

# Consolidated Financial Statements

## Consolidated Balance Sheets

[in millions of Canadian dollars]	December 31, 2025	December 31, 2024
<b>Assets</b>		
Cash and cash equivalents [Note 4]	14,366	13,744
Investments [Note 5]		
Bonds	174,867	167,400
Mortgage and other loans	44,045	44,665
Shares	22,344	19,572
Investment properties	8,493	8,350
	249,749	239,987
Insurance contract assets [Note 10]	1,571	1,193
Reinsurance contract held assets [Note 11]	16,850	17,842
Funds held on behalf of clients	24,320	16,720
Derivative financial instruments [Note 28]	2,290	2,637
Investments in jointly controlled corporations and associates [Note 6]	8,135	8,801
Owner-occupied properties and capital assets [Note 7]	6,544	6,269
Other assets [Note 8]	26,641	23,948
Deferred tax assets [Note 18]	2,408	2,181
Intangible assets [Note 9]	7,031	6,974
Goodwill [Note 9]	14,661	14,677
Investments on account of segregated fund policyholders [Note 13]	551,169	496,386
<b>Total assets</b>	<b>925,735</b>	<b>851,359</b>
<b>Liabilities</b>		
Insurance contract liabilities [Note 10]	161,644	155,683
Investment contract liabilities [Note 12]	89,042	90,157
Reinsurance contract held liabilities [Note 11]	919	795
Obligations to securitization entities [Note 14]	4,815	5,025
Power Corporation's debentures and other debt instruments [Note 15]	647	647
Non-recourse debentures and other debt instruments of:		
Power Financial, Lifeco and IGM [Note 16A]	11,354	12,031
Consolidated investment funds and Other [Note 16B]	4,146	3,878
Client funds payable	25,793	16,605
Derivative financial instruments [Note 28]	2,438	2,180
Other liabilities [Note 17]	27,299	22,733
Deferred tax liabilities [Note 18]	1,421	1,253
Insurance contracts on account of segregated fund policyholders [Note 13]	70,418	66,343
Investment contracts on account of segregated fund policyholders [Note 13]	480,751	430,043
<b>Total liabilities</b>	<b>880,687</b>	<b>807,373</b>
<b>Equity</b>		
Share capital [Note 19]		
Non-participating shares	1,350	950
Participating shares	9,159	9,236
Retained earnings	11,674	11,364
Reserves	2,249	2,330
Total shareholders' equity	24,432	23,880
Non-controlling interests [Note 21]	20,616	20,106
<b>Total equity</b>	<b>45,048</b>	<b>43,986</b>
<b>Total liabilities and equity</b>	<b>925,735</b>	<b>851,359</b>

Approved by the Board of Directors

/s/ Siim A. Vanasselja  
Siim A. Vanasselja  
Director

/s/ R. Jeffrey Orr  
R. Jeffrey Orr  
Director

## Consolidated Statements of Earnings

For the years ended December 31 [in millions of Canadian dollars, except per share amounts]	2025	2024
<b>Insurance service result</b>		
Insurance revenue [Note 24]	22,321	21,214
Insurance service expenses [Note 25]	(17,239)	(16,368)
Net expense from reinsurance contracts	(1,703)	(1,599)
Total insurance service result	3,379	3,247
<b>Net investment result</b> [Note 5]		
Net investment income	10,608	10,360
Changes in fair value through profit or loss	4,241	1,877
	14,849	12,237
Net finance income (expenses) from insurance contracts	(6,355)	(5,918)
Net finance income (expenses) from reinsurance contracts	(326)	(10)
Changes in investment contract liabilities	(5,002)	(2,932)
Net investment result	3,166	3,377
<b>Net investment result—Insurance contracts on account of segregated fund policyholders</b>		
Net investment income (loss)	5,044	6,828
Net finance income (expenses) from insurance contracts	(5,044)	(6,828)
Net investment result—Insurance contracts on account of segregated fund policyholders	–	–
<b>Other revenues</b>		
Fee income	12,298	11,057
Other	998	747
Total fee income and other revenues	13,296	11,804
<b>Other expenses</b>		
Operating and administrative expenses [Note 25]	14,178	12,462
Financing charges [Note 26]	849	812
Total other expenses	15,027	13,274
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,814	5,154
Share of earnings of investments in jointly controlled corporations and associates [Note 6]	462	376
Earnings before income taxes	5,276	5,530
Income taxes [Note 18]	878	929
Net earnings from continuing operations	4,398	4,601
Net loss from discontinued operations	–	(115)
Net gain from disposal of discontinued operations	–	44
<b>Net earnings</b>	4,398	4,530
<b>Attributable to</b>		
Non-controlling interests [Note 21]	1,771	1,735
Non-participating shareholders	55	52
Participating shareholders	2,572	2,743
	4,398	4,530
<b>Earnings per participating share</b> [Note 31]		
Net earnings from continuing operations attributable to participating shareholders		
Basic	4.01	4.31
Diluted	3.94	4.27
Net earnings attributable to participating shareholders		
Basic	4.01	4.23
Diluted	3.94	4.19

## Consolidated Statements of Comprehensive Income

 For the years ended December 31  
 [in millions of Canadian dollars]

	2025	2024
<b>Net earnings</b>	4,398	4,530
<b>Other comprehensive income (loss)</b>		
<b>Items that may be reclassified subsequently to net earnings</b>		
Net unrealized gains (losses) on FVOCI debt instruments		
Unrealized gains (losses)	130	113
Income tax (expense) benefit	(21)	(25)
Realized (gains) losses transferred to net earnings	(8)	47
Income tax expense (benefit)	3	(10)
	104	125
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	314	74
Income tax (expense) benefit	(69)	(16)
Realized (gains) losses transferred to net earnings	(195)	(61)
Income tax expense (benefit)	52	16
	102	13
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	(231)	1,388
Realized (gains) losses transferred to net earnings	–	(265)
Unrealized gains (losses) on hedges of net investments in foreign operations	(243)	(172)
Income tax (expense) benefit	(1)	40
	(475)	991
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	210	401
Income tax (expense) benefit	–	(1)
	210	400
Total – items that may be reclassified	(59)	1,529
<b>Items that will not be reclassified subsequently to net earnings</b>		
Net unrealized gains (losses) on FVOCI equity instruments		
Unrealized gains (losses)	162	(414)
Income tax (expense) benefit	(1)	–
	161	(414)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(255)	(151)
Actuarial gains (losses) on defined benefit plans [Note 27]	147	333
Income tax (expense) benefit	(46)	(90)
	101	243
Total – items that will not be reclassified	7	(322)
<b>Other comprehensive income (loss)</b>	(52)	1,207
<b>Comprehensive income</b>	4,346	5,737
<b>Attributable to</b>		
Non-controlling interests	1,746	2,180
Non-participating shareholders	55	52
Participating shareholders	2,545	3,505
	4,346	5,737

## Consolidated Statements of Changes in Equity

	Share capital				Reserves			Total equity
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 30]	Total	Non-controlling interests	
<b>For the year ended December 31, 2025</b> [in millions of Canadian dollars]								
<b>Balance, beginning of year</b>	950	9,236	11,364	327	2,003	2,330	20,106	43,986
Net earnings	–	–	2,627	–	–	–	1,771	4,398
Other comprehensive loss	–	–	–	–	(27)	(27)	(25)	(52)
Comprehensive income	–	–	2,627	–	(27)	(27)	1,746	4,346
Issuance of non-participating shares [Note 19]	400	–	–	–	–	–	–	400
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 19]	–	(190)	(521)	–	–	–	–	(711)
Dividends to shareholders								
Non-participating shares	–	–	(55)	–	–	–	–	(55)
Participating shares	–	–	(1,568)	–	–	–	–	(1,568)
Dividends to non-controlling interests	–	–	–	–	–	–	(1,132)	(1,132)
Expense for share-based compensation [Note 20]	–	–	–	46	–	46	33	79
Stock options exercised	–	113	–	(40)	–	(40)	31	104
Realized gains on FVOCI equity instruments transferred to retained earnings	–	–	29	–	(29)	(29)	–	–
Share issue costs [Note 19]	–	–	(11)	–	–	–	–	(11)
Effects of changes in capital and ownership of subsidiaries, and other	–	–	(191)	(8)	(23)	(31)	(168)	(390)
<b>Balance, end of year</b>	1,350	9,159	11,674	325	1,924	2,249	20,616	45,048
	Share capital				Reserves			
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 30]	Total	Non-controlling interests	Total equity
<b>For the year ended December 31, 2024</b> [in millions of Canadian dollars]								
<b>Balance, beginning of year</b>	950	9,284	10,005	408	1,496	1,904	19,122	41,265
Net earnings	–	–	2,795	–	–	–	1,735	4,530
Other comprehensive income	–	–	–	–	762	762	445	1,207
Comprehensive income	–	–	2,795	–	762	762	2,180	5,737
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 19]	–	(161)	(269)	–	–	–	–	(430)
Dividends to shareholders								
Non-participating shares	–	–	(52)	–	–	–	–	(52)
Participating shares	–	–	(1,457)	–	–	–	–	(1,457)
Dividends to non-controlling interests	–	–	–	–	–	–	(1,060)	(1,060)
Expense for share-based compensation [Note 20]	–	–	–	39	–	39	22	61
Stock options exercised	–	113	–	(92)	–	(92)	82	103
Realized gains on FVOCI equity instruments transferred to retained earnings	–	–	238	–	(238)	(238)	–	–
Effects of changes in capital and ownership of subsidiaries, and other	–	–	104	(28)	(17)	(45)	(240)	(181)
<b>Balance, end of year</b>	950	9,236	11,364	327	2,003	2,330	20,106	43,986

## Consolidated Statements of Cash Flows

For the years ended December 31 [in millions of Canadian dollars]	2025	2024
<b>Operating activities</b>		
Earnings before income taxes from continuing and discontinued operations	5,276	5,370
Income tax paid, net of refunds received	(1,103)	(906)
Adjusting items		
Change in insurance contract liabilities	5,024	5,636
Change in investment contract liabilities	3,132	(5,538)
Change in reinsurance contract held liabilities	120	115
Change in reinsurance contract held assets	663	586
Change in insurance contract assets	(371)	38
Changes in fair value through profit or loss	(4,241)	(1,877)
Lifeco's insurance and investment contract-related activities		
Sales, maturities and repayments of investments	56,427	43,802
Purchases of investments	(60,942)	(42,396)
Other	795	1,061
	4,780	5,891
<b>Financing activities</b>		
Dividends paid		
By subsidiaries to non-controlling interests	(1,133)	(1,060)
Non-participating shares	(52)	(52)
Participating shares	(1,541)	(1,437)
	(2,726)	(2,549)
Issuance of equity		
Corporation's subordinate voting shares [Note 19]	104	103
Non-participating shares [Note 19]	400	-
Subsidiaries' common shares	429	388
Subsidiaries' preferred shares	550	-
Issuance of investment funds' limited-life and redeemable units	800	753
Repurchase or redemption of equity		
Corporation's subordinate voting shares for cancellation under Normal Course Issuer Bid [Note 19]	(711)	(430)
Subsidiaries' common shares	(1,179)	(237)
Redemption of investment funds' limited-life and redeemable units	(200)	(100)
Acquisition of non-controlling interests	(3)	(37)
Changes in Power Financial, Lifeco and IGM's debt instruments [Note 16A]		
Increase in other debt instruments	138	-
Repayment of senior notes	(689)	-
Decrease in other debt instruments	-	(60)
Changes in Consolidated investment funds and Other's debt instruments [Note 16B]		
Increase in other debt instruments	1,162	1,183
Decrease in other debt instruments	(861)	(462)
Repayment of lease liabilities [Note 17]	(96)	(91)
Increase in obligations to securitization entities	1,443	1,593
Repayment of obligations to securitization entities	(1,684)	(1,272)
Other	(548)	(42)
	(3,671)	(1,260)
<b>Investing activities</b>		
Sales maturities and repayment of investments	3,639	2,815
Purchases of investments	(3,950)	(3,293)
Distribution and proceeds from disposal of investments in jointly controlled corporations and associates [Note 6]	1,025	663
Investments in jointly controlled corporations and associates [Note 6]	(370)	(413)
Impact from disposal of discontinued operations	-	(211)
Business acquisitions and asset acquisition, net of cash and cash equivalents acquired	(67)	(447)
Acquisition of capital assets, properties and other	(625)	(874)
	(348)	(1,760)
Effect of changes in exchange rates on cash and cash equivalents	(139)	561
Increase in cash and cash equivalents	622	3,432
Cash and cash equivalents, beginning of year	13,744	10,312
<b>Cash and cash equivalents, end of year</b>	<b>14,366</b>	<b>13,744</b>
<b>Net cash from operating activities includes</b>		
Interest and dividends received	9,588	9,025
Interest paid	1,318	1,218

# Notes to the Consolidated Financial Statements

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

## NOTE 1 Corporate Information

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

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

The Consolidated Financial Statements (financial statements) of Power Corporation as at and for the year ended December 31, 2025 were approved by its Board of Directors on March 18, 2026.

