021 transaction"). Given that Wealthsimple is a private company, significant management judgment is required in the determination of the fair value of the investment as at December 31, 2021. In determining fair value, recent arm's length market transactions, a market approach using observable valuation metrics, including revenue multiples, and discounted cash flow analysis were considered. Significant management judgment was required in determining the most appropriate valuation approaches and the related revenue multiples applied in the market approach. Management determined that the fair value was $1,153 million as at December 31, 2021.

Auditing the fair value of Wealthsimple as at December 31, 2021 required a high degree of auditor judgment which resulted in an increased extent of audit effort, including the use of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of fair value specialists, our audit procedures related to the fair value of Wealthsimple included the following, among others:

- We obtained the underlying source documents of the May 2021 transaction and analyzed the terms and determined if the transaction represented an appropriate estimate of fair value at the date of the transaction.
- We independently performed a retrospective evaluation and analyzed Wealthsimple's financial performance between the May 2021 transaction and December 31, 2021 using private investment financial information provided to the Company by Wealthsimple in order to determine the impact, if any, on the fair value determination as at December 31, 2021.
- We evaluated relevant internal and external information, including industry information, and assessed the reasonability of unobservable market inputs in instances where these inputs were more subjective.
- We evaluated other available information and considered whether this information corroborated or contradicted the Company's conclusions.
- We evaluated the appropriateness of fair value approaches and developed independent fair value estimates using an independent market approach by using private investment financial information provided to the Company by Wealthsimple, and analyzed comparable public company multiples and transactions.

OTHER INFORMATION

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

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Signed,
Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 10, 2022

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars, except per share amounts)*	2021	2020
Revenues		
Wealth management *(Note 3)*	$ 2,553,600	$ 2,259,576
Asset management	1,011,456	812,931
Dealer compensation expense	(335,970)	(283,163)
Net asset management *(Note 3)*	675,486	529,768
Net investment income and other *(Notes 9 and 30)*	22,542	78,209
Proportionate share of associates' earnings *(Note 9)*	196,367	150,429
	3,447,995	3,017,982
Expenses *(Note 4)*		
Advisory and business development	1,178,009	1,040,146
Operations and support	806,380	830,650
Sub-advisory	82,020	71,213
Interest *(Note 17)*	113,936	110,597
	2,180,345	2,052,606
Earnings before income taxes	1,267,650	965,376
Income taxes *(Note 16)*	286,763	200,770
Net earnings	980,887	764,606
Non-controlling interest *(Note 9)*	(1,938)	(198)
Net earnings available to common shareholders	$ 978,949	$ 764,408
Earnings per share *(in dollars) (Note 25)*		
– Basic	$ 4.10	$ 3.21
– Diluted	$ 4.08	$ 3.21

(See accompanying notes to consolidated financial statements.)

PART C
IGM FINANCIAL INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31
(in thousands of Canadian dollars)

	2021	2020
Net earnings	$ 980,887	$ 764,606
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Fair value through other comprehensive income investments		
Other comprehensive income (loss) *(Note 5), net of tax of $(130,242) and $(38,565)*	834,519	247,085
Employee benefits		
Net actuarial gains (losses), *net of tax of $(37,466) and $11,461*	101,283	(31,002)
Investment in associates – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	23,519	(2,906)
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), *net of tax of $(4,284) and $(1,900)*	(3,787)	50,889
	955,534	264,066
Total comprehensive income	$ 1,936,421	$ 1,028,672

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31
(in thousands of Canadian dollars)

	2021	2020
Assets		
Cash and cash equivalents	$ 1,292,446	$ 771,585
Other investments *(Note 5)*	1,398,023	632,300
Client funds on deposit	2,238,624	1,063,442
Accounts and other receivables	387,157	444,458
Income taxes recoverable	17,344	30,366
Loans *(Note 6)*	5,353,842	6,331,855
Derivative financial instruments *(Note 23)*	41,172	37,334
Other assets *(Note 8)*	54,298	49,782
Investment in associates *(Note 9)*	2,048,255	1,931,168
Capital assets *(Note 10)*	315,964	329,690
Capitalized sales commissions *(Note 11)*	325,424	231,085
Deferred income taxes *(Note 16)*	29,269	84,624
Intangible assets *(Note 12)*	1,356,704	1,321,590
Goodwill *(Note 12)*	2,802,066	2,803,075
	$ 17,660,588	$ 16,062,354
Liabilities		
Accounts payable and accrued liabilities	$ 553,429	$ 486,575
Income taxes payable	104,113	7,146
Derivative financial instruments *(Note 23)*	17,773	34,514
Deposits and certificates *(Note 13)*	2,220,274	1,104,889
Other liabilities *(Note 14)*	382,466	536,141
Obligations to securitization entities *(Note 7)*	5,057,917	6,173,886
Lease obligations	197,969	188,334
Deferred income taxes *(Note 16)*	525,476	388,079
Long-term debt *(Note 17)*	2,100,000	2,100,000
	11,159,417	11,019,564
Shareholders' Equity		
Share capital *(Note 18)*		
Common shares	1,658,680	1,598,381
Contributed surplus	51,069	51,663
Retained earnings	3,856,996	3,207,469
Accumulated other comprehensive income (loss) *(Note 21)*	883,083	136,364
Non-controlling interest *(Note 9)*	51,343	48,913
	6,501,171	5,042,790
	$ 17,660,588	$ 16,062,354

These financial statements were approved and authorized for issuance by the Board of Directors on February 10, 2022.

Signed,
James O'Sullivan
Director

Signed,
John McCallum
Director

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	SHARE CAPITAL – COMMON SHARES *(Note 18)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 21)*	NON-CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
2021						
Balance, beginning of year	**$ 1,598,381**	**$ 51,663**	**$ 3,207,469**	**$ 136,364**	**$ 48,913**	**$ 5,042,790**
Net earnings	–	–	980,887	–	–	980,887
Other comprehensive income (loss), net of tax	–	–	–	955,534	–	955,534
Total comprehensive income	–	–	980,887	955,534	–	1,936,421
Common shares						
Issued under stock option plan	60,299	–	–	–	–	60,299
Stock options						
Current period expense	–	3,802	–	–	–	3,802
Exercised	–	(4,396)	–	–	–	(4,396)
Common share dividends	–	–	(537,795)	–	–	(537,795)
Non-controlling interest	–	–	(1,938)	–	2,430	492
Transfer out of fair value through other comprehensive income *(Note 5)*	–	–	208,815	(208,815)	–	–
Other	–	–	(442)	–	–	(442)
Balance, end of year	**$ 1,658,680**	**$ 51,069**	**$ 3,856,996**	**$ 883,083**	**$ 51,343**	**$ 6,501,171**
2020						
Balance, beginning of year	$ 1,597,860	$ 48,677	$ 2,980,260	$ (127,702)	$ –	$ 4,499,095
Net earnings	–	–	764,606	–	–	764,606
Other comprehensive income (loss), net of tax	–	–	–	264,066	–	264,066
Total comprehensive income	–	–	764,606	264,066	–	1,028,672
Common shares						
Issued under stock option plan	521	–	–	–	–	521
Stock options						
Current period expense	–	3,010	–	–	–	3,010
Exercised	–	(24)	–	–	–	(24)
Common share dividends	–	–	(536,194)	–	–	(536,194)
Non-controlling interest	–	–	(198)	–	48,913	48,715
Other	–	–	(1,005)	–	–	(1,005)
Balance, end of year	$ 1,598,381	$ 51,663	$ 3,207,469	$ 136,364	$ 48,913	$ 5,042,790

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars)*	2021	2020
Operating activities		
Earnings before income taxes	$ 1,267,650	$ 965,376
Income taxes paid	(153,501)	(172,319)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	56,683	36,433
Capitalized sales commissions paid	(151,022)	(117,652)
Amortization of capital, intangible and other assets	99,818	83,498
Proportionate share of associates' earnings, net of dividends received	(102,134)	(71,328)
Pension and other post-employment benefits	14,403	(4,758)
Restructuring provisions and other	–	74,460
Gain on sale of Personal Capital Corporation	–	(37,232)
Gain on sale of Quadrus Group of Funds	–	(30,000)
Changes in operating assets and liabilities and other	(38,342)	26,772
Cash from operating activites before restructuring provision payments	993,555	753,250
Restructuring provision cash payments	(49,965)	(16,625)
	943,590	736,625
Financing activities		
Net decrease in deposits and certificates	(3,861)	(5,832)
Increase in obligations to securitization entities	1,428,861	1,568,521
Repayments of obligations to securitization entities and other	(2,442,698)	(2,359,844)
Repayment of lease obligations	(23,023)	(25,579)
Issue of common shares	55,904	498
Common share dividends paid	(537,027)	(536,186)
	(1,521,844)	(1,358,422)
Investing activities		
Purchase of other investments	(131,778)	(32,651)
Proceeds from the sale of other investments	348,206	38,840
Increase in loans	(1,776,070)	(1,792,995)
Repayment of loans and other	2,744,676	2,679,740
Net additions to capital assets	(10,643)	(38,991)
Net cash used in additions to intangible assets	(75,276)	(68,808)
Investment in Northleaf Capital Group Ltd. (Note 9)	–	(198,793)
Acquisition of GLC Asset Management Group Ltd. (Note 30)	–	(175,788)
Proceeds from sale of Personal Capital Corporation (Note 9)	–	232,823
Proceeds from sale of Quadrus Group of Funds (Note 9)	–	30,000
	1,099,115	673,377
Increase in cash and cash equivalents	520,861	51,580
Cash and cash equivalents, beginning of year	771,585	720,005
Cash and cash equivalents, end of year	$ 1,292,446	$ 771,585
Cash	$ 326,225	$ 76,617
Cash equivalents	966,221	694,968
	$ 1,292,446	$ 771,585
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 247,377	$ 267,369
Interest paid	$ 221,129	$ 256,272

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

December 31, 2021 and 2020 *(In thousands of Canadian dollars, except shares and per share amounts)*

NOTE 1 CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Corporation of Canada.

IGM Financial Inc. is a wealth and asset management company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation (Mackenzie).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The policies set out below were consistently applied to all the periods presented unless otherwise noted.

USE OF JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. The key areas where judgment has been applied include: the determination of which financial assets should be derecognized; the assessment of the appropriate classification of financial instruments, including those classified as fair value through profit or loss; and the assessment that significant influence exists for its investment in associates. Key components of the financial statements requiring management to make estimates include: the fair value of financial instruments, goodwill, intangible assets, income taxes, capitalized sales commissions, provisions and employee benefits. Actual results may differ from such estimates. Further detail of judgments and estimates are found in the remainder of Note 2 and in Notes 5, 7, 9, 11, 12, 14, 15, 16, 24 and 30. The twelve months ended December 31, 2020 and 2021, were characterized by increased uncertainty due to COVID-19. The Company is closely monitoring the current environment and assessing the impacts, if any, on its significant assumptions related to critical estimates.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

The Company's investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf) are accounted for using the equity method. The investments were initially recorded at cost and the carrying amounts are increased or decreased to recognize the Company's share of the investments' comprehensive income (loss) and the dividends received since the date of acquisition. The equity method was used to account for the Company's equity interest in Personal Capital Corporation (Personal Capital) until the announcement of the sale of the investment on June 29, 2020.

REVENUE RECOGNITION

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Revenues from financial advisory fees and investment management and related administration fees are based on the net asset value of investment funds or other assets under advisement and are accrued as services are performed. Distribution revenue associated with insurance and banking products and services are also recognized on an accrual basis while distribution fees derived from investment fund and securities transactions are recognized on a trade date basis.

Asset management revenue related to investment management advisory and administrative services is based on the net asset value of investment funds and other assets under management and is accrued as services are performed.

FINANCIAL INSTRUMENTS

All financial assets are initially recognized at fair value in the Consolidated Balance Sheets and are subsequently classified as measured at FVTPL, fair value through other comprehensive income (FVTOCI) or amortized cost based on the Company's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics.

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. A financial asset is measured at FVTOCI if the financial asset is held within a business model of both collecting contractual cash flows and selling the financial assets or through an irrevocable election for equity instruments that are not held for trading. All other financial assets are measured at FVTPL. A financial asset that would otherwise be measured at amortized cost or FVTOCI can be designated as FVTPL through an irrevocable election if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets can only be reclassified when there is a change to the business model within which they are managed. Such reclassifications are applied on a prospective basis.

Financial liabilities are classified either as measured at amortized cost using the effective interest method or as FVTPL, which are recorded at fair value.

Unrealized gains and losses on financial assets classified as FVTOCI as well as other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its associates, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Earnings.

OTHER INVESTMENTS

Other investments, which are recorded on a trade date basis, are classified as either FVTOCI or FVTPL.

The Company has elected to classify certain equity investments that are not held for trading as FVTOCI. Unrealized gains and losses on these FVTOCI investments are recorded in Other comprehensive income and transferred directly to retained earnings when realized without being recorded through profit or loss. Dividends declared are recorded in Net investment income and other in the Consolidated Statements of Earnings.

FVTPL investments are held for trading and are comprised of fixed income and equity investments and investments in proprietary investment funds. Unrealized and realized gains and losses, dividends declared, and interest income on these investments are recorded in Net investment income and other in the Consolidated Statements of Earnings.

LOANS

Loans are classified as either FVTPL or amortized cost, based on the Company's assessment of the business model within which the loan is managed. Revenues from mortgage activities are included in Wealth Management revenues in the Consolidated Statement of Earnings.

Changes in fair value of loans measured at FVTPL are recorded in Wealth management revenue in the Consolidated Statements of Earnings. Loans measured at amortized cost are recorded net of an allowance for expected credit losses. Interest income is accounted for on the accrual basis using the effective interest method for all loans and is recorded in Wealth management revenue in the Consolidated Statements of Earnings.

The Company applies a three-stage impairment approach to measure expected credit losses on loans: 1) On origination, an allowance for 12-month expected credit losses is established, 2) Lifetime expected credit losses are recognized where there is a significant deterioration of credit quality, and 3) A loan is considered credit impaired when there is no longer reasonable assurance of collection.

DERECOGNITION

The Company enters into transactions where it transfers financial assets recognized on its balance sheet. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in Wealth management revenue in the Consolidated Statements of Earnings. The transactions for financial assets that are not derecognized are accounted for as secured financing transactions.

SALES COMMISSIONS

Commissions are paid on investment product sales where the Company either receives a fee directly from the client or where it receives a fee directly from the investment fund.

Commissions paid on investment product sales where the Company earns fees from a client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. The Company regularly reviews the carrying value of capitalized selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

CAPITAL ASSETS

Capital assets are comprised of Property and equipment and Right-of-use assets.

Property and equipment

Buildings, furnishings and equipment are amortized on a straight-line basis over their estimated useful lives, which range from 3 to 17 years for equipment and furnishings and 10 to 50 years for the building and its components. Capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Right-of-use assets

A right-of-use asset representing the Company's property leases is depreciated using the straight-line method from the commencement date to the end of the lease term and is recorded in Advisory and business development and Operations and support expenses.

LEASES

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability. Imputed interest on the lease liability is recorded in Interest expense.

Lease payments included in the measurement of the lease liability comprises fixed payments less any lease incentives receivable, variable payments that depend on an index or a rate, and payments or penalties for terminating the lease, if any. The lease payments are discounted using the Company's incremental borrowing rate, which is applied to portfolios of leases with reasonably similar characteristics.

The Company does not recognize a right-of-use asset or lease liability for leases that, at commencement date, have a lease term of 12 months or less, and leases for which the underlying asset is of low value. The Company recognizes the payments associated with these leases as an expense on a straight-line basis over the term of the lease.

GOODWILL AND INTANGIBLE ASSETS

The Company tests the carrying value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

GOODWILL AND INTANGIBLE ASSETS *(continued)*

Investment fund management contracts have been assessed to have an indefinite useful life as the contractual right to manage the assets has no fixed term.

Trade names have been assessed to have an indefinite useful life as they contribute to the revenues of the Company's integrated asset management business as a whole and the Company intends to utilize them for the foreseeable future.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Software assets are amortized over a period not exceeding 7 years and distribution and other management contracts are amortized over a period not exceeding 20 years. Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

EMPLOYEE BENEFITS

The Company maintains a number of employee benefit plans including defined benefit plans and defined contribution pension plans for eligible employees. These plans are related parties in accordance with IFRS. The Company's defined benefit plans include a funded defined benefit pension plan for eligible employees, unfunded supplementary executive retirement plans (SERP) for certain executive officers, and an unfunded post-employment health care, dental and life insurance plan for eligible retirees.

The defined benefit pension plan provides pensions based on length of service and final average earnings.

The cost of the defined benefit plans is actuarially determined using the projected unit credit method prorated on service based upon management's assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company's accrued benefit liability in respect of defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets. The Company determines the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined using a yield curve of AA corporate debt securities.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Current service costs, past service costs and curtailment gains or losses are included in Operations and support expenses.

Remeasurements arising from defined benefit plans represent actuarial gains and losses and the actual return on plan assets, less interest calculated at the discount rate. Remeasurements are recognized immediately through Other comprehensive income (OCI) and are not reclassified to net earnings.

The accrued benefit liability represents the deficit related to defined benefit plans and is included in Other liabilities.

Payments to the defined contribution pension plans are expensed as incurred.

SHARE-BASED PAYMENTS

The Company uses the fair value based method to account for stock options granted to employees. The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

The Company recognizes a liability for cash settled awards including those granted under the Performance Share Unit, Restricted Share Unit and Deferred Share Unit plans. Compensation expense is recognized over the vesting period, net of related hedges. The liability is remeasured at fair value at each reporting period.

PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present obligation where a reliable estimate can be made, and it is probable that an outflow of resources will be required to settle the obligation.

INCOME TAXES

The Company uses the liability method in accounting for income taxes whereby deferred income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases and tax loss carryforwards. Deferred income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

EARNINGS PER SHARE

Basic earnings per share is determined by dividing Net earnings available to common shareholders by the weighted average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury stock method.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized by the Company in the management of equity price and interest rate risks. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all hedging relationships, as well as its risk management objective and strategy for undertaking various hedging transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheets.

Derivative financial instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness offset the changes in fair values or cash flows of hedged items. A hedge is designated either as a cash flow hedge or a fair value hedge. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which is reclassified to the Consolidated Statements of Earnings when the hedged item affects earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge is recorded in the Consolidated Statements of Earnings. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Earnings.

The Company enters into interest rate swaps as part of its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Swaps entered into to hedge the costs of funds on certain securitization activities are designated as hedging instruments (Note 23). The effective portion of changes in fair value are initially recorded in Other comprehensive income and subsequently recorded in Wealth management revenue in the Consolidated Statements of Earnings over the term of the associated Obligations to securitization entities. Remaining mortgage related swaps are not designated as hedging instruments and changes in fair value are recorded directly in Wealth management revenue in the Consolidated Statements of Earnings.

The Company also enters into total return swaps and forward agreements to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. Total return swap and forward agreements require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these derivatives are not designated as hedging instruments and changes in fair value are recorded in Operations and support expenses in the Consolidated Statements of Earnings.

Derivatives continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount is presented on the Consolidated Balance Sheets when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations and has determined that amendments effective January 1, 2022, will have no material impact.