## NOTE 2 Basis of Presentation and Summary of Material Accounting Policies

### BASIS OF PRESENTATION

The financial statements of Power Corporation as at December 31, 2025 have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board (IASB).

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, 2025. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

### SUBSIDIARIES

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

### JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

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

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

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

**PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES**

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

Corporation	Classification	Incorporated	Primary business operation	% equity interest	
				December 31, 2025	December 31, 2024
<b>Holding company</b>					
Power Corporation of Canada	Parent	Canada	Holding company		
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
<b>Publicly traded companies</b>					
Great-West Lifeco Inc. <sup>[1]</sup>	Subsidiary	Canada	Financial services holding company	71.1	70.6
The Canada Life Assurance Company	Subsidiary	Canada	Insurance and wealth management	100.0	100.0
Irish Life Group Limited	Subsidiary	Ireland	Insurance and wealth management	100.0	100.0
Empower Annuity Insurance Company of America	Subsidiary	United States	Financial services	100.0	100.0
IGM Financial Inc. <sup>[2]</sup>	Subsidiary	Canada	Wealth and asset management	66.8	66.1
IG Wealth Management	Subsidiary	Canada	Financial services	100.0	100.0
Mackenzie Financial Corporation	Subsidiary	Canada	Asset management company	100.0	100.0
China Asset Management Co., Ltd.	Associate	China	Asset management company	27.8	27.8
Northleaf Capital Group Ltd. <sup>[3]</sup>	Associate	Canada	Alternative asset manager	70.0	70.0
Rockefeller Capital Management	Associate	United States	Financial services	17.2	20.5
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert <sup>[4]</sup>	Subsidiary	Belgium	Holding company	34.2	32.9
<b>Alternative asset investment platforms and other</b>					
Power Sustainable Capital Inc.	Subsidiary	Canada	Holding company	100.0	100.0
Power Sustainable Manager Inc. <sup>[5]</sup>	Subsidiary	Canada	Alternative asset manager	93.4	95.5
Power Sustainable Energy Infrastructure Partnership <sup>[6]</sup>	Subsidiary	Canada	Renewable energy fund	41.2	46.5
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. <sup>[7]</sup>	Subsidiary	Canada	Alternative asset manager	55.2	63.5
BEX Capital SAS <sup>[8]</sup>	Subsidiary	France	Alternative asset manager	45.0	–
Performance Equity Management, LLC	Subsidiary	United States	Alternative asset manager	100.0	38.0
HalseyPoint Asset Management, LLC	Joint control	United States	Alternative asset manager	40.0	40.0
Wealthsimple Financial Corp. <sup>[9]</sup>	Subsidiary	Canada	Financial services	52.4	54.4
Portag3 Ventures LP <sup>[10]</sup>	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP <sup>[11]</sup>	Subsidiary	Canada	Venture capital fund	27.9	27.9
Portage Ventures III LP <sup>[12]</sup>	Subsidiary	Canada	Venture capital fund	15.4	15.4
Portage Capital Solutions Fund I LP <sup>[13]</sup>	Subsidiary	Canada	Venture capital fund	57.1	57.1
<b>Standalone Business</b>					
LMPG Inc.	Subsidiary	Canada	Lighting solutions	49.6	49.6

[1] Power Financial holds a 68.7% equity interest and IGM Financial holds a 2.4% equity interest in Lifeco (68.2% and 2.4%, respectively, at December 31, 2024).

[2] Power Financial holds a 62.9% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (62.2% and 3.9%, respectively, at December 31, 2024).

[3] Represents a 49.9% non-controlling voting interest. Held through an acquisition vehicle 80% owned by Mackenzie Investments and 20% by Lifeco.

[4] Parjointco has a controlling interest in GBL and holds a 47.8% voting interest (47.0% at December 31, 2024).

[5] Power Corporation and Lifeco hold an equity interest of 73.0% and 20.4%, respectively, in Power Sustainable Manager Inc. (74.7% and 20.8%, respectively at December 31, 2024).

[6] Power Corporation holds a 28.3% equity interest and Lifeco holds a 12.9% equity interest in Power Sustainable Energy Infrastructure Partnership (32.8% and 13.7%, respectively, at December 31, 2024).

[7] Power Corporation, Lifeco and GBL hold an equity interest of 44.2%, 11.0% and 4.9%, respectively, in Sagard Holdings Management Inc. (50.8%, 12.7% and nil, respectively, at December 31, 2024). In March 2025, GBL acquired a 5% fully diluted interest in SHMI for a consideration of US\$33 million. In September 2025, Baird Financial Group (Baird) entered into a strategic partnership with SHMI and acquired a 5% fully diluted interest in SHMI for a consideration of US\$34 million.

[8] The Corporation, through SHMI, currently has an exercisable option to buy an additional 5.1% equity interest in BEX Capital SAS.

[9] Power Financial, Portage Ventures I and IGM Financial hold an equity interest of 13.9%, 9.6% and 28.9%, respectively, in Wealthsimple (13.8%, 10.5% and 30.1%, respectively, at December 31, 2024).

[10] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portage Ventures I.

[11] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 7.7% and Sagard holds a 4.7% equity interest in Portage Ventures II.

[12] Sagard, Lifeco and IGM Financial hold an equity interest of 2.4%, 9.0% and 4.0%, respectively, in Portage Ventures III.

[13] Sagard and Lifeco hold an equity interest of 29.2% and 27.9%, respectively, in Portage Capital Solutions Fund I LP.

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

## CHANGES IN ACCOUNTING POLICIES

The Corporation adopted the amendments to IFRS Accounting Standards for IAS 21, *The Effects of Changes in Foreign Exchange Rates*, effective January 1, 2025. The adoption of these amendments did not have a material impact on the Corporation's financial statements.

## USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Evaluation of control	Management of the Corporation and of its subsidiaries	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.  Determining whether the Corporation is a principal or an agent when the Corporation or its subsidiaries act as a fund manager and also invest in the fund. The Corporation determines that it is a principal when it has sufficient capital invested and exposure to variability of returns generated as a result of the decisions of the Corporation or its subsidiaries as a fund manager. Judgment is applied in determining the sufficiency of the variability of returns and overall aggregate economic interest. In making these judgments, the Corporation considers the rights held by other investors, including their ability to remove the fund manager.	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
Assets and liabilities held for sale	Management of the Corporation and of its subsidiaries	Judgment is required in determining the assets and liabilities to be included in a disposal group. Estimation is required in the determination of the fair value for disposal groups, including contingent consideration and costs to sell.	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, 6
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.	2
Valuation of insurance and certain investment contract liabilities	Management of Lifeco	Determining the actuarial assumptions, including mortality, longevity, morbidity, expense and policyholder behaviour.	10, 12
Coverage units	Management of Lifeco	Determining the coverage units, which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.	n/a
Amounts payable to a policyholder	Management of Lifeco	All terms of contracts issued are considered to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. Such payments are considered to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract, as the amount is repayable only after it has first been paid by the policyholder.	n/a

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Discount rates to apply to insurance contract liability cash flows	Management of Lifeco	Determining the discount rates to apply to most insurance contract liability cash flows. Lifeco generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, Lifeco uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment.	10
Risk adjustment for non-financial risk	Management of Lifeco	Judgment is required in reflecting diversification and calculating the confidence level.	10, 11
Onerous contracts	Management of Lifeco	Determining at what level of granularity sufficient information is available to conclude that all contracts within a set will be in the same group. The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition and subsequently, with fulfillment cash flow expectations determined on a probability-weighted basis. Lifeco determines the appropriate level at which reasonable and supportable information is available to make this assessment.	10, 11
Measurement of impairment losses	Management of the Corporation and of its subsidiaries	Judgment is required on measurement of impairment losses under IFRS 9, <i>Financial Instruments</i> (IFRS 9) across relevant financial assets, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.	5, 23
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.	29
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, 29
Fair value of investment properties	Management of its subsidiaries	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, 29
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, 9
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.	9

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
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.	27
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.	18
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.	18
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 applied in evaluating the possible outcomes and risks to determine the best estimate of the provision at the balance sheet date.	33
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.	14
Classification of revenues and expenses in sub-advisor arrangements	Management of Lifeco	Determining whether Lifeco retains the primary obligation with a client in sub-advisor arrangements. Where Lifeco retains the primary obligation to the client, revenues and expenses are recorded on a gross basis.	n/a
Deferred selling commissions	Management of IGM	Determining whether the client or the fund is the customer, as well as the assessment of the recoverability of the deferred selling commissions.	8
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, are incremental and related to the issuance of the investment contract.	8
Classification of non-controlling interests in limited-life fund units and redeemable fund units	Management of the Corporation and of its subsidiaries	Determining if non-controlling interests in funds are classified as liabilities or equity depends on whether an obligation exists to distribute residual net assets to non-controlling interests in the form of cash or another financial asset or assets delivered in kind. Judgment is used to determine what the governing documents of each entity require or permit in this regard.	17

The results of the Corporation reflect management of the Corporation and of its subsidiaries' judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The Corporation and its subsidiaries' 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.

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

### MATERIAL ACCOUNTING POLICIES

#### 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, and investment properties.

A financial asset is measured at fair value on initial recognition and is classified and subsequently measured as FVPL, FVOCI, or amortized cost based upon the Corporation's or its subsidiaries' business models for managing these assets and the contractual cash flow characteristics of these assets.

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

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

- [i] it is held in a business model whose objective is to hold to collect contractual cash flows and sell financial assets; and
- [ii] its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- [iii] it is an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination, and at initial recognition, the Corporation or its subsidiaries has made an irrevocable election to present subsequent changes in FVOCI.

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

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

FVOCI investments are recognized at fair value on the balance sheets with unrealized gains and losses recorded in the statements of comprehensive income.

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

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

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.

#### Derecognition

A financial asset is derecognized only when the contractual rights to the cash flows from the asset expire, or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statements of earnings. In addition, on derecognition of an investment in a debt instrument classified as FVOCI, the cumulative gain or loss previously accumulated is reclassified to the statements of earnings. On derecognition of equity instruments designated as FVOCI, the cumulative gain or losses are not reclassified to the statements of earnings but rather reclassified to retained earnings.

#### Fair Value Measurement

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 value instruments carried at fair value.

#### Bonds at FVPL and FVOCI

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

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

#### Mortgage and Other Loans at FVPL and FVOCI

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

#### Equity-Release Mortgages at FVPL

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

**NOTE 2 Basis of Presentation and Summary of Material Accounting Policies** (CONTINUED)**Shares at FVPL and FVOCI**

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

**Investment Properties**

Fair values of investment properties are determined using independent qualified appraisal services and include adjustments by management of its subsidiaries 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.

**Net Investment Income**

Interest income is accounted for on an accrual basis using the effective interest method for bonds and mortgage and other loans.

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 board of directors has 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. Leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease.

Interest income, dividend income and investment property income are recorded in net investment income in the statements of earnings.

**Expected Credit Losses**

Expected credit loss (ECL) allowances are recognized on all financial assets, except for financial assets classified or designated as FVPL and equity instruments designated as FVOCI.

The ECL allowance is based on a probability-weighted estimate of credit losses expected as a result of defaults over the relevant time period as prescribed under the ECL model, which is a three-stage impairment approach.

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

The Corporation and its subsidiaries monitor all financial assets that are subject to impairment for significant increases in credit risk. In making this assessment, both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, is considered.

**NOTE 2 Basis of Presentation and Summary of Material Accounting Policies** (CONTINUED)**Modified Financial Assets**

An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the Corporation's accounting policies.

If modification does not result in derecognition, the financial asset continues to be subject to the assessment for significant increase in credit risk relative to initial recognition. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, such loans can revert to having 12-month ECLs if the borrower's financial condition improves.

**Definition of Default**

The definition of default used in the measurement of ECL is consistent with the definition used for the Corporation and its subsidiaries' internal credit risk management purposes. A financial asset is considered to be in default when the issuer is unlikely to meet its credit obligations in full or when it is 90 days past due.