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS

	2021	2020
Advisory fees	$ 1,397,859	$ 1,229,299
Product and program fees	961,122	846,341
	2,358,981	2,075,640
Redemption fees	10,029	15,965
Other financial planning revenues	184,590	167,971
Wealth management	2,553,600	2,259,576
Asset management	1,011,456	812,931
Dealer compensation expense	(335,970)	(283,163)
Net asset management	675,486	529,768
Net revenues from contracts with customers	$ 3,229,086	$ 2,789,344

Wealth management revenue is earned by providing financial planning, investment advisory and related financial services. Advisory fees, related to financial planning, are associated with assets under management and advisement. Product and program fees, related to investment management and administration services, are associated with assets under management. Other financial planning revenues include insurance, banking products and services, and mortgage lending activities.

Asset management revenue, related to investment management advisory and administrative services, depends on the level and composition of assets under management.

NOTE 4 EXPENSES

	2021	2020
Commissions	$ 918,793	$ 787,684
Salaries and employee benefits	590,388	556,115
Restructuring and other	–	74,460
Occupancy	27,117	28,608
Amortization of capital, intangible and other assets	99,818	83,498
Other	348,273	340,431
	1,984,389	1,870,796
Sub-advisory	82,020	71,213
Interest	113,936	110,597
	$ 2,180,345	$ 2,052,606

During 2020, the Company incurred restructuring and other charges of $74.5 million related to the ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC Asset Management (GLC) and other changes to our investment management teams. As a result of these initiatives, the Company recorded costs relating to restructuring and downsizing certain related party sharing services activities as well as impairment of redundant internally generated software assets.

NOTE 5 OTHER INVESTMENTS

	2021		2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	$ 226,220	$ 1,291,434	$ 251,417	$ 593,273
Fair value through profit or loss (FVTPL)				
Equity securities	1,173	1,552	1,499	1,513
Proprietary investment funds	101,327	105,037	35,254	37,514
	102,500	106,589	36,753	39,027
	$ 328,720	$ 1,398,023	$ 288,170	$ 632,300

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp. (Wealthsimple), and Portag3 Ventures LP, Portag3 Ventures II LP and Portage Ventures III LP (Portag3). Portag3 is an early-stage investment fund dedicated to backing innovating financial services companies. Portag3 is controlled by Power Corporation of Canada.

The total fair value of Corporate investments of $1,291.4 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

Investment in Wealthsimple

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. The Company's investment in Wealthsimple is held through a limited partnership controlled by Power Corporation of Canada. The investment is classified at Fair Value Through Other Comprehensive Income.

On May 3, 2021, Wealthsimple announced a $750 million equity fundraising, valuing IGM Financial Inc.'s investment in Wealthsimple at $1,448 million. As part of the transaction, IGM Financial Inc. disposed of a portion of its investment for proceeds of $294 million ($258 million after-tax).

In 2021, a realized gain of $241 million ($209 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

On October 14, 2020, Wealthsimple announced a $114 million equity fundraising. The purchase price associated with this fundraising valued the common equity of Wealthsimple at $1.5 billion ($1.4 billion pre-money valuation).

IGM Financial Inc. holds directly and indirectly a 23% interest in Wealthsimple (2020 – 36%) valued at $1,153 million at December 31, 2021 (2020 – $550 million).

FAIR VALUE THROUGH PROFIT OR LOSS

Proprietary investment funds

The Company manages and provides services and earns management and administration fees, in respect of investment funds that are not recognized in the Consolidated Balance Sheets. As at December 31, 2021, there were $184.5 billion in investment fund assets under management (2020 – $159.5 billion). The Company's investments in proprietary investment funds are classified on the Company's Consolidated Balance Sheets as fair value through profit or loss. These investments are generally made in the process of launching a new fund and are sold as third-party investors subscribe. The Company's maximum exposure to loss is limited to its direct investment in the proprietary investment funds.

Certain investment funds are consolidated where the Company has made the assessment that it controls the investment fund. As at December 31, 2021, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments of $25.1 million (2020 – $7.5 million), equity securities of $50.9 million (2020 – $10.9 million) and fixed income securities of $13.0 million (2020 – $5.8 million). The underlying securities of these funds are classified as FVTPL and recognized at fair value.

NOTE 6 LOANS

	CONTRACTUAL MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	2021 TOTAL	2020 TOTAL
Amortized cost					
Residential mortgages	$ 1,162,460	$ 4,131,098	$ 3,496	$ 5,297,054	$ 6,329,342
Less: Allowance for expected credit losses				648	778
				5,296,406	6,328,564
Fair value through profit or loss				57,436	3,291
				$ 5,353,842	$ 6,331,855

	2021	2020
The change in the allowance for expected credit losses is as follows:		
Balance, beginning of year	$ 778	$ 675
Write-offs, net of recoveries	(407)	(562)
Expected credit losses	277	665
Balance, end of year	$ 648	$ 778

Total credit impaired loans as at December 31, 2021 were $2,822 (2020 – $4,807).

Total interest income on loans was $154.7 million (2020 – $191.2 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $111.4 million (2020 – $148.5 million). Gains realized on the sale of residential mortgages totalled $3.9 million (2020 – $9.8 million). Fair value adjustments related to mortgage banking operations totalled $1.4 million (2020 – negative $5.1 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 7 SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a fair value of $4.5 million at December 31, 2021 (2020 – negative $1.2 million).

All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

NOTE 7 SECURITIZATIONS *(continued)*

2021		SECURITIZED MORTGAGES		OBLIGATIONS TO SECURITIZATION ENTITIES		NET
Carrying value						
NHA MBS and CMB Program	$	2,653,682	$	2,651,293	$	2,389
Bank sponsored ABCP		2,371,320		2,406,624		(35,304)
Total	$	5,025,002	$	5,057,917	$	(32,915)
Fair value	$	5,083,991	$	5,146,420	$	(62,429)
2020						
Carrying value						
NHA MBS and CMB Program	$	3,216,158	$	3,307,428	$	(91,270)
Bank sponsored ABCP		2,767,743		2,866,458		(98,715)
Total	$	5,983,901	$	6,173,886	$	(189,985)
Fair value	$	6,186,410	$	6,345,189	$	(158,779)

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

NOTE 8 OTHER ASSETS

		2021		2020
Deferred and prepaid expenses	$	52,225	$	48,763
Other		2,073		1,019
	$	54,298	$	49,782

Total other assets of $29.6 million as at December 31, 2021 (2020 – $24.2 million) are expected to be realized within one year.

NOTE 9 INVESTMENT IN ASSOCIATES

	LIFECO	CHINAAMC	NORTHLEAF	PERSONAL CAPITAL	TOTAL
2021					
Balance, beginning of year	**$ 962,388**	**$ 720,282**	**$ 248,498**	**$ –**	**$ 1,931,168**
Additions	**–**	**–**	**643**	**–**	**643**
Dividends	**(67,356)**	**(26,877)**	**–**	**–**	**(94,233)**
Proportionate share of:					
Earnings	**125,103**	**61,574**	**9,690**[(1)]	**–**	**196,367**
Other comprehensive income (loss) and other adjustments	**565**	**13,745**	**–**	**–**	**14,310**
Balance, end of year	**$ 1,020,700**	**$ 768,724**	**$ 258,831**	**$ –**	**$ 2,048,255**
2020					
Balance, beginning of year	$ 896,651	$ 662,694	$ –	$ 194,537	$ 1,753,882
Investment	–	–	247,508	–	247,508
Dividends	(65,415)	(13,686)	–	–	(79,101)
Proportionate share of:					
Earnings (losses)	109,148	41,531	990[(1)]	(4,640)	147,029
Associate's adjustments	3,400	–	–	–	3,400
Other comprehensive income (loss) and other adjustments	18,604	29,743	–	8,817	57,164
Disposition	–	–	–	(198,714)	(198,714)
Balance, end of year	$ 962,388	$ 720,282	$ 248,498	$ –	$ 1,931,168

(1) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $7,752 in 2021 (2020 – $792).

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf) as it exercises significant influence. The equity method was used up to June 29, 2020 to account for the Company's 24.8% equity interest in Personal Capital Corporation (Personal Capital), as it exercised significant influence.

On January 5, 2022, the Company entered into an agreement with Power Corporation of Canada to acquire an additional interest in ChinaAMC and to sell a portion of its investment in Lifeco (Note 31).

GREAT-WEST LIFECO INC. (LIFECO)

Lifeco is a publicly listed company that is incorporated and domiciled in Canada and is controlled by Power Corporation of Canada. Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States, Europe and Asia.

At December 31, 2021, the Company held 37,337,133 (2020 – 37,337,133) shares of Lifeco, which represented an equity interest of 4.0% (2020 – 4.0%). Significant influence arises from several factors, including but not limited to the following: common control of Lifeco by Power Corporation of Canada, directors common to the boards of the Company and Lifeco, certain shared strategic alliances and significant intercompany transactions that influence the financial and operating policies of both companies. The Company's proportionate share of Lifeco's earnings is recorded in the Consolidated Statements of Earnings.

In December 2020, Lifeco recorded a gain in relation to the revaluation of a deferred tax asset less certain restructuring and transaction costs. The Company's after-tax proportionate share of these adjustments was $3.4 million.

The fair value of the Company's investment in Lifeco totalled $1,415.5 million at December 31, 2021 (2020 – $1,133.2 million). The Company has elected to apply the exemption in IFRS 4 *Insurance Contracts* to retain Lifeco's relevant accounting policies related to Lifeco's deferral of the adoption of IFRS 9 *Financial Instruments*.

Lifeco directly owned 9,200,000 shares of the Company at December 31, 2021 (2020 – 9,200,000).

Lifeco's financial information as at December 31, 2021 can be obtained in its publicly available information.

CHINA ASSET MANAGEMENT CO., LTD. (ChinaAMC)

ChinaAMC is an asset management company established in Beijing, China and is controlled by CITIC Securities Company Limited.

As at December 31, 2021, the Company held a 13.9% ownership interest in ChinaAMC (2020 – 13.9%). Significant influence arises from board representation, participating in the policy making process, shared strategic initiatives including joint product launches and collaboration between management and investment teams.

The following table sets forth certain summary financial information from ChinaAMC:

	2021		2020	
AS AT DECEMBER 31 *(millions)*	CANADIAN DOLLARS	CHINESE YUAN	CANADIAN DOLLARS	CHINESE YUAN
Total assets	**3,241**	**16,295**	2,672	13,695
Total liabilities	**996**	**5,007**	720	3,688
FOR THE YEAR ENDED DECEMBER 31				
Revenue	**1,560**	**8,015**	1,078	5,539
Net earnings available to common shareholders	**449**	**2,312**	311	1,598
Total comprehensive income	**444**	**2,287**	300	1,542

NORTHLEAF CAPITAL GROUP LTD. (NORTHLEAF)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager headquartered in Toronto, Canada.

The transaction was executed through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of $241.0 million and up to an additional $245.0 million in consideration at the end of five years from the acquisition date subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years from the acquisition date and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participation in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle and therefore recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%.

The following table sets forth certain summary financial information from Northleaf:

AS AT DECEMBER 31 *(millions)*	2021	2020
Total assets	**$ 119.6**	$ 115.9
Total liabilities	**106.0**	98.5
FOR THE PERIOD ENDED DECEMBER 31[1]		
Revenue	**$ 99.8**	$ 21.7
Net earnings available to common shareholders	**17.9**	3.1
Total comprehensive income	**17.9**	3.1

(1) 2020 results include only fourth quarter; however, the Company's proportionate share of Northleaf's earnings was effective October 28, 2020.

NOTE 9 INVESTMENT IN ASSOCIATES *(continued)*

PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

In 2020, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of $232.8 million (USD $176.2 million) and up to an additional USD $24.6 million in consideration subject to Personal Capital achieving certain target growth objectives. As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of $37.2 million ($31.4 million net of tax) in Net investment income and other. During the fourth quarter of 2021, the Company recorded additional consideration receivable of $10.6 million ($7.7 million after-tax) in Net investment income and other.

NOTE 10 CAPITAL ASSETS

	FURNITURE AND EQUIPMENT	BUILDING AND COMPONENTS	RIGHT-OF-USE ASSETS	TOTAL
2021				
Cost	**$ 336,025**	**$ 69,349**	**$ 260,530**	**$ 665,904**
Less: accumulated amortization	**(254,602)**	**(18,244)**	**(77,094)**	**(349,940)**
	$ 81,423	**$ 51,105**	**$ 183,436**	**$ 315,964**
Changes in capital assets:				
Balance, beginning of year	**$ 99,036**	**$ 51,411**	**$ 179,243**	**$ 329,690**
Additions	**9,296**	**1,339**	**32,658**	**43,293**
Disposals	**(9,166)**	**–**	**–**	**(9,166)**
Amortization	**(17,743)**	**(1,645)**	**(28,465)**	**(47,853)**
Balance, end of year	**$ 81,423**	**$ 51,105**	**$ 183,436**	**$ 315,964**
2020				
Cost	$ 357,351	$ 68,009	$ 227,872	$ 653,232
Less: accumulated amortization	(258,315)	(16,598)	(48,629)	(323,542)
	$ 99,036	$ 51,411	$ 179,243	$ 329,690
Changes in capital assets:				
Balance, beginning of year	$ 84,299	$ 51,801	$ 80,856	$ 216,956
Additions	37,799	1,192	123,529	162,520
Disposals	(3,653)	–	–	(3,653)
Amortization	(19,409)	(1,582)	(25,142)	(46,133)
Balance, end of year	$ 99,036	$ 51,411	$ 179,243	$ 329,690

NOTE 11 CAPITALIZED SALES COMMISSIONS

	2021	2020
Cost	**$ 461,149**	$ 310,127
Less: accumulated amortization	**(135,725)**	(79,042)
	$ 325,424	$ 231,085
Changes in capitalized sales commissions		
Balance, beginning of year	**$ 231,085**	$ 149,866
Changes due to:		
Sales of investment funds	**151,022**	117,652
Amortization	**(56,683)**	(36,433)
	94,339	81,219
Balance, end of year	**$ 325,424**	$ 231,085

NOTE 12 GOODWILL AND INTANGIBLE ASSETS

	FINITE LIFE		INDEFINITE LIFE			
	SOFTWARE	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	INVESTMENT FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL INTANGIBLE ASSETS	GOODWILL
2021						
Cost	**$ 325,123**	**$ 270,327**	**$ 740,559**	**$ 285,177**	**$ 1,621,186**	**$ 2,802,066**
Less: accumulated amortization	**(164,787)**	**(99,695)**	**–**	**–**	**(264,482)**	**–**
	$ 160,336	**$ 170,632**	**$ 740,559**	**$ 285,177**	**$ 1,356,704**	**$ 2,802,066**
Changes in goodwill and intangible assets:						
Balance, beginning of year	**$ 155,923**	**$ 139,931**	**$ 740,559**	**$ 285,177**	**$ 1,321,590**	**$ 2,803,075**
Additions[1]	**38,865**	**44,072**	**–**	**–**	**82,937**	**(1,009)**
Disposals	**(19)**	**(867)**	**–**	**–**	**(886)**	**–**
Amortization	**(34,433)**	**(12,504)**	**–**	**–**	**(46,937)**	**–**
Balance, end of year	**$ 160,336**	**$ 170,632**	**$ 740,559**	**$ 285,177**	**$ 1,356,704**	**$ 2,802,066**
2020						
Cost	$ 293,412	$ 228,167	$ 740,559	$ 285,177	$ 1,547,315	$ 2,803,075
Less: accumulated amortization	(137,489)	(88,236)	–	–	(225,725)	–
	$ 155,923	$ 139,931	$ 740,559	$ 285,177	$ 1,321,590	$ 2,803,075
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 138,499	$ 65,892	$ 740,559	$ 285,177	$ 1,230,127	$ 2,660,267
Additions[1]	43,606	81,950	–	–	125,556	142,808
Disposals	(1,421)	(490)	–	–	(1,911)	–
Amortization	(24,761)	(7,421)	–	–	(32,182)	–
Balance, end of year	$ 155,923	$ 139,931	$ 740,559	$ 285,177	$ 1,321,590	$ 2,803,075

(1) The Company completed its acquisition of GLC on December 31, 2020 and Greenchip on December 22, 2020 and finalized the purchase price allocations in 2021 (Note 30).

The goodwill and indefinite life intangible assets consisting of investment fund management contracts and trade names are allocated to each cash generating unit (CGU) as summarized in the following table:

	2021		2020	
	GOODWILL	**INDEFINITE LIFE INTANGIBLE ASSETS**	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS
Wealth Management	**$ 1,491,687**	**$ 23,055**	$ 1,491,687	$ 23,055
Asset Management	**1,310,379**	**1,002,681**	1,311,388	1,002,681
Total	**$ 2,802,066**	**$ 1,025,736**	$ 2,803,075	$ 1,025,736

The Company tests whether goodwill and indefinite life intangible assets are impaired by assessing the carrying amounts with the recoverable amounts. The recoverable amount of the Company's CGUs is based on the best available evidence of fair value less costs of disposal.

In assessing the recoverable amounts, valuation approaches are used that may include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed in discounted cash flows include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes and discount rates, which represent level 3 fair value inputs. Valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 fair value inputs.

NOTE 12 GOODWILL AND INTANGIBLE ASSETS *(continued)*

The fair value less costs of disposal of the Company's CGUs was compared with the carrying amount and it was determined there was no impairment. Changes in assumptions and estimates used in determining the recoverable amounts of CGUs can result in significant adjustments to the valuation of the CGUs.

NOTE 13 DEPOSITS AND CERTIFICATES

Deposits and certificates are classified as other financial liabilities measured at amortized cost.

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents, client funds on deposit and loans amounting to $2,220.3 million (2020 – $1,104.9 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2021 TOTAL	2020 TOTAL
Deposits	$ 2,218,611	$ –	$ –	$ –	$ 2,218,611	$ 1,103,127
Certificates	–	387	538	738	1,663	1,762
	$ 2,218,611	$ 387	$ 538	$ 738	$ 2,220,274	$ 1,104,889

NOTE 14 OTHER LIABILITIES

	2021	2020
Dividends payable	$ 134,816	$ 134,048
Interest payable	26,775	27,500
Accrued benefit liabilities (Note 15)	125,732	250,079
Provisions	26,674	77,495
Other	68,469	47,019
	$ 382,466	$ 536,141

The Company establishes restructuring provisions related to business acquisitions, divestitures and other items, as well as other provisions in the normal course of its operations. Changes in provisions during 2021 consisted of additional estimates of $7.3 million (2020 – $77.8 million), provision reversals of $4.0 million (2020 – $2.2 million) and payments of $54.1 million (2020 – $18.6 million).

Total other liabilities of $244.9 million as at December 31, 2021 (2020 – $276.0 million) are expected to be settled within one year.

NOTE 15 EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

The Company maintains a number of employee pension and post-employment benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans (SERPs) for certain executive officers, and an unfunded post-employment health care, dental and life insurance plan for eligible retirees.

Effective July 1, 2012, the defined benefit pension plan was closed to new members. For all eligible employees hired after July 1, 2012, the Company has a registered defined contribution pension plan.

The defined benefit pension plan is a separate trust that is legally separated from the Company. The defined benefit pension plan is registered under the Pension Benefits Act of Manitoba (Act) and the Income Tax Act (ITA). As required by the Act, the defined benefit pension plan is governed by a pension committee which includes current and retired employees. The Pension Committee has certain responsibilities as described in the Act but may delegate certain activities to the Company. The ITA governs the employer's ability to make contributions and also has parameters that the plan must meet with respect to investments in foreign property.