**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 as FVPL are expensed as incurred. Transaction costs related to financial instruments classified as FVOCI are included in the value of the instrument at acquisition. Transaction costs related to financial instruments classified as amortized cost are included in the value of the instrument at acquisition and taken into net earnings using the effective interest method for fixed income instruments or when sold for debt instruments.

**FEE INCOME AND OTHER REVENUES****Lifeco**

Fee income primarily includes fees earned from the management of investment contracts on account of segregated fund policyholders, 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 recognized as services are performed. Distribution revenue associated with insurance and banking products and services is also recognized on an accrual basis while distribution fees derived from investment fund and securities transactions are recognized on a trade-date basis.

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

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

**Other Subsidiaries**

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

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

Revenues from contracts with customers and 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, include:

- Revenues from asset managers: management fees are earned in accordance with contractual arrangements with investment funds based on the committed capital, invested capital or the net asset value of the fund 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 and transaction-based revenues are recognized upon execution of trades on a transaction-by-transaction basis.

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.

**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 35 years).

Right-of-use assets are depreciated to the earlier of the end of the estimated useful life of the right-of-use asset or the end of the lease term using the straight-line method. Depreciation expense is included within operating and administration expenses.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary. Owner-occupied properties and capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**LEASES**

At inception of a contract, the Corporation and its subsidiaries assess whether a contract is or contains a lease. The Corporation and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, initial direct costs incurred and any lease incentive received. Right-of-use assets are included within owner-occupied properties and capital assets, with the exception of right-of-use assets that meet the definition of investment property, which are presented within investment properties and subject to the Corporation's associated accounting policy.

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

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.

### FUNDS HELD ON BEHALF OF CLIENTS AND CLIENT FUNDS PAYABLE

Funds held on behalf of clients are measured at amortized cost and represents cash balances held in client accounts deposited primarily at Canadian financial institutions with the offset included in Client funds payable on the balance sheets.

Client funds payable are financial liabilities measured at amortized cost.

Interest income is earned on funds held on behalf of clients and is included in net investment income. Interest expense paid on client funds payable is included in operating and administrative expenses.

### OTHER ASSETS

Other assets include accounts and interest receivable, securities borrowed, trading account assets, deferred acquisition costs, deferred selling commissions, prepaid expenses, and other miscellaneous assets which are measured at amortized cost. Other assets also include funds held under investment contracts, which comprises cash and cash equivalents, bonds, mortgages and other miscellaneous assets, which are measured in accordance with the Corporation's corresponding accounting policies.

Securities borrowed represent the legal and financial right arising from lending a client's fully paid securities to counterparties in exchange for cash collateral, including the right to recover that cash collateral when the securities are returned.

Trading account assets includes the investments of Lifeco's consolidated collateralized loan obligations (CLOs), 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 with realized and unrealized gains and losses recorded in the statements of earnings.

Each CLO is a special purpose vehicle that owns a portfolio of investments, consisting primarily of senior secured loans, and issues various tranches of senior and subordinated notes to third parties for the purpose of financing the purchase of those investments. Assets of the special purpose vehicle, the senior secured loans, are included in other assets and the associated liabilities, the senior and subordinated notes issued to third parties, are included in other liabilities on the balance sheets.

### Deferred Acquisition Costs

Deferred acquisition costs related to investment contracts and service contracts are recognized as assets if the costs are incremental and incurred due to the contract being issued. Deferred acquisition costs are amortized on a straight-line basis over the term of the contract, not exceeding 20 years.

### Deferred Selling Commissions

Commissions are paid on investment product sales where a fee is either received directly from the client or is received directly from the investment fund.

Commissions paid on investment product sales where fees are earned from a client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. The Corporation regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

### ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal groups are classified as held for sale when it has been determined that the carrying amount will be recovered through a sale transaction rather than continuing use. The disposal group is measured at the lower of its carrying amount and fair value less cost 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 at 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 balance sheets.

A disposal group qualifies as a discontinued operation if it is a component of an entity for which operations and cash flows can be clearly distinguished from the rest of the corporation, that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal and when the operation meets the criteria to be classified as held for sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in net earnings (loss) from discontinued operations in the statements of earnings and the comparative statements of earnings is re-presented as if the operation had been discontinued from the beginning of the comparative year. Gains and losses from disposal groups qualified as discontinued operations under IFRS 5 are presented separately in the statements of earnings.

**NOTE 2 Basis of Presentation and Summary of Material Accounting Policies** (CONTINUED)**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 20 years); ii) customer contract-related (7 to 30 years); and iii) power purchase agreements (5 to 35 years).

Indefinite life intangible assets include brands, trademarks and trade names, certain customer contracts, mutual fund management contracts and the shareholders' portion of acquired future participating account profit. Amounts are classified as indefinite life intangible assets based on an analysis of all the relevant factors, and when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

**Impairment Testing**

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

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

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

Finite life intangible assets are reviewed at least annually to determine if there are indicators of impairment and the amortization period and method are reviewed and adjusted if necessary. If indicators of impairment have been identified, a test for impairment is performed and impairment is recognized as necessary.

**SEGREGATED FUNDS**

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the balance sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Segregated fund contracts are classified as insurance contracts or investment contracts following the classification criteria described in the accounting policy for insurance contracts, investment contracts and reinsurance contracts held. Investment income and changes in fair value of the segregated fund assets are offset by corresponding changes in the segregated fund liabilities. Guarantees on the segregated fund products are accounted for within insurance contract liabilities on the balance sheets.

**INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE CONTRACTS HELD****Contract Classification****Insurance Contracts**

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

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

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

**Investment Contracts**

In the absence of significant insurance risk, Lifeco classifies contracts as investment contracts or service contracts. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 17 and investment contracts without discretionary participating features are accounted for in accordance with IFRS 9. 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 23 for a discussion of Lifeco's risk management.

Investment contracts are measured at FVPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring the assets that back the contract on different bases.

**Reinsurance Contracts Held**

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

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

### Separating Components from Insurance and Reinsurance Contracts

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

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

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

### Level of Aggregation

The level of aggregation for insurance contracts issued is determined by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Lifeco has defined portfolios of insurance contracts issued based on its product lines. Portfolios are further disaggregated into groups of contracts that are issued within an annual period (typically a financial year) and are further divided into: onerous contracts, contracts that have no significant possibility of becoming onerous subsequently, and all other contracts. An insurance contract is onerous if, at the date of initial recognition, the estimated fulfillment cash flow expectations determined on a probability-weighted basis is a net outflow. Lifeco's evaluation of whether contracts are onerous is based on reasonable and supportable information. Lifeco has not identified any groups of insurance contracts that have no significant possibility of becoming onerous subsequently.

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

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

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

### Initial Recognition

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

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

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

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

### Contract Boundaries

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

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

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

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

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

## NOTE 2 **Basis of Presentation and Summary of Material Accounting Policies** (CONTINUED)

### **Measurement of Insurance Contracts**

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

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

### **General Measurement Model (GMM)**

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

#### **Initial Measurement**

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

#### **Fulfillment Cash Flows**

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

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

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

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

#### **Contractual Service Margin**

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

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

### **Discount Rates**

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

Lifeco applies the top-down approach for insurance contract liabilities that have assets backing them. Under this approach, discount rates are estimated by starting from the yield curve implied in a reference portfolio of assets that closely reflects the duration, currency, and liquidity characteristics of the insurance cash flows, and then excluding the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance contract cash flows. The allowance for credit risk in the discount rate varies depending on the credit rating, sector and term of the assets reflected in the discount rate. The allowance is estimated based on historic credit experience and prevailing market conditions. For example, if there is a significant widening of market credit spreads, an additional allowance for credit risk to reduce the discount rate may be required to reflect prevailing market conditions. Lifeco uses the fixed income assets supporting the insurance contract liabilities as the reference portfolio to determine the discount rates in the observable period, while the discount rates in the unobservable period are based on an ultimate investment rate. In situations where the fixed-income assets supporting the insurance contract liabilities do not appropriately reflect the illiquidity characteristics of the liability, an additional adjustment is made to the discount rate.

In cases where the insurance contract liabilities are not backed by assets, Lifeco applies the bottom-up approach to set the discount rate. This approach uses a risk-free rate, plus a spread to reflect the liquidity characteristics of the liability. Risk-free rates are determined by reference to highly liquid government securities in the currency of the insurance contract liability, and the spread is derived from an external benchmark.

#### **Risk Adjustment**

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

#### **Insurance Acquisition Cash Flows**

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

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

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

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

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

### Subsequent Measurement

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

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

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

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

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

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

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

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

### Variable Fee Approach (VFA)

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

### Recognition

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

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

Lifeco performs the test for VFA qualification at initial recognition.

### Initial Measurement

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

### Subsequent Measurement

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

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

### Risk Mitigation

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

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

### Premium Allocation Approach (PAA)

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

#### Recognition

##### CONTRACTS WITH COVERAGE PERIODS OF ONE YEAR OR LESS

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

##### CONTRACTS WITH COVERAGE PERIODS OF MORE THAN ONE YEAR

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

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

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

#### Measurement

##### INITIAL MEASUREMENT OF THE LIABILITY FOR REMAINING COVERAGE

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

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

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

##### SUBSEQUENT MEASUREMENT

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

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

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

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

### Measurement of Reinsurance Contracts Held

#### General Measurement Model

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

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

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

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

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

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

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

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

### Premium Allocation Approach

Lifeco reinsures some of its direct insurance contracts liabilities. The reinsurance contracts held that are eligible for the PAA and have underlying direct contracts measured under the PAA are also classified and measured under the PAA.

### Onerous Underlying Insurance Contracts

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

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

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

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

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

### Measurement of Investment Contracts

Investment contracts are recognized when Lifeco becomes a party to the contractual provisions of the contract. At recognition, Lifeco measures an investment contract at its fair value. Transaction costs that are incremental and directly attributable to the acquisition or issue of the investment contract are expensed as incurred.

When the fair value of the investment contract differs from the transaction price on initial recognition, Lifeco recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

Investment contracts are subsequently measured at FVPL where the fair value is set to the higher of the market value of the assets supporting the liability balance and the result of discounting risk-adjusted cash flows rates derived from a reference portfolio or stochastic modelling. Lifeco's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

### Coverage Units

#### Amortization of the Contractual Service Margin

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

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

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

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

#### Insurance Revenue

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

#### Insurance Finance Income or Expenses

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

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

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

#### Net Income or Expense from Reinsurance Contracts Held

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

**NOTE 2 Basis of Presentation and Summary of Material Accounting Policies** (CONTINUED)**Contract Modifications and Derecognition****Contract Modifications**

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

**Derecognition of Contracts**

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

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

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

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

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

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

**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.

Mortgages on investment properties are designated at FVPL upon initial recognition to eliminate or significantly reduce accounting mismatches and are remeasured at fair value at each reporting date with changes in fair value recognized in the statements of earnings.

**OTHER LIABILITIES**

Other liabilities include accounts payable, securities loaned, bank overdraft, dividends and interest payable, lease liabilities, deferred income reserves, 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.

Securities loaned represent the legal and financial obligation arising from cash received from counterparties in exchange for a client's fully paid securities, including the obligation to return the cash and maintain adequate collateral.

Other liabilities also include notes of consolidated CLOs, which are classified as FVPL. Gains or losses are recognized in net investment income in the statements of earnings.

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 of the amount can be made. Provisions are measured based on management of the Corporation and of its subsidiaries' best estimate at the balance sheet date. The Corporation recognizes a provision for restructuring when a detailed formal plan for the restructuring has been established and the plan has raised a valid expectation in those affected that the restructuring will occur.

Limited-life fund units represent the interest held by third parties in funds consolidated by the Corporation. These fund units have a defined maximum fixed life where the Corporation has an obligation to distribute the residual interests of the fund to its limited 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. The Corporation and its subsidiaries' accrued benefit asset (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 defined benefit obligation at the beginning of the annual period to the net accrued benefit asset (liability), where the discount rate is determined by reference to market yields on high-quality corporate bonds.

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

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, plan amendments, and curtailment and settlement gains or losses are recognized in operating and administrative expenses in the statements of earnings.

Remeasurements represent actuarial gains and losses, the actual return on plan assets greater (less) than interest income, and increases and decreases 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 in each respective jurisdiction. 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.

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 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 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.

The Corporation applied the mandatory exception in IAS 12, *Income Taxes*, whereby it is not recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

### DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage revenues, 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.