DEFINED BENEFIT PLANS *(continued)*

The defined benefit pension plan provides lifetime pension benefits to all eligible employees based on length of service and final average earnings subject to limits established by the ITA. Death benefits are available on the death of an active member or a retired member.

Employees who are not senior officers are required to make annual contributions based on a percentage of salaries which are subject to a maximum amount.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2020, was completed in June 2021. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $61.3 million compared to $47.2 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2017. The increase in the solvency deficit resulted primarily as a result of lower interest rates and is required to be funded over five years. The registered pension plan had a going concern surplus of $79.2 million compared to $46.1 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2021. During the year, the Company has made contributions of $13.6 million (2020 – $25.5 million). The Company expects annual contributions of approximately $14.1 million in 2022. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy. Effective December 20, 2021, the Government of Manitoba implemented funding changes for defined benefit pension plans. The changes include funding the solvency deficit only if it falls below 85% (previously was required to fund the entire solvency deficit). In determining the funding for going concern deficits, a margin known as the provision for adverse deviation will be added to the going concern deficit. The minimum provision is 5% of the going concern liabilities and can increase up to 22% based on the pension's target asset allocation. The funding period for going concern deficits will decrease from 15 years to 10 years. The changes in the funding requirements will be considered as part of the valuation of the pension plan that will be based on a measurement date of December 31, 2021. The changes also allow an employer to establish a solvency reserve account which is a separate account within the pension fund to which the employer can remit solvency deficiency payments. The administrator can refund all or a portion of the assets in this separate account to the employer provided the plan remains fully funded on a going concern basis and maintains a solvency ratio of at least 105%. Benefit improvements under the plan are not allowed if the solvency ratio is less than 85%.

The SERPs are non-registered, non-contributory defined benefit plans which provide supplementary benefits to certain retired executives.

The other post-employment benefit plan is a non-contributory plan and provides eligible employees a reimbursement of medical costs or a fixed amount per year to cover medical costs during retirement.

The SERPs and other post-employment benefit plans are managed by the Company with oversight from the Board of Directors.

The defined benefit plans expose the Company to actuarial risks such as mortality risk which represents life expectancy and impacts the calculation of the obligations; interest rate risk which impacts the discount rate used to calculate the obligations and the actual return on plan assets; salary risk as estimated salary increases are used in the calculation of the obligations; and investment risk as the nature of the investments impact the actual return on the plan assets. The risks are managed by regular monitoring of the plans, applicable regulations and other factors that could impact the Company's expenses and cash flows.

DEFINED BENEFIT PLANS *(continued)*

Plan assets, benefit obligations and funded status:

	2021			2020		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	$ 516,945	$ –	$ –	$ 466,547	$ –	$ –
Employee contributions	1,964	–	–	1,979	–	–
Employer contributions	13,598	–	–	25,468	–	–
Benefits paid	(27,748)	–	–	(27,792)	–	–
Interest income	13,774	–	–	14,935	–	–
Additions	–	–	–	11,200	–	–
Remeasurements:						
Return on plan assets	48,194	–	–	24,608	–	–
Balance, end of year	566,727	–	–	516,945	–	–
Accrued benefit obligation						
Balance, beginning of year	650,064	74,825	42,135	565,606	69,236	39,147
Benefits paid	(27,748)	(3,853)	(2,671)	(27,792)	(3,267)	(1,942)
Current service cost	25,707	2,107	679	20,728	1,639	587
Past service costs	–	–	–	–	(1,588)	–
Employee contributions	1,964	–	–	1,979	–	–
Interest expense	17,177	1,668	960	17,688	2,072	1,156
Additions	–	–	–	14,700	–	–
Remeasurements:						
Actuarial losses (gains)						
Demographic assumption	–	–	–	–	–	830
Experience adjustments	(3,348)	1,861	(6,402)	(33)	1,345	(535)
Financial assumptions	(75,465)	(5,051)	(2,150)	57,188	5,388	2,892
Balance, end of year	588,351	71,557	32,551	650,064	74,825	42,135
Accrued benefit liability	$ 21,624	$ 71,557	$ 32,551	$ 133,119	$ 74,825	$ 42,135

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2021			2020		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Discount rate	3.30%	2.65%-3.10%	3.00%	2.70%	1.85%-2.50%	2.35%
Rate of compensation increase	3.75%	3.75%	N/A	3.75%	3.75%	N/A
Health care cost trend rate[1]	N/A	N/A	5.50%	N/A	N/A	5.60%
Mortality rates at age 65 for current pensioners	23.1 years	23.1 years	23.1 years	23.0 years	23.0 years	23.0 years

(1) Trending to 4.00% in 2040 and remaining at that rate thereafter.

The weighted average duration of the pension plan's defined benefit obligation at the end of the reporting period is 20.7 years (2020 – 19.3 years).

DEFINED BENEFIT PLANS *(continued)*

Benefit expense:

	2021			2020		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Current service cost	$ 25,707	$ 2,107	$ 679	$ 20,728	$ 1,639	$ 587
Past service costs	–	–	–	–	(1,588)	–
Net interest cost	3,403	1,668	960	2,753	2,072	1,156
	$ 29,110	$ 3,775	$ 1,639	$ 23,481	$ 2,123	$ 1,743

Sensitivity analysis:

The calculation of the accrued benefit liability and the related benefit expense are sensitive to the significant actuarial assumptions. The following table presents the sensitivity analysis:

	2021		2020	
	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE
Defined benefit pension plan				
Discount rate (+ / − 0.25%)				
Increase	$ (28,634)	$ (2,391)	$ (29,334)	$ (2,081)
Decrease	30,242	2,389	31,391	2,110
Rate of compensation (+ / − 0.25%)				
Increase	7,805	838	11,121	1,075
Decrease	(7,674)	(822)	(10,981)	(1,057)
Mortality				
Increase 1 year	11,214	721	14,339	849
SERPs				
Discount rate (+ / − 0.25%)				
Increase	(1,683)	82	(1,922)	87
Decrease	1,755	(87)	2,001	(93)
Rate of compensation (+ / − 0.25%)				
Increase	30	12	41	21
Decrease	(26)	(13)	(42)	(15)
Mortality				
Increase 1 year	1,415	48	1,645	45
Other post-employment benefits				
Discount rate (+ / − 0.25%)				
Increase	(763)	42	(1,056)	52
Decrease	797	(44)	1,106	(55)
Health care cost trend rates (+ / − 1.00%)				
Increase	659	20	1,476	35
Decrease	(574)	(17)	(1,273)	(30)
Mortality				
Increase 1 year	807	30	1,270	42

DEFINED BENEFIT PLANS *(continued)*

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in certain assumptions may be correlated.

Asset allocation of defined benefit pension plan by asset category:

	2021	2020
Equity securities	61.5 %	60.8 %
Fixed income securities	30.2	29.6
Alternative strategies	7.3	8.6
Cash and cash equivalents	1.0	1.0
	100.0 %	100.0 %

The defined benefit pension plan adheres to its Statement of Investment Policies and Procedures which includes investment objectives, asset allocation guidelines and investment limits by asset class. The defined benefit pension plan assets are invested in proprietary investment funds with the exception of cash on deposit with Schedule I Canadian chartered banks.

DEFINED CONTRIBUTION PENSION PLANS

The Company maintains a number of defined contribution pension plans for eligible employees. The total expense recorded in Advisory and business development and Operations and support expenses was $6.9 million (2020 – $6.2 million).

GROUP RETIREMENT SAVINGS PLAN (RSP)

The Company maintains a group RSP for eligible employees. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $8.6 million (2020 – $7.6 million).

NOTE 16 INCOME TAXES

Income tax expense:

	2021	2020
Income taxes recognized in net earnings		
Current taxes		
Tax on current year's earnings	$ 230,651	$ 170,441
Adjustments in respect of prior years	(676)	(2,003)
	229,975	168,438
Deferred taxes	56,788	32,332
	$ 286,763	$ 200,770

Effective income tax rate:

	2021	2020
Income taxes at Canadian federal and provincial statutory rates	26.63 %	26.68 %
Effect of:		
Proportionate share of associates' earnings (Note 9)	(3.65)	(3.71)
Proportionate share of associate's adjustments (Note 9)	–	(0.09)
Tax loss consolidation (Note 27)	–	(1.15)
Disposition of assets and other acquisition costs	–	(0.82)
Other items	(0.36)	(0.11)
Effective income tax rate	22.62 %	20.80 %

DEFERRED INCOME TAXES

Composition and changes in net deferred taxes are as follows:

	ACCRUED BENEFIT LIABILITIES	LOSS CARRYFORWARDS	CAPITALIZED SALES COMMISSIONS	INTANGIBLE ASSETS	OTHER INVESTMENTS	OTHER	TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2021							
Balance, beginning of year	**$ 67,467**	**$ 27,604**	**$ (61,579)**	**$ (288,229)**	**$ (45,961)**	**$ (2,757)**	**$ (303,455)**
Recognized in statements of:							
Earnings	**3,885**	**(21,145)**	**(25,037)**	**(1,605)**	**(1,371)**	**(11,515)**	**(56,788)**
Comprehensive income	**(37,466)**	**–**	**–**	**–**	**(97,653)**	**(4,284)**	**(139,403)**
Equity	**–**	**–**	**–**	**–**	**3,438**	**–**	**3,438**
Foreign exchange rate charges and other	**–**	**–**	**–**	**(1)**	**(1,204)**	**1,206**	**1**
Balance, end of year	**$ 33,886**	**$ 6,459**	**$ (86,616)**	**$ (289,835)**	**$ (142,751)**	**$ (17,350)**	**$ (496,207)**
FOR THE YEAR ENDED DECEMBER 31, 2020							
Balance, beginning of year	$ 55,994	$ 33,700	$ (40,006)	$ (268,734)	$ (8,104)	$ (1,382)	$ (228,532)
Recognized in statements of:							
Earnings	(933)	(6,096)	(21,573)	(4,485)	708	47	(32,332)
Comprehensive income	11,461	–	–	–	(38,565)	(1,900)	(29,004)
Business acquisitions	945	–	–	(15,010)	–	488	(13,577)
Foreign exchange rate charges and other	–	–	–	–	–	(10)	(10)
Balance, end of year	$ 67,467	$ 27,604	$ (61,579)	$ (288,229)	$ (45,961)	$ (2,757)	$ (303,455)

Deferred income tax assets and liabilities are presented on the Consolidated Balance Sheets as follows:

	2021	2020
Deferred income tax assets	**$ 29,269**	$ 84,624
Deferred income tax liabilities	**(525,476)**	(388,079)
	$ (496,207)	$ (303,455)

NOTE 17 LONG-TERM DEBT

MATURITY	RATE	**2021**	2020
January 26, 2027	3.44 %	**400,000**	400,000
December 13, 2027	6.65 %	**125,000**	125,000
May 9, 2031	7.45 %	**150,000**	150,000
December 31, 2032	7.00 %	**175,000**	175,000
March 7, 2033	7.11 %	**150,000**	150,000
December 10, 2040	6.00 %	**200,000**	200,000
January 25, 2047	4.56 %	**200,000**	200,000
December 9, 2047	4.115 %	**250,000**	250,000
July 13, 2048	4.174 %	**200,000**	200,000
March 21, 2050	4.206 %	**250,000**	250,000
		$ 2,100,000	$ 2,100,000

Long-term debt consists of unsecured debentures which are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Long-term debt is classified as other financial liabilities and is recorded at amortized cost.

Interest expense relating to long-term debt was $106.6 million (2020 – $106.7 million).

NOTE 18 SHARE CAPITAL

AUTHORIZED

Unlimited number of:

First preferred shares, issuable in series
Second preferred shares, issuable in series
Class 1 non-voting shares
Common shares, no par value

ISSUED AND OUTSTANDING

	2021		2020	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Common shares:				
Balance, beginning of year	**238,308,284**	**$ 1,598,381**	238,294,090	$ 1,597,860
Issued under Stock Option Plan (Note 20)	**1,370,759**	**60,299**	14,194	521
Balance, end of year	**239,679,043**	**$ 1,658,680**	238,308,284	$ 1,598,381

NOTE 19 CAPITAL MANAGEMENT

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt and common shareholders' equity. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The total outstanding long-term debt was $2,100.0 million at December 31, 2021, unchanged from December 31, 2020. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Other activities in 2021 included the declaration of common share dividends of $537.8 million or $2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

NOTE 20 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time vesting conditions set out at the grant date. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2021, 19,030,398 (2020 – 20,401,157) common shares were reserved for issuance under the Plan.

During 2021, the Company granted 1,648,345 options to employees (2020 – 2,104,365). The weighted-average fair value of options granted during the year ended December 31, 2021 has been estimated at $2.73 per option (2020 – $1.43) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $35.19 (2020 – $35.05). Other assumptions used in these valuation models include:

STOCK OPTION PLAN *(continued)*

	2021	2020
Exercise price	$ 35.29	$ 36.82
Risk-free interest rate	1.29%	1.11%
Expected option life	7 years	7 years
Expected volatility	23.00%	18.62%
Expected dividend yield	6.41%	6.45%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. Stock options were exercised regularly throughout 2021 and the average share price in 2021 was $43.18 (2020 – $32.65).

The Company recorded compensation expense related to its stock option program of $3.8 million (2020 – $3.0 million).

	2021		2020	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	11,930,224	$ 40.37	10,529,360	$ 41.22
Granted	1,648,345	35.29	2,104,365	36.82
Exercised	(1,370,759)	40.78	(14,194)	35.08
Forfeited	(495,646)	46.08	(689,307)	42.64
Balance, end of year	11,712,164	$ 39.36	11,930,224	$ 40.37
Exercisable, end of year	6,179,244	$ 41.83	6,326,067	$ 43.00

OPTIONS OUTSTANDING AT DECEMBER 31, 2021	EXPIRY DATE	EXERCISE PRICE $	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2022	45.56 – 47.23	364,700	364,700
	2023	44.73 – 47.26	825,885	825,885
	2024	53.81	701,459	701,459
	2025	43.28 – 43.97	861,986	764,534
	2026	34.88 – 38.17	1,523,860	1,139,960
	2027	39.71 – 41.74	1,091,764	731,808
	2028	37.58 – 40.10	1,249,071	728,031
	2029	34.29 – 36.91	1,391,493	522,816
	2030	31.85 – 38.65	2,066,571	400,051
	2031	35.01 – 46.02	1,635,375	–
			11,712,164	6,179,244

SHARE UNIT PLANS

The Company has share unit plans for eligible employees to assist in retaining and further aligning the interests of senior management with those of the shareholders. These plans include Performance Share Unit (PSU), Deferred Share Unit (DSU) and Restricted Share Unit (RSU) plans. Under the terms of the plans, share units are awarded annually and are subject to time vesting conditions. In addition, the PSU and DSU plans are subject to performance vesting conditions. The value of each share unit is based on the share price of the Company's common shares. The PSUs and RSUs are cash settled and vest over a three year period. Certain employees can elect at the time of grant to receive a portion of their PSUs in the form of deferred share units which vest over a three year period. Deferred share units are redeemable when a participant is no longer an employee of the Company or any of its affiliates by a lump sum payment based on the value of the deferred share unit at that time. Additional share units are issued in respect of dividends payable on common shares based on a value of the share unit at the dividend payment date. The Company recorded compensation expense, excluding the impact of hedging, of $31.5 million in 2021 (2020 – $16.8 million) and a liability of $45.8 million at December 31, 2021 (2020 – $31.5 million).

SHARE PURCHASE PLANS

Under the Company's share purchase plans, eligible employees and IG Wealth Management consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of 3 years following the date of purchase. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $4.4 million (2020 – $3.8 million).

DIRECTORS' DEFERRED SHARE UNIT PLAN

The Company has a Deferred Share Unit (DSU) plan for the directors of the Company to promote a greater alignment of interests between directors and shareholders of the Company. Under the terms of the plan, directors are required to receive 50% of their annual board retainer in the form of DSUs and may elect to receive the balance of their annual board retainer in cash or DSUs. Directors may elect to receive certain fees in a combination of DSUs and cash. The number of DSUs granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (value of DSU). A director who has elected to receive DSUs will receive additional DSUs in respect of dividends payable on common shares, based on the value of a DSU at the dividend payment date. DSUs are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by cash payments, based on the value of the DSUs at that time. At December 31, 2021, the fair value of the DSUs outstanding was $31.8 million (2020 – $21.2 million). Any difference between the change in fair value of the DSUs and the change in fair value of the total return swap, which is an economic hedge for the DSU plan, is recognized in Operations and support expense in the period in which the change occurs.

NOTE 21 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

2021	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of year	$ (196,949)	$ 293,448	$ 39,865	$ 136,364
Other comprehensive income (loss)	101,283	834,519	19,732	955,534
Transfer out of FVTOCI	–	(208,815)	–	(208,815)
Balance, end of year	$ (95,666)	$ 919,152	$ 59,597	$ 883,083
2020				
Balance, beginning of year	$ (165,947)	$ 46,363	$ (8,118)	$ (127,702)
Other comprehensive income (loss)	(31,002)	247,085	47,983	264,066
Balance, end of year	$ (196,949)	$ 293,448	$ 39,865	$ 136,364

Amounts are recorded net of tax.

In 2021, the Company recorded after-tax gains in Other Comprehensive Income of $834.5 million due to fair value changes in the Company's investments, primarily related to a $776.3 million fair value adjustment in the first quarter related to Wealthsimple.

PART C
IGM FINANCIAL INC.

NOTE 22 RISK MANAGEMENT

The Company actively manages its liquidity, credit and market risks.

LIQUIDITY AND FUNDING RISK RELATED TO FINANCIAL INSTRUMENTS

Liquidity and funding risk is the risk of an inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

The Company's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance and other business leaders.

A key funding requirement is the funding of Consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of the Company are approved issuers of NHA MBS and are approved sellers into the CMB Program. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts.

The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

The Company's contractual maturities of certain financial liabilities were as follows:

AS AT DECEMBER 31, 2021 (*$ millions*)	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 6.7	$ 11.1	$ –	$ 17.8
Deposits and certificates	2,218.6	0.4	0.5	0.8	2,220.3
Obligations to securitization entities	–	1,157.8	3,893.3	6.8	5,057.9
Leases(1)		31.8	98.3	125.2	255.3
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding(2)	–	14.1	–	–	14.1
Total contractual maturities	$ 2,218.6	$ 1,210.8	$ 4,003.2	$ 2,232.8	$ 9,665.4

(1) *Includes remaining lease payments related to office space and equipment used in the normal course of business.*

(2) *The next required actuarial valuation will be completed based on a measurement date of December 31, 2021. Pension funding requirements beyond 2022 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.*

In addition to the Company's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $825 million at December 31, 2021, unchanged from December 31, 2020. The lines of credit at December 31, 2021 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2020. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2021 and December 31, 2020, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2020.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations. The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2021, cash and cash equivalents of $1,292.4 million (2020 – $771.6 million) consisted of cash balances of $326.2 million (2020 – $76.6 million) on deposit with Canadian chartered banks and cash equivalents of $966.2 million (2020 – $695.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $358.7 million (2020 – $96.0 million), provincial government treasury bills and promissory notes of $350.6 million (2020 – $148.8 million), bankers' acceptances of $198.3 million (2020 – $450.2 million) and other corporate commercial paper of $58.6 million (2020 – nil).