As permitted under IFRS 9, the Corporation and its subsidiaries elected to continue to apply the hedge accounting principles under IAS 39, *Financial Instruments*, instead of those under IFRS 9. 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 Material 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 changes 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, the 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 forecasted 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 earnings 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 assets 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.

**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 unrealized gains (losses) on hedges of the net investment in foreign operations, the actuarial gains (losses) on defined benefit pension plans, the unrealized gains (losses) on FVOCI assets, the unrealized gains (losses) on cash flow hedges, the re-evaluation surplus on transfer to investment properties and the share of other comprehensive income of jointly controlled corporations and associates.

Non-controlling interests represent the proportion of equity that is attributable to minority shareholders of subsidiaries.

**Limited Recourse Capital Notes**

Limited recourse capital notes issued by Lifeco are classified as non-controlling interests in the financial statements. Lifeco has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of Lifeco's equity instruments. Transaction costs incurred in connection with the issuance are charged to equity. Interest on these instruments is recognized as a deduction from equity when incurred.

**SHARE-BASED PAYMENTS**

Options granted to employees of the Corporation and its subsidiaries are measured at fair value on the date of the grant. Compensation expense for equity-settled options is recognized in operating and administrative expenses in the statements of earnings over the vesting period of the granted options, with a corresponding increase in share-based compensation reserve. When the options are exercised, the proceeds received, together with the amount recorded in share-based compensation reserve, are included in the share capital of the entity issuing the corresponding shares.

The Corporation and its subsidiaries recognize a liability for cash-settled awards, including tandem share appreciation rights and those granted under Performance Share Unit, Deferred Share Unit and Performance Restricted Share Unit plans. Compensation expense is recognized in operating and administrative expenses in the statements of earnings over the vesting period, net of related hedges, and a liability is recognized on the balance sheets. The liability is remeasured at fair value at each reporting period with the change in the liability recorded in operating and administrative expenses.

Information on the Corporation's Performance Share Unit, Deferred Share Unit and Performance Restricted Share Unit plans is included in Note 20.

**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 date 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 date 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.

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

**EARNINGS PER PARTICIPATING SHARE**

Basic earnings per participating share is determined by dividing net earnings available to participating shareholders by the weighted average number of participating shares outstanding for the year. Diluted earnings per participating share is determined using the same method as basic earnings per participating share, except that net earnings available to participating shareholders and the weighted average number of participating shares outstanding are adjusted to include the potential dilutive effect of outstanding stock options granted by the Corporation and its subsidiaries, as determined by the treasury stock method.

Options with tandem share appreciation rights and Performance Restricted Units are accounted for as cash-settled share-based payments. As these instruments can be exercised in exchange for subordinate voting shares or for cash, they are considered potentially dilutive and are included in the calculation of the diluted net earnings per share if they have a dilutive impact during the year. The net earnings used in the diluted calculation is adjusted to reflect the expense had these instruments been classified as equity-settled.

**FUTURE ACCOUNTING CHANGES**

The Corporation and its subsidiaries actively monitor changes in IFRS Accounting Standards, both proposed and released, by the IASB and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. The following sets out standards released and updates to the Corporation’s analysis since the year ended December 31, 2024:

**COMPARATIVE FIGURES**

In 2025, the Corporation reclassified certain comparative figures for disclosure items to conform to the current year’s presentation. Non-recourse debentures and other debt instruments have been disaggregated on the balance sheets to distinguish those issued by Power Financial, Lifeco and IGM from those consolidated within the Alternative asset investment platforms and Other subsidiaries, which primarily represent project debt and other debt instruments of the Consolidated investment funds. The related cash flows within financing activities have also been disaggregated in the statements of cash flows. In addition, Other assets and Other liabilities have been disaggregated on the balance sheets to present Funds held on behalf of clients and Client funds payable separately. These reclassifications had no impact on the total assets, liabilities, equity, net earnings or total cash flows of the Corporation.

Standard	Summary of future changes
<p>IFRS 18 – <i>Presentation and Disclosure in Financial Statements</i></p>	<p>In April 2024, the IASB published IFRS 18, <i>Presentation and Disclosure in Financial Statements</i> (IFRS 18). The standard aims to improve how companies communicate information in their financial statements, with a focus on information about financial performance in the statements of earnings.</p> <p>IFRS 18 will require corporations to:</p> <ul style="list-style-type: none"> <li>■ Provide defined subtotals in the statements of earnings;</li> <li>■ Disclose information for any management-defined performance measures related to the statements of earnings; and</li> <li>■ Implement principles for the grouping of information in the financial statements, and whether to provide it in the primary financial statements or notes.</li> </ul> <p>The standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is evaluating the impact of the adoption of this standard.</p>
<p>IFRS 9 – <i>Financial Instruments</i> and IFRS 7 – <i>Financial Instruments: Disclosures</i></p>	<p>In May 2024, the IASB published amendments to IFRS 9, <i>Financial Instruments</i> and IFRS 7, <i>Financial Instruments: Disclosures</i>. The amendments clarify the classification of financial assets with environmental, social and corporate governance and similar features, the settlement of liabilities through electronic payment systems, and introduce additional disclosure requirements to enhance transparency for investors.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Corporation does not anticipate an impact on its financial statements as a result of these amendments, except as indicated below:</p> <ul style="list-style-type: none"> <li>■ The Corporation will apply the election permitted by the amendments to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be derecognized before the settlement date if specified criteria are met. The Corporation will apply this election to all settlements made through electronic payment systems meeting the criteria, effective January 1, 2026.</li> <li>■ For cash settlement of financial liabilities not qualified for the election, the Corporation will derecognize the associated liabilities on the settlement date. The Corporation expects the adoption of these amendments will not have a material impact on the financial statements.</li> </ul> <p>These amendments will be applied retrospectively with no restatement to comparative balances.</p>

### NOTE 3 Business Acquisitions and Other Transactions

#### LIFECO

##### Sale of United Kingdom Onshore Bond Business

On December 23, 2024, Canada Life U.K., a subsidiary of Lifeco, announced the signing of an agreement to transfer its onshore bond business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Concurrently, the two parties entered into a reinsurance agreement such that the risks and rewards of the underlying business are transferred to Countrywide. For the year ended December 31, 2024, the transaction resulted in a net gain of \$21 million pre-tax, mainly driven by recognition of assets associated with the reinsurance agreement. The underlying assets and the related liabilities on account of segregated fund policyholders, with a carrying value of \$2,787 million as at December 31, 2025 (\$2,750 million at December 31, 2024), are to be transferred to Countrywide pending court approval, which is expected to occur in 2026.

#### SAGARD

##### BEX Capital (BEX)

In June 2025, SHMI, a subsidiary of Sagard, acquired a 45% strategic interest in BEX Capital, a specialized secondaries investment firm with offices in Nice and New York. The agreement provides SHMI with a contractual obligation to acquire all of the remaining equity of BEX on December 31, 2029. Upon closing of the transaction, the Corporation determined that it has control of BEX, through Sagard, in accordance with IFRS 10, *Consolidated Financial Statements*. As a result, the Corporation consolidated BEX on the date of acquisition. The transaction did not have a significant impact on the financial statements.

##### Performance Equity Management (PEM)

In August 2025, SHMI acquired an additional 62.0% interest in PEM, increasing its economic interest to 100%, primarily in exchange for Class B shares of PEM, which are expected to be settled on December 31, 2028. The Corporation continues to have control of PEM, through SHMI, and the transaction did not have a significant impact on the financial statements.

### NOTE 4 Cash and Cash Equivalents

December 31	2025	2024
Cash	7,845	6,809
Cash equivalents	6,521	6,935
Cash and cash equivalents	14,366	13,744

At December 31, 2025, cash and cash equivalents amounting to \$869 million were restricted for use by subsidiaries (\$1,195 million at December 31, 2024), primarily in respect of cash held in trust for reinsurance agreements or with regulatory authorities, under certain indemnity arrangements, in escrow and held in trust for regulatory purposes.

## NOTE 5 Investments

### CARRYING VALUES AND FAIR VALUES

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

December 31	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
<b>Bonds</b>				
Designated as FVPL	159,124	159,124	151,279	151,279
Classified as FVPL	2,108	2,108	1,987	1,987
FVOCI	13,040	13,040	13,758	13,758
Amortized cost	595	596	376	377
	174,867	174,868	167,400	167,401
<b>Mortgage and other loans</b>				
Designated as FVPL	26,139	26,139	29,046	29,046
Classified as FVPL	6,350	6,350	4,886	4,886
FVOCI	269	269	461	461
Amortized cost	11,287	10,964	10,272	9,685
	44,045	43,722	44,665	44,078
<b>Shares</b>				
Classified as FVPL	21,301	21,301	18,649	18,649
Designated as FVOCI	1,043	1,043	923	923
	22,344	22,344	19,572	19,572
<b>Investment properties</b>	8,493	8,493	8,350	8,350
	249,749	249,427	239,987	239,401

### BONDS AND MORTGAGE AND OTHER LOANS

Carrying value of bonds and mortgage and other loans by term to maturity is as follows:

December 31, 2025	Term to maturity			Total
	1 year or less	1-5 years	Over 5 years	
Bonds	27,942	54,296	92,629	174,867
Mortgage and other loans <sup>[1]</sup>	8,069	21,577	14,399	44,045
	36,011	75,873	107,028	218,912

  

December 31, 2024	Term to maturity			Total
	1 year or less	1-5 years	Over 5 years	
Bonds	25,188	49,507	92,705	167,400
Mortgage and other loans <sup>[1]</sup>	5,799	23,920	14,946	44,665
	30,987	73,427	107,651	212,065

[1] 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)

**NET INVESTMENT RESULT**

Years ended December 31	2025	2024
Investment return		
Net investment income	10,608	10,360
Changes in FVPL	4,241	1,877
Total investment return	14,849	12,237
Net finance income (expenses) from insurance contracts		
Changes in fair values of underlying items of direct participating contracts	(4,700)	(4,793)
Effects of risk mitigation option	240	84
Interest accreted	(3,166)	(3,810)
Effect of changes in discount rates and other financial assumptions	1,045	2,807
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	226	(206)
Total net finance income (expenses) from insurance contracts	(6,355)	(5,918)
Net finance income (expenses) from reinsurance contracts		
Interest accreted	6	342
Other	(332)	(352)
Total net finance income (expenses) from reinsurance contracts	(326)	(10)
Changes in investments contract liabilities	(5,002)	(2,932)
Net investment result	3,166	3,377

**Net Investment Income**

December 31, 2025	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	7,471	1,621	720	572	591	10,975
Net realized gains (losses) on derecognition of:						
FVOCI assets	8	–	–	–	–	8
Amortized cost assets	–	12	–	–	–	12
Net ECL (charge) recovery	1	8	–	–	(4)	5
Other income (expenses)	–	18	(4)	(216)	(190)	(392)
	7,480	1,659	716	356	397	10,608
Changes in FVPL	1,938	(1,748)	5,178	(137)	(990)	4,241
Net investment income (loss)	9,418	(89)	5,894	219	(593)	14,849
December 31, 2024						
Net investment income						
Investment income earned	7,008	1,522	634	507	991	10,662
Net realized gains (losses) on derecognition of:						
FVOCI assets	(47)	–	–	–	–	(47)
Amortized cost assets	–	2	–	–	–	2
Net ECL recovery	–	7	–	–	–	7
Other income (expenses)	–	14	(9)	(195)	(74)	(264)
	6,961	1,545	625	312	917	10,360
Changes in FVPL	(1,261)	601	1,890	(154)	801	1,877
Net investment income (loss)	5,700	2,146	2,515	158	1,718	12,237

**NOTE 5 Investments** (CONTINUED)

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

**SECURITIES LENDING**

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. Collateral primarily consists of government bonds, investment-grade corporate bonds and cash. Included in the collateral deposited with Lifeco's lending agent is cash collateral of \$615 million at December 31, 2025 (\$219 million at December 31, 2024). 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, 2025, Lifeco had loaned securities (which are included in investments) with a fair value of \$5,133 million (\$4,212 million at December 31, 2024).