Client funds on deposit of $2,238.6 million (2020 – $1,063.4 million) represent cash balances held in client accounts deposited at Canadian financial institutions.

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

As at December 31, 2021, residential mortgages, recorded on the Company's balance sheet, of $5.4 billion (2020 – $6.3 billion) consisted of $5.0 billion sold to securitization programs (2020 – $6.0 billion), $315.8 million held pending sale or securitization (2020 – $334.5 million) and $13.7 million related to the Company's intermediary operations (2020 – $14.1 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan™.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling $2.6 billion (2020 – $3.2 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $2.4 billion (2020 – $2.8 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $67.6 million (2020 – $73.0 million) and $34.1 million (2020 – $45.6 million), respectively, at December 31, 2021. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages.

At December 31, 2021, residential mortgages recorded on balance sheet were 53.1% insured (2020 – 55.3%). As at December 31, 2021, impaired mortgages on these portfolios were $2.8 million, compared to $4.8 million at December 31, 2020. Uninsured non-performing mortgages over 90 days on these portfolios were $1.5 million at December 31, 2021, compared to $2.3 million at December 31, 2020.

The Company also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short-Term Income Fund and to the IG Mackenzie Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

The Company's allowance for expected credit losses was $0.6 million at December 31, 2021, compared to $0.8 million at December 31, 2020, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2020.

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of $39.5 million (2020 – $35.8 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $0.7 million at December 31, 2021 (2020 – $3.8 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2021. Management of credit risk related to derivatives has not changed materially since December 31, 2020.

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in interest rates, equity prices or foreign exchange rates.

Interest Rate Risk

The Company is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a fair value of $1.0 million (2020 – negative $21.1 million) and an outstanding notional amount of $0.3 billion at December 31, 2021 (2020 – $0.7 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled $3.5 million (2020 – $19.9 million), on an outstanding notional amount of $1.3 billion at December 31, 2021 (2020 – $1.3 billion). The net fair value of these swaps of $4.5 million at December 31, 2021 (2020 – negative $1.2 million) is recorded on the balance sheet and has an outstanding notional amount of $1.6 billion (2020 – $2.0 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth Management revenue over the term of the related Obligations to securitization entities. The fair value of these swaps was $0.6 million (2020 – negative $0.3 million) on an outstanding notional amount of $128.6 million at December 31, 2021 (December 31, 2020 – $191.3 million).

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

As at December 31, 2021, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $3.0 million (2020 – decrease of $1.3 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2020.

Equity Price Risk

The Company is exposed to equity price risk on its equity investments (Note 5) which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was $1.4 billion at December 31, 2021 (2020 – $632.3 million).

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. The Company hedges its exposure to this risk through the use of forward agreements and total return swaps.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. As at December 31, 2021, a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $36.3 million ($40.2 million).

The Company's proportionate share of ChinaAMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the year ended December 31, 2021, the impact to net earnings of a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately $2.9 million ($3.2 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management and advisement. These changes in assets under management and advisement directly impact earnings.

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks or Canadian bank-sponsored securitization trusts that are counterparties to the Company's securitization transactions. In all cases, the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific financial instruments at a fixed price at a future date. Forward contracts are contractual agreements to buy or sell a financial instrument on a future date at a specified price.

Certain of the Company's derivative financial instruments are subject to master netting arrangements and are presented on a gross basis. The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position and recorded as assets on the Consolidated Balance Sheets. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this would not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table summarizes the Company's derivative financial instruments:

	NOTIONAL AMOUNT					FAIR VALUE	
2021	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps							
Hedge accounting	$ –	$ 42,227	$ –	$ 42,227	$ –	$ –	$ 90
No hedge accounting	769,567	972,623	771	1,742,961	20,401	20,401	17,683
Forward contracts							
Hedge accounting	16,167	38,341	–	54,508	20,771	20,771	–
	$ 785,734	$ 1,053,191	$ 771	$ 1,839,696	$ 41,172	$ 41,172	$ 17,773
2020							
Swaps							
Hedge accounting	$ –	$ 20,831	$ 135,731	$ 156,562	$ –	$ –	$ 214
No hedge accounting	992,444	1,058,001	15,081	2,065,526	35,770	35,770	32,854
Forward contracts							
Hedge accounting	14,890	36,650	–	51,540	1,564	1,564	1,446
	$ 1,007,334	$ 1,115,482	$ 150,812	$ 2,273,628	$ 37,334	$ 37,334	$ 34,514

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was $5.8 million (2020 – $3.8 million).

The credit risk related to the Company's derivative financial instruments after giving effect to netting agreements and including rights to future net interest income, was $0.7 million (2020 – $3.8 million). Rights to future net interest income are related to the Company's securitization activities and are not reflected on the Consolidated Balance Sheets.

NOTE 24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Valuation methods used for Other investments classified as Level 3 include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 financial instruments include exchange-traded equity investments and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap. Level 3 Other investments of $1,291.4 million, are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of $1,153 million. Fair value is determined by using observable transactions in the investments' securities, where available, forecasted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. A 5% increase (decrease) to each of these variables, individually, would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately $60 million.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, and certain other financial liabilities.

2021		CARRYING VALUE		LEVEL 1		LEVEL 2		LEVEL 3		FAIR VALUE TOTAL
Financial assets recorded at fair value										
Other investments										
– FVTOCI	$	1,291,434	$	–	$	–	$	1,291,434	$	1,291,434
– FVTPL		106,589		104,658		1,931		–		106,589
Loans										
– FVTPL		57,436		–		57,436		–		57,436
Derivative financial instruments		41,172		–		34,074		7,098		41,172
Financial assets recorded at amortized cost										
Loans										
– Amortized cost		5,296,406		–		270,156		5,083,991		5,354,147
Financial liabilities recorded at fair value										
Derivative financial instruments		17,773		–		11,635		6,138		17,773
Financial liabilities recorded at amortized cost										
Deposits and certificates		2,220,274		–		2,220,530		–		2,220,530
Obligations to securitization entities		5,057,917		–		–		5,146,420		5,146,420
Long-term debt		2,100,000		–		2,544,380		–		2,544,380

2020										
Financial assets recorded at fair value										
Other investments										
– FVTOCI	$	593,273	$	–	$	–	$	593,273	$	593,273
– FVTPL		39,027		38,748		–		279		39,027
Loans										
– FVTPL		3,291		–		3,291		–		3,291
Derivative financial instruments		37,334		–		35,389		1,945		37,334
Financial assets recorded at amortized cost										
Loans										
– Amortized cost		6,328,564		–		346,428		6,186,410		6,532,838
Financial liabilities recorded at fair value										
Derivative financial instruments		34,514		–		11,466		23,048		34,514
Financial liabilities recorded at amortized cost										
Deposits and certificates		1,104,889		–		1,105,384		–		1,105,384
Obligations to securitization entities		6,173,886		–		–		6,345,189		6,345,189
Long-term debt		2,100,000		–		2,653,814		–		2,653,814

There were no significant transfers between Level 1 and Level 2 in 2021 and 2020.

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

2021		BALANCE JANUARY 1		GAINS/(LOSSES) INCLUDED IN NET EARNINGS[1]		GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME		PURCHASES AND ISSUANCES		SETTLEMENTS		TRANSFERS IN/OUT		BALANCE DECEMBER 31
Other investments														
– FVTOCI	$	593,273	$	–	$	964,761	$	15,868	$	282,468[2]	$	–	$	1,291,434
– FVTPL		279		(181)		–		–		98		–		–
Derivative financial instruments, net		(21,103)		12,852		–		1,974		(7,237)		–		960

2020														
Other investments														
– FVTOCI	$	301,196	$	–	$	285,650	$	6,427	$	–	$	–	$	593,273
– FVTPL		563		(194)		–		–		90		–		279
Derivative financial instruments, net		(906)		(27,143)		–		1,727		(5,219)		–		(21,103)

(1) Included in Wealth management revenue or Net investment income and other in the Consolidated Statements of Earnings.

(2) Related to disposition of a portion of IGM Financial Inc.'s investment in Wealthsimple (Note 5).

NOTE 25 EARNINGS PER COMMON SHARE

		2021		2020
Earnings				
Net earnings	$	980,887	$	764,606
Non-controlling interest		(1,938)		(198)
Net earnings available to common shareholders	$	978,949	$	764,408
Number of common shares *(in thousands)*				
Weighted average number of common shares outstanding		238,841		238,307
Add: Potential exercise of outstanding stock options[1]		1,178		–
Average number of common shares outstanding – Diluted basis		240,019		238,307
Earnings per common share *(in dollars)*				
Basic	$	4.10	$	3.21
Diluted	$	4.08	$	3.21

(1) *Excludes 272 thousand shares in 2021 related to outstanding stock options that were anti-dilutive (2020 – 2,934 thousand).*

NOTE 26 CONTINGENT LIABILITIES AND GUARANTEES

CONTINGENT LIABILITIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie Financial Corporation which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

GUARANTEES

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

NOTE 27 RELATED PARTY TRANSACTIONS

TRANSACTIONS AND BALANCES WITH RELATED ENTITIES

The Company enters into transactions with The Canada Life Assurance Company (Canada Life), which is a subsidiary of its affiliate, Lifeco, which is a subsidiary of Power Corporation of Canada. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2021 and 2020, the Company provided to and received from Canada Life certain administrative services. The Company distributes insurance products under a distribution agreement with Canada Life and received $52.7 million in distribution fees (2020 – $45.1 million). The Company received $63.3 million (2020 – $18.4 million) and paid $22.6 million (2020 – $29.6 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $15.5 million (2020 – $78.3 million) to Canada Life related to the distribution of certain investment funds of the Company.
- During 2021, the Company sold residential mortgage loans to Canada Life for $11.9 million (2020 – $20.9 million).

NOTE 27 RELATED PARTY TRANSACTIONS *(continued)*

TRANSACTIONS AND BALANCES WITH RELATED ENTITIES *(continued)*

After obtaining advanced tax rulings in October 2017, the Company agreed to tax loss consolidation transactions with the Power Corporation of Canada group whereby shares of a subsidiary that has generated tax losses may be acquired in each year up to and including 2020. On December 31, 2020, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired. The benefits from these tax loss consolidation arrangements ended at December 31, 2020.

In 2020, additional transactions with related parties included the sale of Personal Capital (Note 9), the investment in Northleaf (Note 9), the acquisition of GLC Asset Management Group Ltd. and the sale of Quadrus Group of Funds (Note 30). On January 5, 2022, the Company entered into an agreement to acquire an additional interest in ChinaAMC from Power Corporation of Canada (Note 31).

KEY MANAGEMENT COMPENSATION

The total compensation and other benefits to directors and employees classified as key management, being individuals having authority and responsibility for planning, directing and controlling the activities of the Company, are as follows:

	2021	2020
Compensation and employee benefits	$ 3,981	$ 3,848
Post-employment benefits	3,793	13,522
Share-based payments	1,066	1,431
	$ 8,840	$ 18,801

Share-based payments exclude the fair value remeasurement of the deferred share units associated with changes in the Company's share price (Note 20).

NOTE 28 COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to global businesses. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has included moving substantially all employees and consultants to work from home and further supporting the Company's information technology infrastructure.

The distribution of vaccines has resulted in the easing of restrictions in many economies and has contributed to strong gains in certain economic sectors during 2021. However, there is uncertainty regarding the effectiveness of vaccines against new variants of the virus, and this contributes towards uncertainty of the timing of a full economic recovery. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

NOTE 29 SEGMENTED INFORMATION

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

These segments reflect the Company's internal financial reporting and performance measurement.

Wealth Management – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

Asset Management – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.

Strategic Investments and Other – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

Effective January 1, 2021, the Company expanded its reportable segment disclosures to report to Net earnings, whereas previously it was reported to Earnings before interest and taxes. The Company restated comparative figures in its segment results to conform to the current period's presentation. These changes further build on the disclosure enhancements announced by the Company in the third quarter of 2020, which were introduced to improve transparency into key drivers of each business line and help stakeholders understand and assess components of value.

NOTE 29 SEGMENTED INFORMATION *(continued)*

2021

	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS(1)	TOTAL
Revenues							
Wealth management	$ 2,572,891	$ –	$ –	$ (19,291)	$ 2,553,600	$ –	$ 2,553,600
Asset management	–	1,126,007	–	(114,551)	1,011,456	–	1,011,456
Dealer compensation	–	(355,242)	–	19,272	(335,970)	–	(335,970)
Net asset management	–	770,765	–	(95,279)	675,486	–	675,486
Net investment income and other	3,619	5,850	2,722	(249)	11,942	10,600	22,542
Proportionate share of associates' earnings	–	–	196,367	–	196,367	–	196,367
	2,576,510	776,615	199,089	(114,819)	3,437,395	10,600	3,447,995
Expenses							
Advisory and business development	1,089,282	88,746	–	(19)	1,178,009	–	1,178,009
Operations and support	466,170	335,544	4,916	(250)	806,380	–	806,380
Sub-advisory	189,678	6,892	–	(114,550)	82,020	–	82,020
	1,745,130	431,182	4,916	(114,819)	2,066,409	–	2,066,409
	831,380	345,433	194,173	–	1,370,986	10,600	1,381,586
Interest expense(2)	90,284	23,652	–	–	113,936	–	113,936
Earnings before income taxes	741,096	321,781	194,173	–	1,257,050	10,600	1,267,650
Income taxes	197,959	81,026	4,916	–	283,901	2,862	286,763
	543,137	240,755	189,257	–	973,149	7,738	980,887
Non-controlling interest	–	–	(1,938)	–	(1,938)	–	(1,938)
	$ 543,137	$ 240,755	$ 187,319	$ –	971,211	7,738	978,949
Gain on sale of Personal Capital, net of tax					7,738	(7,738)	–
Net earnings available to common shareholders					$ 978,949	$ –	$ 978,949
Identifiable assets	$ 9,237,235	$ 1,514,124	$ 4,107,163	$ –	$ 14,858,522	$ –	$ 14,858,522
Goodwill	1,491,687	1,310,379	–	–	2,802,066	–	2,802,066
Total assets	$ 10,728,922	$ 2,824,503	$ 4,107,163	$ –	$ 17,660,588	$ –	$ 17,660,588

(1) Gain on sale of Personal Capital is not related to a specific segment and therefore excluded from segment results. This item has been added back to Net investment income and other and Income taxes to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.

(2) Interest expense includes interest on long-term debt and interest on leases.

2020

	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS(1)	TOTAL
Revenues							
Wealth management	$ 2,275,955	$ –	$ –	$ (16,379)	$ 2,259,576	$ –	$ 2,259,576
Asset management	–	913,579	–	(100,648)	812,931	–	812,931
Dealer compensation	–	(299,530)	–	16,367	(283,163)	–	(283,163)
Net asset management	–	614,049	–	(84,281)	529,768	–	529,768
Net investment income and other	2,299	2,900	5,960	(182)	10,977	67,232	78,209
Proportionate share of associates' earnings	–	–	147,029	–	147,029	3,400	150,429
	2,278,254	616,949	152,989	(100,842)	2,947,350	70,632	3,017,982
Expenses							
Advisory and business development	959,946	80,212	–	(12)	1,040,146	–	1,040,146
Operations and support	453,738	293,755	4,063	(182)	751,374	79,276	830,650
Sub-advisory	163,197	8,664	–	(100,648)	71,213	–	71,213
	1,576,881	382,631	4,063	(100,842)	1,862,733	79,276	1,942,009
	701,373	234,318	148,926	–	1,084,617	(8,644)	1,075,973
Interest expense(2)	89,925	20,672	–	–	110,597	–	110,597
Earnings before income taxes	611,448	213,646	148,926	–	974,020	(8,644)	965,376
Income taxes	162,604	55,663	(7,333)	–	210,934	(10,164)	200,770
	448,844	157,983	156,259	–	763,086	1,520	764,606
Non-controlling interest	–	–	(198)	–	(198)	–	(198)
	$ 448,844	$ 157,983	$ 156,061	$ –	762,888	1,520	764,408
Gain on sale of Personal Capital, net of tax					31,387	(31,387)	–
Gain on sale of QGOF net of acquisition costs, net of tax					21,374	(21,374)	–
Proportionate share of associate's adjustments					3,400	(3,400)	–
Restructuring and other charges, net of tax					(54,641)	54,641	–
Net earnings available to common shareholders					$ 764,408	$ –	$ 764,408
Identifiable assets	$ 8,984,472	$ 1,509,729	$ 2,765,078	$ –	$ 13,259,279	$ –	$ 13,259,279
Goodwill	1,491,687	1,311,388	–	–	2,803,075	–	2,803,075
Total assets	$ 10,476,159	$ 2,821,117	$ 2,765,078	$ –	$ 16,062,354	$ –	$ 16,062,354

(1) *Gain on sale of Personal Capital, Gain on sale of Quadrus Group of Funds (QGOF) net of acquisition costs, Proportionate share of associate's adjustments, and Restructuring and other changes are not related to a specific segment and therefore excluded from segment results. These items have been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.*

(2) *Interest expense includes interest on long-term debt and interest on leases.*

NOTE 30 ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, the Company's subsidiary, Mackenzie, acquired all of the common shares of GLC, a wholly-owned subsidiary of Great-West Lifeco Inc. (Lifeco), for cash consideration of $185.0 million. Net cash outflow related to the transaction was $175.8 million, including acquisition costs of $3.8 million and $13.0 million in cash acquired.

In a separate transaction, Lifeco's subsidiary, Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of $30.0 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

The fair value of the identifiable assets of GLC at the date of acquisition were:

Purchase price allocation		
Cash and cash equivalents	$	13,003
Other current assets		2,528
Deferred tax asset		945
Intangible assets		56,763
Goodwill[1]		134,799
Accounts payable and accrued liabilities		(8,482)
Deferred tax liability		(14,522)
	$	185,034

(1) nil deductible for tax purposes

Goodwill is attributable to synergies including expansion of Mackenzie's distribution reach into the fast-growing group retirement business. Identified intangible assets are comprised of finite life management contracts valued at $56.8 million.

As GLC was acquired on December 31, 2020, it did not impact the Company's revenues and expenses in 2020.

GREENCHIP FINANCIAL CORP. (GREENCHIP)

On December 22, 2020, Mackenzie acquired 100% of Greenchip, a Canadian firm focused exclusively on the environmental economy since 2007. During 2021, the Company finalized the purchase price allocation which resulted in an increase to the fair value of identifiable assets of $1.0 million and an offsetting decrease to goodwill of $1.0 million.

NOTE 31 SUBSEQUENT EVENT

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of $1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, the Company will sell 15,200,662 common shares of Lifeco to Power for cash consideration of $575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. These transactions are expected to close in the first half of 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco shares is conditional on the Company's purchase of the ChinaAMC shares.

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STOCK LISTINGS

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange:

Subordinate Voting Shares: POW
Participating Preferred Shares: POW.PR.E

First Preferred Shares, Series A: POW.PR.A
First Preferred Shares, Series B: POW.PR.B
First Preferred Shares, Series C: POW.PR.C
First Preferred Shares, Series D: POW.PR.D
First Preferred Shares, Series G: POW.PR.G

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.

Offices in:
Montréal, Québec; Toronto, Ontario;
Vancouver, British Columbia
www.investorcentre.com

SHAREHOLDER SERVICES

Shareholders with questions relating to the payment of dividends, change of address, share certificates, direct registration and estate transfers should contact the Transfer Agent:

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