**NOTE 6 Investments in Jointly Controlled Corporations and Associates**

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

December 31, 2025	Jointly controlled corporations			Associates				Total
	Parjointco	Other <sup>(1)</sup>	ChinaAMC	Lion	Northleaf	Rockefeller	Other <sup>(1)(2)</sup>	
Carrying value, beginning of year	3,683	413	1,661	–	354	903	1,787	8,801
Acquisition and investments	–	14	–	–	100	–	231	345
Disposal <sup>(3)</sup>	–	(1)	–	–	–	(394)	(118)	(513)
Share of earnings (losses)	(263)	23	127	–	30	49	46	12
Changes in FVPL	–	–	–	–	–	–	450	450
Share of other comprehensive income (loss)	46	7	(10)	–	–	(37)	(51)	(45)
Dividends and distributions	(175)	(14)	(66)	–	(9)	–	(500)	(764)
Effects of changes in ownership and other	–	(52)	–	–	(3)	(40)	(56)	(151)
Carrying value, end of year	3,291	390	1,712	–	472	481	1,789	8,135

  

December 31, 2024	Jointly controlled corporations			Associates				Total
	Parjointco	Other <sup>(1)</sup>	ChinaAMC	Lion	Northleaf	Rockefeller	Other <sup>(1)(2)</sup>	
Carrying value, beginning of year	3,717	564	1,535	181	302	845	1,008	8,152
Acquisition and investments	–	36	–	–	40	–	820	896
Disposal	–	(468)	–	–	–	–	–	(468)
Share of earnings (losses)	31	355	113	(35)	20	(14)	27	497
Changes in FVPL	–	–	–	–	–	–	32	32
Impairment	–	–	–	(153)	–	–	–	(153)
Share of other comprehensive income (loss)	(10)	36	86	7	–	72	59	250
Dividends and distributions	(92)	(99)	(73)	–	(8)	–	(100)	(372)
Effects of changes in ownership and other	37	(11)	–	–	–	–	(59)	(33)
Carrying value, end of year	3,683	413	1,661	–	354	903	1,787	8,801

[1] Includes investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, which have been elected to be measured at FVPL of \$1,452 million at December 31, 2025 (\$950 million in 2024).

[2] Includes the investment in Desert Quartzite, LLC, a solar and storage project located in California. In 2025, the Corporation received distributions of \$496 million primarily due to the closing of a financing transaction. The investment is classified as an associate with a carrying value of \$84 million at December 31, 2025 (\$594 million at December 31, 2024).

[3] Includes a return of capital.

**NOTE 6 Investments in Jointly Controlled Corporations and Associates** (CONTINUED)

**PARJOINTCO**

At December 31, 2025, Parjointco held a 100% equity interest (100% of the voting rights) in Pargesa (unchanged from December 31, 2024). Pargesa held a 34.2% equity interest (47.8% of the voting rights) in GBL at December 31, 2025 (32.9% equity interest and 47.0% of the voting rights at December 31, 2024).

At December 31, 2025, the Corporation's share of GBL's net asset value is approximately \$3,861 million. The carrying value of the indirect investment in GBL is \$3,291 million. For the year ended December 31, 2025, revenue of GBL was €6,335 million (C\$9,997 million) (€6,376 million or C\$9,448 million

for the year ended December 31, 2024) and net losses attributable to GBL's common shareholders were €630 million (C\$994 million) (net earnings attributable to GBL's common shareholders were €132 million or C\$196 million for the year ended December 31, 2024). Other financial information for GBL can be obtained from its publicly available information.

**CHINAAMC**

At December 31, 2025, IGM Financial held an equity interest of 27.8% in ChinaAMC (unchanged from December 31, 2024). ChinaAMC is an asset management company established in Beijing, China. IGM accounts for its interest in ChinaAMC as an associate using the equity method.

Summarized financial information for ChinaAMC is as follows:

[in millions]	2025		2024	
	Canadian dollars	Chinese renminbi	Canadian dollars	Chinese renminbi
Balance sheet at December 31 <sup>[1]</sup>				
Assets	4,364	22,246	3,992	20,234
Liabilities	1,403	7,151	1,243	6,302
For the years ended December 31				
Revenue	1,870	9,626	1,533	8,031
Net earnings attributable to common shareholders	465	2,396	411	2,158
Total comprehensive income	460	2,368	416	2,181

[1] Excludes fair value adjustments made at the time of acquisition of \$3,248 million (RMB¥16,380 million).

**ROCKEFELLER CAPITAL MANAGEMENT**

At December 31, 2025, IGM held an equity interest of 17.2% in Rockefeller (20.5% at December 31, 2024), a U.S. independent financial services advisory firm focused on the high-net-worth and ultra-high-net-worth segments. IGM accounts for its interest in Rockefeller as an associate using the equity method. In December 2025, IGM closed transactions with Rockefeller, receiving total proceeds of \$394 million comprised primarily of a return of capital, as well as an equity sale. IGM's interest decreased to 17.2% due to the equity sale and adjustment to certain previously issued share-based awards, which aligns Rockefeller's management with long-term equity ownership. As a result, the investment's carrying value decreased and a gain was recognized in the statements of earnings.

Summarized financial information for Rockefeller is as follows:

[in millions]	2025		2024	
	Canadian dollars	US dollars	Canadian dollars	US dollars
Balance sheet at December 31				
Assets	2,739	1,996	2,223	1,544
Liabilities	3,381	2,463	1,500	1,041
For the years ended December 31				
Revenue	1,763	1,263	1,344	981
Net earnings (losses) attributable to common shareholders <sup>[1]</sup>	50	36	(72)	(53)
Total comprehensive income (loss) <sup>[1]</sup>	50	36	(72)	(53)

[1] Earnings for the year ended December 31, 2025 exclude one-time costs related to the transaction.

**NORTHLEAF CAPITAL GROUP LTD.**

At December 31, 2025, IGM's subsidiary, Mackenzie, and Lifeco held a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf, a global private equity, private credit and infrastructure fund manager, through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco (unchanged from December 31, 2024). The equity method is used to account for the investment in Northleaf as Mackenzie and Lifeco exercise significant influence, through the acquisition vehicle.

Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years from the acquisition date on October 29, 2020, and extending into future periods. The acquisition included additional

consideration payable at the end of five years from the transaction date, subject to Northleaf achieving exceptional growth in certain performance measures over the period. In 2025, final consideration of \$140 million was achieved and paid, of which \$100 million and \$40 million was reflected as an increase in the carrying value of the investment for the years ended December 31, 2025 and 2024, respectively.

The net earnings of Northleaf are not significant to the results of the Corporation.

**NOTE 6 Investments in Jointly Controlled Corporations and Associates** (CONTINUED)**LION ELECTRIC CO.**

In May 2025, Lion completed a restructuring transaction under the *Companies' Creditors Arrangement Act* ("CCAA"). As a result, all issued and outstanding common shares and warrants of Lion were cancelled without consideration. The Corporation held a 34.1% equity interest in Lion at December 31, 2024. In 2024, the Corporation recorded impairment charges of \$153 million.

**PEAK ACHIEVEMENT ATHLETICS INC.**

On December 23, 2024, the Corporation completed the sale of its 42.6% interest in Peak to Fairfax Financial Holdings Limited. On close of the transaction, the Corporation received proceeds of \$468 million and recognized a net gain of \$279 million. The investment in Peak was classified as a jointly controlled corporation.

**NOTE 7 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				Total
	Right-of-use assets <sup>[2]</sup>	Owner-occupied properties	Power generating assets	Other	
December 31, 2025					
Cost, beginning of year	1,311	1,157	4,589	2,050	9,107
Additions <sup>[1]</sup>	77	118	460	188	843
Modifications	(5)	–	–	(1)	(6)
Transferred to investment properties	–	(26)	–	–	(26)
Disposal/retirements	(6)	–	(38)	(16)	(60)
Changes in foreign exchange rates and other	(7)	3	(118)	(4)	(126)
Cost, end of year	1,370	1,252	4,893	2,217	9,732
Accumulated amortization, beginning of year	(567)	(297)	(484)	(1,490)	(2,838)
Amortization and impairment	(103)	(50)	(150)	(111)	(414)
Modifications	4	–	–	–	4
Disposal/retirements	4	–	38	14	56
Changes in foreign exchange rates and other	(2)	1	5	–	4
Accumulated amortization, end of year	(664)	(346)	(591)	(1,587)	(3,188)
Carrying value, end of year	706	906	4,302	630	6,544

	Capital assets				Total
	Right-of-use assets <sup>[2]</sup>	Owner-occupied properties	Power generating assets	Other	
December 31, 2024					
Cost, beginning of year	1,156	1,068	3,427	2,018	7,669
Additions <sup>[1]</sup>	161	60	1,062	156	1,439
Modifications	(8)	–	–	–	(8)
Transferred from investment properties	–	9	–	–	9
Disposal/retirements	(29)	–	–	(144)	(173)
Changes in foreign exchange rates and other	31	20	100	20	171
Cost, end of year	1,311	1,157	4,589	2,050	9,107
Accumulated amortization, beginning of year	(474)	(273)	(349)	(1,491)	(2,587)
Amortization and impairment	(106)	(24)	(128)	(112)	(370)
Disposal/retirements	26	–	–	119	145
Changes in foreign exchange rates and other	(13)	–	(7)	(6)	(26)
Accumulated amortization, end of year	(567)	(297)	(484)	(1,490)	(2,838)
Carrying value, end of year	744	860	4,105	560	6,269

[1] Additions are net of related investment tax credits of \$155 million recorded in 2025 (\$403 million in 2024).

[2] Right-of-use assets include leased properties and leased capital assets.

**NOTE 7 Owner-Occupied Properties and Capital Assets** (CONTINUED)

The following table provides the carrying value of owner-occupied properties and capital assets by geographic location:

December 31	2025	2024
United States	3,035	2,869
Canada	2,983	3,002
Europe	526	398
	6,544	6,269

**NOTE 8 Other Assets**

December 31	2025	2024 <sup>[2]</sup>
Accounts and interest receivable	6,588	5,954
Securities borrowed	3,174	1,372
Trading account assets <sup>[1]</sup>	3,995	3,701
Deferred acquisition costs and deferred selling commissions	1,648	1,484
Pension benefits [Note 27]	686	610
Income taxes receivable	424	288
Finance leases receivable	1,044	927
Prepaid expenses	272	273
Funds held under reinsurance contracts	6,229	6,895
Other	2,581	2,444
	26,641	23,948

[1] Includes bonds of \$3,751 million and shares of \$244 million at December 31, 2025 (bonds of \$3,449 million and shares of \$252 million at December 31, 2024).

[2] Comparative figures have been reclassified to confirm with the current year's presentation.

Other assets of \$16,522 million as at December 31, 2025 (\$13,625 million as at December 31, 2024) are expected to be derecognized 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	2025	2024
Balance, beginning of year	1,484	1,308
Additions	439	377
Disposal	(24)	(26)
Amortization	(255)	(229)
Changes in foreign exchange rates and other	4	54
Balance, end of year	1,648	1,484

## NOTE 9 Goodwill and Intangible Assets

### GOODWILL

The carrying value and changes in the carrying value of goodwill are as follows:

December 31	2025			2024		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Balance, beginning of year	15,084	(407)	14,677	14,649	(19)	14,630
Business acquisitions	149	–	149	99	–	99
Disposal	(5)	5	–	(4)	2	(2)
Purchase price allocation adjustments	–	–	–	18	–	18
Allocated to intangible assets	–	–	–	(69)	–	(69)
Impairment <sup>[1]</sup>	–	–	–	–	(390)	(390)
Changes in foreign exchange rates and other	(165)	–	(165)	391	–	391
Balance, end of year	15,063	(402)	14,661	15,084	(407)	14,677

[1] A non-cash impairment charge of \$383 million was recognized by LMPG Inc. for the year ended December 31, 2024.

### INTANGIBLE ASSETS

The carrying value and changes in the carrying value of the intangible assets are as follows:

#### Indefinite Life Intangible Assets

December 31, 2025	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	902	435	741	354	2,432
Additions	24	–	–	–	24
Disposal	(17)	–	–	–	(17)
Changes in foreign exchange rates and other	15	2	–	–	17
Cost, end of year	924	437	741	354	2,456
Accumulated impairment, beginning of year	(60)	–	–	–	(60)
Changes in foreign exchange rates and other	(1)	–	–	–	(1)
Accumulated impairment, end of year	(61)	–	–	–	(61)
Carrying value, end of year	863	437	741	354	2,395

December 31, 2024	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	886	380	741	354	2,361
Additions	7	55	–	–	62
Disposal	(4)	–	–	–	(4)
Changes in foreign exchange rates and other	13	–	–	–	13
Cost, end of year	902	435	741	354	2,432
Accumulated impairment, beginning of year	(57)	–	–	–	(57)
Changes in foreign exchange rates and other	(3)	–	–	–	(3)
Accumulated impairment, end of year	(60)	–	–	–	(60)
Carrying value, end of year	842	435	741	354	2,372

**NOTE 9 Goodwill and Intangible Assets** (CONTINUED)

**Finite Life Intangible Assets**

December 31, 2025	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
Cost, beginning of year	3,445	3,710	676	822	8,653
Additions	492	190	36	32	750
Disposal	(86)	(10)	–	(3)	(99)
Changes in foreign exchange rates and other	(1)	(90)	2	(12)	(101)
Cost, end of year	3,850	3,800	714	839	9,203
Accumulated amortization, beginning of year	(2,013)	(1,505)	(212)	(321)	(4,051)
Amortization	(299)	(207)	(43)	(46)	(595)
Disposal	64	2	–	–	66
Changes in foreign exchange rates and other	(3)	24	(4)	(4)	13
Accumulated amortization, end of year	(2,251)	(1,686)	(259)	(371)	(4,567)
Carrying value, end of year	1,599	2,114	455	468	4,636

December 31, 2024	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
Cost, beginning of year	2,980	3,426	623	762	7,791
Additions	403	96	55	36	590
Disposal	(22)	(5)	(2)	–	(29)
Changes in foreign exchange rates and other	84	193	–	24	301
Cost, end of year	3,445	3,710	676	822	8,653
Accumulated amortization, beginning of year	(1,717)	(1,237)	(176)	(275)	(3,405)
Amortization	(267)	(209)	(42)	(41)	(559)
Disposal	22	5	1	–	28
Changes in foreign exchange rates and other	(51)	(64)	5	(5)	(115)
Accumulated amortization, end of year	(2,013)	(1,505)	(212)	(321)	(4,051)
Carrying value, end of year	1,432	2,205	464	501	4,602

**ALLOCATION TO CASH GENERATING UNITS**

Goodwill and indefinite life intangible assets have been assigned to CGUs as follows:

December 31	2025			2024		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
<b>Lifeco</b>						
United States	4,353	19	4,372	4,575	20	4,595
Canada <sup>(1)</sup>	4,666	1,051	5,717	4,651	1,051	5,702
Europe	2,518	272	2,790	2,456	256	2,712
<b>IGM</b>						
Wealth Management	1,440	–	1,440	1,440	–	1,440
Asset Management	1,255	1,003	2,258	1,255	1,003	2,258
<b>Other</b>	429	50	479	300	42	342
	14,661	2,395	17,056	14,677	2,372	17,049

[1] Considering recent business transformation activities, Lifeco reassessed its cash generating unit groupings in Canada and has grouped Individual Customer and Group Customer into Canada to reflect the current lowest level at which goodwill and indefinite life intangible assets are monitored for internal management purposes.

**NOTE 9 Goodwill and Intangible Assets** (CONTINUED)**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 2025, Lifeco conducted its annual impairment testing of goodwill and indefinite life intangible assets based on the September 30, 2025 asset balances. It was determined that the recoverable amounts of CGUs were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining the recoverable amounts of the CGUs are unlikely to cause the carrying values to exceed their recoverable amounts.

**IGM Financial**

IGM tests whether goodwill and indefinite life intangible assets are impaired by comparing the carrying amounts with the recoverable amounts. The recoverable amount of IGM's CGUs is based on the best available evidence of fair value less cost to sell (FVLCS).

In assessing recoverable amounts, valuation approaches are used that may include application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables and discounted cash flow analysis. 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 inputs. 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 inputs.

The FVLCS 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 10 Insurance Contracts

### ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	Liability for remaining coverage		Liability for incurred claims				Total
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA			
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Asset for acquisition cash flows	
December 31, 2025							
Opening assets	(1,414)	3	190	28	–	–	(1,193)
Opening liabilities	137,519	337	3,573	13,866	569	(181)	155,683
Opening liabilities on account of segregated fund policyholders	66,343	–	–	–	–	–	66,343
Net opening balance	202,448	340	3,763	13,894	569	(181)	220,833
<b>Changes in the statements of earnings and of comprehensive income</b>							
Insurance revenue	(22,321)	–	–	–	–	–	(22,321)
Insurance service expenses							
Incurred claims and other insurance service expenses	–	(31)	10,067	6,905	62	–	17,003
Amortization of insurance acquisition cash flows	843	–	–	–	–	–	843
Losses and reversal of losses on onerous contracts	–	213	–	–	–	–	213
Adjustments to liabilities for incurred claims	–	–	(48)	(692)	(80)	–	(820)
	843	182	10,019	6,213	(18)	–	17,239
Investment components	(11,063)	–	7,927	3,136	–	–	–
Total changes in insurance service result	(32,541)	182	17,946	9,349	(18)	–	(5,082)
Net finance (income) expenses from insurance contracts	6,353	(1)	6,087	474	16	–	12,929
Effect of movement in exchange rates	957	(2)	64	158	9	–	1,186
Total changes in the statements of earnings and of comprehensive income	(25,231)	179	24,097	9,981	7	–	9,033
<b>Cash flows</b>							
Premiums received	34,593	–	–	–	–	–	34,593
Incurred claims paid and other insurance service expenses paid	(54)	–	(23,986)	(9,709)	–	–	(33,749)
Insurance acquisition cash flows	(959)	–	–	–	–	–	(959)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(36)	–	–	–	–	–	(36)
Other cash flows <sup>[1]</sup>	1,092	–	–	–	–	–	1,092
Total cash flows	34,636	–	(23,986)	(9,709)	–	–	941
<b>Asset for acquisition cash flows</b>							
Insurance acquisition cash flows paid in the year	–	–	–	–	–	(40)	(40)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the year	–	–	–	–	–	36	36
Total changes in asset for acquisition cash flows	–	–	–	–	–	(4)	(4)
Other movements <sup>[2]</sup>	(312)	–	–	–	–	–	(312)
Net closing balance <sup>[3]</sup>	211,541	519	3,874	14,166	576	(185)	230,491
Recorded in:							
Closing assets	(2,374)	–	894	(91)	–	–	(1,571)
Closing liabilities	143,497	519	2,980	14,257	576	(185)	161,644
Closing liabilities on account of segregated fund policyholders	70,418	–	–	–	–	–	70,418
Net closing balance <sup>[3]</sup>	211,541	519	3,874	14,166	576	(185)	230,491

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

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

[3] Included in the insurance contract balances are loans to policyholders of \$8,727 million and funds withheld of \$3,489 million.

**NOTE 10 Insurance Contracts** (CONTINUED)

	Liability for remaining coverage		Liability for incurred claims				Total
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA			
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Asset for acquisition cash flows	
December 31, 2024							
Opening assets	(2,021)	–	831	(3)	–	–	(1,193)
Opening liabilities	127,300	253	2,876	13,578	555	(174)	144,388
Opening liabilities on account of segregated fund policyholders	60,302	–	–	–	–	–	60,302
Net opening balance	185,581	253	3,707	13,575	555	(174)	203,497
<b>Changes in the statements of earnings and of comprehensive income</b>							
Insurance revenue	(21,214)	–	–	–	–	–	(21,214)
Insurance service expenses							
Incurred claims and other insurance service expenses	–	(21)	9,647	6,615	55	–	16,296
Amortization of insurance acquisition cash flows	748	–	–	–	–	–	748
Losses and reversal of losses on onerous contracts	–	97	–	–	–	–	97
Adjustments to liabilities for incurred claims	–	–	(17)	(689)	(67)	–	(773)
	748	76	9,630	5,926	(12)	–	16,368
Investment components	(10,578)	–	7,523	3,055	–	–	–
Total changes in insurance service result	(31,044)	76	17,153	8,981	(12)	–	(4,846)
Net finance (income) expenses from insurance contracts	7,856	2	5,576	505	17	–	13,956
Effect of movement in exchange rates	4,892	9	87	188	9	–	5,185
Total changes in the statements of earnings and of comprehensive income	(18,296)	87	22,816	9,674	14	–	14,295
<b>Cash flows</b>							
Premiums received	35,406	–	–	–	–	–	35,406
Incurred claims paid and other insurance service expenses paid	(58)	–	(22,760)	(9,355)	–	–	(32,173)
Insurance acquisition cash flows	(878)	–	–	–	–	–	(878)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(34)	–	–	–	–	–	(34)
Other cash flows <sup>[1]</sup>	1,211	–	–	–	–	–	1,211
Total cash flows	35,647	–	(22,760)	(9,355)	–	–	3,532
<b>Asset for acquisition cash flows</b>							
Insurance acquisition cash flows paid in the year	–	–	–	–	–	(41)	(41)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the year	–	–	–	–	–	34	34
Total changes in asset for acquisition cash flows	–	–	–	–	–	(7)	(7)
Other movements <sup>[2]</sup>	(484)	–	–	–	–	–	(484)
Net closing balance <sup>[3]</sup>	202,448	340	3,763	13,894	569	(181)	220,833
Recorded in:							
Closing assets	(1,414)	3	190	28	–	–	(1,193)
Closing liabilities	137,519	337	3,573	13,866	569	(181)	155,683
Closing liabilities on account of segregated fund policyholders	66,343	–	–	–	–	–	66,343
Net closing balance <sup>[3]</sup>	202,448	340	3,763	13,894	569	(181)	220,833

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

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

[3] Included in the insurance contract balances are loans to policyholders of \$9,204 million and funds withheld of \$3,640 million.

**NOTE 10 Insurance Contracts** (CONTINUED)

**ANALYSIS BY MEASUREMENT COMPONENT FOR INSURANCE CONTRACTS NOT MEASURED UNDER PAA**

December 31, 2025	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	(4,397)	584	2,672	(1,141)
Opening liabilities	124,143	6,155	11,768	142,066
Opening liabilities on account of segregated fund policyholders	66,343	–	–	66,343
Net opening balance	186,089	6,739	14,440	207,268
<b>Changes in the statements of earnings and of comprehensive income</b>				
Changes that relate to current service				
CSM recognized for services provided	–	–	(1,357)	(1,357)
Change in risk adjustment for non-financial risk for risk expired	–	(628)	–	(628)
Experience adjustments	211	1	–	212
Changes that relate to future service				
Contracts initially recognized in the year	(863)	257	620	14
Changes in estimates that adjust the CSM	(142)	(15)	157	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	169	30	–	199
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(44)	(3)	–	(47)
Total changes in insurance service result	(669)	(358)	(580)	(1,607)
Net finance (income) expenses from insurance contracts	12,163	88	187	12,438
Effect of movement in foreign exchange rates	539	124	350	1,013
Total changes in the statements of earnings and of comprehensive income	12,033	(146)	(43)	11,844
<b>Cash flows</b>				
Premiums received	21,737	–	–	21,737
Incurred claims paid and other insurance service expenses paid	(24,040)	–	–	(24,040)
Insurance acquisition cash flows	(807)	–	–	(807)
Other cash flows <sup>[1]</sup>	1,153	–	–	1,153
Total cash flows	(1,957)	–	–	(1,957)
Other movements <sup>[2]</sup>	(312)	–	–	(312)
Net closing balance	195,853	6,593	14,397	216,843
Recorded in:				
Closing assets	(7,185)	1,549	4,267	(1,369)
Closing liabilities	132,620	5,044	10,130	147,794
Closing liabilities on account of segregated fund policyholders	70,418	–	–	70,418
Net closing balance	195,853	6,593	14,397	216,843

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

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

**NOTE 10 Insurance Contracts** (CONTINUED)

December 31, 2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	(6,560)	1,654	3,796	(1,110)
Opening liabilities	115,794	5,372	9,952	131,118
Opening liabilities on account of segregated fund policyholders	60,302	–	–	60,302
Net opening balance	169,536	7,026	13,748	190,310
<b>Changes in the statements of earnings and of comprehensive income</b>				
Changes that relate to current service				
CSM recognized for services provided	–	–	(1,262)	(1,262)
Change in risk adjustment for non-financial risk for risk expired	–	(627)	–	(627)
Experience adjustments	161	1	–	162
Changes that relate to future service				
Contracts initially recognized in the year	(1,229)	330	913	14
Changes in estimates that adjust the CSM	(243)	(284)	527	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	69	14	–	83
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(16)	–	–	(16)
Total changes in insurance service result	(1,258)	(566)	178	(1,646)
Net finance (income) expenses from insurance contracts	13,186	74	174	13,434
Effect of movement in foreign exchange rates	4,441	205	340	4,986
Total changes in the statements of earnings and of comprehensive income	16,369	(287)	692	16,774
<b>Cash flows</b>				
Premiums received	22,964	–	–	22,964
Incurred claims paid and other insurance service expenses paid	(22,817)	–	–	(22,817)
Insurance acquisition cash flows	(750)	–	–	(750)
Other cash flows <sup>[1]</sup>	1,271	–	–	1,271
Total cash flows	668	–	–	668
Other movements <sup>[2]</sup>	(484)	–	–	(484)
Net closing balance	186,089	6,739	14,440	207,268
Recorded in:				
Closing assets	(4,397)	584	2,672	(1,141)
Closing liabilities	124,143	6,155	11,768	142,066
Closing liabilities on account of segregated fund policyholders	66,343	–	–	66,343
Net closing balance	186,089	6,739	14,440	207,268

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

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

**NOTE 10 Insurance Contracts** (CONTINUED)**CSM AND INSURANCE REVENUE BY TRANSITION APPROACH**

December 31	2025	2024
<b>Insurance contracts under fair value approach</b>		
CSM balance, beginning of year	9,052	9,641
Change related to current service provided		
CSM recognized for services provided	(845)	(885)
Changes that relate to future service		
Changes in estimates that adjust the CSM	97	58
Total changes in insurance service result	(748)	(827)
Net finance expenses from insurance contracts	48	62
Effect of movement in exchange rates	193	176
Total change	(507)	(589)
CSM balance, end of year	8,545	9,052
<b>Other insurance contracts</b>		
CSM balance, beginning of year	5,388	4,107
Change related to current service provided		
CSM recognized for services provided	(512)	(377)
Changes that relate to future service		
Contracts initially recognized in the year	620	913
Changes in estimates that adjust the CSM	60	469
Total changes in insurance service result	168	1,005
Net finance expenses from insurance contracts	139	112
Effect of movement in exchange rates	157	164
Total change	464	1,281
CSM balance, end of year	5,852	5,388
Net CSM balance, end of year	14,397	14,440
December 31	2025	2024
<b>Insurance revenue for:</b>		
Contracts under fair value approach	7,543	8,569
Contracts under other approaches	14,778	12,645
Total insurance revenue	22,321	21,214

Upon transition, IFRS 17 required an entity to apply the standard retrospectively unless impracticable. Lifeco performed a cut-off date assessment (by region and product) to determine the contracts to which the full retrospective approach can be applied. Lifeco applied the full retrospective approach to all identified insurance contracts unless it was impracticable, where reasonable and supportable information necessary to complete the full retrospective approach was not available.

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

Lifeco used an embedded value approach to determine the fair value within the fair value approach. Under the embedded value approach, the fair value is measured as the third party's present value of fulfillment cash flows, plus future costs of capital, less any future profits. The cost of capital was measured as the total required capital multiplied by a hurdle rate, and the future profits are driven by the release of risk adjustment and investment income on required capital. The development of the assumptions was based on a combination of publicly available industry data, historic economic data and Lifeco's own view of assumptions when the external data sources were not available.

**NOTE 10 Insurance Contracts** (CONTINUED)**COMPOSITION OF INSURANCE AND INVESTMENT CONTRACT LIABILITIES AND RELATED SUPPORTING ASSETS**

The composition of insurance and reinsurance contract assets and liabilities, as well as investment contract liabilities of Lifeco by business is as follows:

	Assets		Liabilities		
	Insurance contracts	Reinsurance contracts held	Insurance contracts	Investment contracts	Reinsurance contracts held
December 31, 2025					
Participating					
United States	–	–	5,033	–	–
Canada	–	–	61,045	–	–
Europe	–	–	118	–	–
Capital and Risk Solutions	–	–	651	–	–
Non-participating					
United States	315	11,818	12,599	84,620	158
Canada	445	1,224	30,600	3,456	321
Europe	534	3,705	45,386	377	397
Capital and Risk Solutions	277	103	6,212	589	43
	1,571	16,850	161,644	89,042	919

	Assets		Liabilities		
	Insurance contracts	Reinsurance contracts held	Insurance contracts	Investment contracts	Reinsurance contracts held
December 31, 2024					
Participating					
United States	–	–	5,337	–	–
Canada	–	–	55,941	–	–
Europe	–	–	122	–	–
Capital and Risk Solutions	–	–	678	–	–
Non-participating					
United States	335	12,756	13,544	85,470	159
Canada	434	1,216	31,309	3,698	283
Europe	353	3,746	41,944	330	313
Capital and Risk Solutions	71	124	6,808	659	40
	1,193	17,842	155,683	90,157	795

**NOTE 10 Insurance Contracts** (CONTINUED)

The composition of the assets supporting insurance contract liabilities of Lifeco by business is as follows:

December 31, 2025	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
<b>Participating liabilities</b>						
United States	3,939	528	276	–	290	5,033
Canada	29,132	12,332	12,618	5,630	1,333	61,045
Europe	56	–	39	–	23	118
Capital and Risk Solutions	613	–	–	–	38	651
<b>Non-participating liabilities</b>						
United States	346	7	–	–	12,246	12,599
Canada	23,072	3,533	3,422	573	–	30,600
Europe	29,177	7,923	126	1,658	6,502	45,386
Capital and Risk Solutions	5,354	811	47	–	–	6,212
	91,689	25,134	16,528	7,861	20,432	161,644
<b>December 31, 2024<sup>[1]</sup></b>						
	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
<b>Participating liabilities</b>						
United States	4,281	612	251	–	193	5,337
Canada	27,497	12,239	10,513	5,164	528	55,941
Europe	53	–	34	3	32	122
Capital and Risk Solutions	604	–	–	–	74	678
<b>Non-participating liabilities</b>						
United States	387	8	–	–	13,149	13,544
Canada	23,553	3,727	3,206	742	81	31,309
Europe	27,227	7,359	396	1,909	5,053	41,944
Capital and Risk Solutions	6,057	751	–	–	–	6,808
	89,659	24,696	14,400	7,818	19,110	155,683

[1] Comparative figures have been reclassified to confirm with the current year's presentation.

Cash flows of assets supporting insurance contract liabilities are matched within reasonable limits.

**NOTE 10 Insurance Contracts** (CONTINUED)**EFFECT ON MEASUREMENT COMPONENTS OF INSURANCE CONTRACTS INITIALLY RECOGNIZED IN THE YEAR**

December 31, 2025	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	683	49	732
Claims and other insurance service expenses payable	7,425	83	7,508
Estimates of present value of cash outflows	8,108	132	8,240
Estimates of present value of cash inflows	(8,968)	(135)	(9,103)
Risk adjustment for non-financial risk	240	17	257
CSM	620	–	620
Total losses (gains) recognized on initial recognition	–	14	14

  

December 31, 2024	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	582	42	624
Claims and other insurance service expenses payable	9,241	79	9,320
Estimates of present value of cash outflows	9,823	121	9,944
Estimates of present value of cash inflows	(11,050)	(123)	(11,173)
Risk adjustment for non-financial risk	312	18	330
CSM	913	–	913
Total losses (gains) recognized on initial recognition	(2)	16	14

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

**MATURITY ANALYSIS OF INSURANCE AND REINSURANCE CONTRACTS HELD**

The following table shows the undiscounted expected future cash outflows (inflows) for insurance and reinsurance contracts held by expected timing based on best estimate actuarial assumptions and excludes amounts from insurance contract liabilities on account of segregated fund holders. Whole life individual insurance products have expected cash flows for several decades in the future. Examples of cash outflows are payment of claims and expenses, and examples of cash inflows are premiums.

December 31, 2025	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
<b>Insurance contracts</b>							
Insurance contract liabilities	9,039	5,164	5,402	5,508	5,851	507,352	538,316
Insurance contract assets	(786)	(821)	(776)	(678)	(621)	(8,048)	(11,730)
	8,253	4,343	4,626	4,830	5,230	499,304	526,586
<b>Reinsurance contracts held</b>							
Reinsurance contract held liabilities	177	239	241	218	190	1,433	2,498
Reinsurance contract held assets	(736)	(218)	(198)	(196)	(199)	(4,479)	(6,026)
	(559)	21	43	22	(9)	(3,046)	(3,528)

  

December 31, 2024	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
<b>Insurance contracts</b>							
Insurance contract liabilities	8,168	4,295	4,429	4,776	4,947	456,281	482,896
Insurance contract assets	(604)	(573)	(541)	(479)	(424)	(3,260)	(5,881)
	7,564	3,722	3,888	4,297	4,523	453,021	477,015
<b>Reinsurance contracts held</b>							
Reinsurance contract held liabilities	182	111	112	99	82	490	1,076
Reinsurance contract held assets	(634)	(189)	(168)	(164)	(167)	(4,306)	(5,628)
	(452)	(78)	(56)	(65)	(85)	(3,816)	(4,552)

**NOTE 10 Insurance Contracts** (CONTINUED)

**AMOUNT OF INSURANCE CONTRACT LIABILITIES PAYABLE ON DEMAND**

The amounts from insurance contract liabilities that are payable on demand are set out below. The amounts payable on demand include the cash surrender value and/or the account value less applicable surrender charges payable. Insurance contract liabilities held on account of segregated fund holders are excluded from the amounts payable on demand and carrying amounts.

December 31	2025	2024
Amounts payable on demand	67,709	64,424
Carrying amounts	105,841	101,715

**EXPECTED REMAINING CSM RECOGNITION**

December 31	2025	2024
1 year or less	1,287	1,207
1-2 years	1,158	1,121
2-3 years	1,036	1,027
3-4 years	951	950
4-5 years	869	873
5-10 years	3,366	3,384
Over 10 years	5,730	5,878
	14,397	14,440

**EXPECTED DERECOGNITION OF THE ASSET FOR INSURANCE ACQUISITION CASH FLOWS**

December 31	2025	2024
1 year or less	34	32
1-2 years	31	30
2-3 years	28	27
3-4 years	25	24
4-5 years	21	21
5-10 years	46	47
	185	181

**NOTE 10 Insurance Contracts** (CONTINUED)**CSM**

The concentration of insurance risk of Lifeco by business is as follows:

December 31, 2025	Non-participating (excluding segregated funds)						Segregated funds	Participating account surplus in Lifeco's subsidiaries <sup>(1)</sup>	Total <sup>(2)</sup>
	United States	Canada	Europe	Capital and Risk Solutions	Total				
CSM, beginning of year	55	690	3,664	2,436	6,845	3,268	3,255	13,368	
CSM recognized for services provided	(8)	(67)	(326)	(269)	(670)	(407)	(155)	(1,232)	
Contracts initially recognized in the year	–	40	267	100	407	126	109	642	
Changes in estimates that adjust the CSM	14	(168)	5	28	(121)	83	289	251	
Net finance (income) expenses from insurance contracts	2	18	91	65	176	(15)	–	161	
Effect of movement in exchange rates	(3)	–	165	70	232	120	(12)	340	
CSM, end of year	60	513	3,866	2,430	6,869	3,175	3,486	13,530	

December 31, 2024	Non-participating (excluding segregated funds)						Segregated funds	Participating account surplus in Lifeco's subsidiaries <sup>(1)</sup>	Total <sup>(2)</sup>
	United States	Canada	Europe	Capital and Risk Solutions	Total				
CSM, beginning of year	24	1,159	3,255	1,745	6,183	3,298	3,154	12,635	
CSM recognized for services provided	(5)	(103)	(286)	(178)	(572)	(408)	(151)	(1,131)	
Contracts initially recognized in the year	–	36	371	251	658	170	119	947	
Changes in estimates that adjust the CSM	31	(431)	79	477	156	197	113	466	
Net finance (income) expenses from insurance contracts	1	29	79	47	156	(17)	–	139	
Effect of movement in exchange rates	4	–	166	94	264	28	20	312	
CSM, end of year	55	690	3,664	2,436	6,845	3,268	3,255	13,368	

[1] Included in non-controlling interests on the balance sheets.

[2] The amounts in the table above are presented net of reinsurance.

**INSURANCE RISK****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 risk adjustment for non-financial risk. The risk adjustment for non-financial risk represents the compensation that Lifeco requires for bearing uncertainty in the amount and timing of insurance contract cash flows. Risk adjustments for non-financial risk are reviewed periodically by Lifeco for continued appropriateness.

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

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

**NOTE 10 Insurance Contracts** (CONTINUED)

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

Actuarial assumptions	Methods
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 Lifeco'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 have been made for future mortality deterioration on term insurance.
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.
Expenses	Expenses for certain items, such as sales commissions and policy taxes and fees are either contractual or specified by law, and so they are only reflected on a best estimate basis in the liability. Operating expenses, such as policy and claims administration as well as overhead, are more variable. Lifeco produces expense studies for operating expenses regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses held within the liability.
Policy termination	Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where 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 its own experience is very limited.
Property and casualty reinsurance	Insurance contract liabilities for property and casualty reinsurance written by Capital and Risk Solutions are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses, which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in net earnings. Capital and Risk Solutions analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.
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 otherwise based 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 impacts of changes in best estimate assumptions below.
Investment returns	Interest rate risk is managed by investing in assets that are suitable for the products sold. Lifeco utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into Lifeco's businesses. Assets in each business are managed in relation to the liabilities in the related business. The impact to net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities lead to a sensitivity to interest rate movements in net earnings.
Insurance and investment contract liabilities	In determining Lifeco'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 net earnings.

**NOTE 10 Insurance Contracts** (CONTINUED)**Non-Financial Exposures and Sensitivities****Insurance risk**

December 31, 2025	Net earnings		CSM <sup>[1]</sup>	
	Before reinsurance	Net of reinsurance held	Before reinsurance	Net of reinsurance held
2% life mortality increase	(225)	(200)	(225)	(75)
2% annuity mortality decrease	200	175	(750)	(625)
5% morbidity adverse change	(150)	(150)	(225)	(100)
5% expense increase	(25)	–	(125)	(125)
10% adverse change in policy termination and renewal	(225)	(150)	(675)	(725)

  

December 31, 2024	Net earnings		CSM <sup>[1]</sup>	
	Before reinsurance	Net of reinsurance held	Before reinsurance	Net of reinsurance held
2% life mortality increase	(100)	(100)	(350)	(175)
2% annuity mortality decrease	200	175	(725)	(650)
5% morbidity adverse change	(150)	(125)	(200)	(100)
5% expense increase	–	–	(125)	(150)
10% adverse change in policy termination and renewal	(50)	–	(850)	(850)

[1] The impacts to the CSM are pre-tax.

These sensitivities reflect the impact on net earnings and CSM of an immediate change in assumptions on the value of insurance and reinsurance contracts held and investment contracts. The impact on equity is equal to the net earnings impact.

Assumption changes on insurance risk directly impact CSM, for contracts which have CSM. The impact of assumption changes on CSM is measured at locked-in discount rates, for contracts measured under the GMM. Net earnings impacts arise from any differences relative to the fair value impact of assumption changes impacting CSM, as well as assumption changes on contracts which do not have CSM (including short-term insurance contracts). For assumption changes impacting CSM, there is a second-order impact to earnings which captures the present value difference between the impact of assumption changes measured at prevailing discount rates and locked-in discount rates. In general, prevailing discount rates are currently higher than locked-in rates for Lifeco's insurance contracts, as most locked-in rates for the calculation of CSM impacts were determined at January 1, 2022 for the in-force portfolio. Therefore, an unfavourable change in assumptions on insurance risk, leading to a liability-strengthening offset by CSM reduction, also results in a positive earnings impact in the period due to the fair value impact.

Concentration risk may arise from geographic regions, accumulation of risks and market risk.

**Reinsurance Risk**

Maximum limits per insured life benefit amount (which vary by Lifeco's 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 10 Insurance Contracts** (CONTINUED)**Discount Rates**

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

December 31, 2025		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	2.9%	3.6%	4.0%	4.4%	4.5%	4.9%
	Upper	3.9%	4.6%	5.0%	5.4%	5.5%	5.4%
USD	Lower	4.1%	4.4%	4.9%	5.8%	5.6%	5.1%
	Upper	4.6%	4.9%	5.4%	6.3%	6.2%	5.4%
EUR	Lower	2.5%	2.9%	3.4%	3.9%	4.2%	4.6%
	Upper	3.2%	3.7%	4.1%	4.7%	4.8%	4.7%
GBP	Lower	4.1%	4.5%	5.1%	5.8%	5.9%	4.5%
	Upper	4.8%	5.2%	5.9%	6.6%	6.6%	5.3%
December 31, 2024		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	4.2%	4.2%	4.5%	4.6%	4.6%	4.9%
	Upper	4.6%	4.6%	4.9%	5.0%	5.0%	5.0%
USD	Lower	4.9%	5.2%	5.4%	5.8%	5.6%	5.1%
	Upper	5.4%	5.7%	5.8%	6.2%	5.9%	5.3%
EUR	Lower	2.5%	2.5%	2.8%	3.0%	3.2%	4.3%
	Upper	3.6%	3.6%	3.8%	4.0%	4.1%	4.5%
GBP	Lower	4.9%	4.8%	5.1%	5.7%	5.7%	4.3%
	Upper	5.7%	5.5%	5.9%	6.5%	6.5%	5.1%

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

**Impact of assumption changes and management actions**

Throughout the year, Lifeco completed certain assumption reviews and model refinements related to insurance contract liabilities. The following table shows the net earnings and CSM impacts of assumption changes and management actions for the years ended December 31, 2025 and December 31, 2024:

For the year ended December 31, 2025	CSM impacts <sup>(1)</sup>	Net earnings impact (pre-tax)
Assumptions		
Longevity <sup>(2)</sup>	30	18
Mortality <sup>(3)</sup>	(21)	(27)
Policyholder behaviour <sup>(4)</sup>	(184)	50
Other <sup>(5)</sup>	25	(141)
<b>Total</b>	<b>(150)</b>	<b>(100)</b>
For the year ended December 31, 2024		
<b>Total</b>	<b>252</b>	<b>(209)</b>

[1] Excludes participating and segregated fund policies.

[2] Updates to reflect recent longevity experience, primarily on portfolios in the Capital and Risk Solutions business and in the European business.

[3] Updates to reflect recent mortality experience on the United States life reinsurance portfolio in the Capital and Risk Solutions business, and recent mortality experience and trends in the Canadian business.

[4] Updates to lapse assumptions on universal life insurance in the Canadian business.

[5] Other updates, including financial and expense assumptions.

**NOTE 11 Reinsurance Contracts Held****ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS**

	Asset for remaining coverage		Asset for incurred claims			
	Excluding loss recovery component	Loss recovery component	Contracts not under PAA	Contracts under PAA		Total
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
December 31, 2025						
Opening assets	16,594	72	1,046	124	6	17,842
Opening liabilities	(1,269)	28	339	99	8	(795)
Net opening balance	15,325	100	1,385	223	14	17,047
<b>Changes in the statements of earnings and of comprehensive income</b>						
Net expenses from reinsurance contracts	(4,643)	(3)	1,935	1,003	5	(1,703)
Investment components	(140)	–	140	–	–	–
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(349)	(2)	18	7	–	(326)
Effect of movement in exchange rates	(383)	2	45	5	–	(331)
Total changes in the statements of earnings and of comprehensive income	(5,515)	(3)	2,138	1,015	5	(2,360)
<b>Cash flows</b>						
Premiums paid	5,292	–	–	–	–	5,292
Incurred claims received and other insurance service amounts received	–	–	(2,062)	(908)	–	(2,970)
Other cash flows <sup>[1]</sup>	(767)	–	–	–	–	(767)
Total cash flows	4,525	–	(2,062)	(908)	–	1,555
Other movements <sup>[2]</sup>	(311)	–	–	–	–	(311)
Net closing balance <sup>[3]</sup>	14,024	97	1,461	330	19	15,931
Recorded in:						
Closing assets	15,473	79	948	331	19	16,850
Closing liabilities	(1,449)	18	513	(1)	–	(919)
Net closing balance <sup>[3]</sup>	14,024	97	1,461	330	19	15,931

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

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

[3] Included in the reinsurance contracts held amounts are funds withheld by Lifeco under reinsurance contracts of \$5,463 million.

**NOTE 11 Reinsurance Contracts Held** (CONTINUED)

	Asset for remaining coverage		Asset for incurred claims			Total
	Excluding loss recovery component	Loss recovery component	Contracts not under PAA	Contracts under PAA		
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
December 31, 2024						
Opening assets	15,981	90	1,002	247	12	17,332
Opening liabilities	(885)	20	218	(1)	–	(648)
Net opening balance	15,096	110	1,220	246	12	16,684
<b>Changes in the statements of earnings and of comprehensive income</b>						
Net expenses from reinsurance contracts	(4,457)	(10)	1,906	961	1	(1,599)
Investment components	(123)	–	123	–	–	–
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(52)	(1)	36	6	1	(10)
Effect of movement in exchange rates	1,036	1	19	5	–	1,061
Total changes in the statements of earnings and of comprehensive income	(3,596)	(10)	2,084	972	2	(548)
<b>Cash flows</b>						
Premiums paid	3,799	–	–	–	–	3,799
Incurred claims received and other insurance service amounts received	–	–	(1,919)	(995)	–	(2,914)
Other cash flows <sup>[1]</sup>	510	–	–	–	–	510
Total cash flows	4,309	–	(1,919)	(995)	–	1,395
Other movements <sup>[2]</sup>	(484)	–	–	–	–	(484)
Net closing balance <sup>[3]</sup>	15,325	100	1,385	223	14	17,047
Recorded in:						
Closing assets	16,594	72	1,046	124	6	17,842
Closing liabilities	(1,269)	28	339	99	8	(795)
Net closing balance <sup>[3]</sup>	15,325	100	1,385	223	14	17,047

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

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

[3] Included in the reinsurance contracts held amounts are funds withheld by Lifeco under reinsurance contracts of \$4,276 million.

**NOTE 11 Reinsurance Contracts Held** (CONTINUED)**ANALYSIS BY MEASUREMENT COMPONENT FOR REINSURANCE CONTRACTS HELD NOT MEASURED UNDER PAA**

December 31, 2025	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	16,644	731	344	17,719
Opening liabilities	(2,488)	1,021	728	(739)
Net opening balance	14,156	1,752	1,072	16,980
<b>Changes in the statements of earnings and of comprehensive income</b>				
Changes that relate to current service				
CSM recognized for services received	–	–	(125)	(125)
Change in risk adjustment for non-financial risk for risk expired	–	(175)	–	(175)
Experience adjustments	52	–	–	52
Changes that relate to future service				
Contracts initially recognized in the year	(106)	138	(22)	10
Changes in estimates that adjust the CSM	56	38	(94)	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	(16)	14	–	(2)
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	(17)	(1)	–	(18)
Net expenses from reinsurance contracts	(31)	14	(241)	(258)
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(353)	(6)	26	(333)
Effect of movement in foreign exchange rates	(404)	57	10	(337)
Total changes in the statements of earnings and of comprehensive income	(788)	65	(205)	(928)
<b>Cash flows</b>				
Premiums paid	2,852	–	–	2,852
Incurred claims received and other insurance service amounts received	(2,062)	–	–	(2,062)
Other cash flows <sup>[1]</sup>	(767)	–	–	(767)
Total cash flows	23	–	–	23
Other movements <sup>[2]</sup>	(311)	–	–	(311)
Net closing balance	13,080	1,817	867	15,764
Recorded in:				
Closing assets	15,713	708	255	16,676
Closing liabilities	(2,633)	1,109	612	(912)
Net closing balance	13,080	1,817	867	15,764

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

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

**NOTE 11 Reinsurance Contracts Held** (CONTINUED)

December 31, 2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	16,181	866	163	17,210
Opening liabilities	(2,419)	863	950	(606)
Net opening balance	13,762	1,729	1,113	16,604
<b>Changes in the statements of earnings and of comprehensive income</b>				
Changes that relate to current service				
CSM recognized for services received	–	–	(131)	(131)
Change in risk adjustment for non-financial risk for risk expired	–	(176)	–	(176)
Experience adjustments	43	(1)	–	42
Changes that relate to future service				
Contracts initially recognized in the year	(115)	159	(34)	10
Changes in estimates that adjust the CSM	(27)	(34)	61	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	(17)	11	–	(6)
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	25	–	–	25
Net expenses from reinsurance contracts	(91)	(41)	(104)	(236)
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(83)	31	35	(17)
Effect of movement in foreign exchange rates	998	33	28	1,059
Total changes in the statements of earnings and of comprehensive income	824	23	(41)	806
<b>Cash flows</b>				
Premiums paid	1,462	–	–	1,462
Incurred claims received and other insurance service amounts received	(1,918)	–	–	(1,918)
Other cash flows <sup>[1]</sup>	510	–	–	510
Total cash flows	54	–	–	54
Other movements <sup>[2]</sup>	(484)	–	–	(484)
Net closing balance	14,156	1,752	1,072	16,980
Recorded in:				
Closing assets	16,644	731	344	17,719
Closing liabilities	(2,488)	1,021	728	(739)
Net closing balance	14,156	1,752	1,072	16,980

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

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

**NOTE 11 Reinsurance Contracts Held** (CONTINUED)**CSM BY TRANSITION APPROACH**

December 31	2025	2024
<b>Reinsurance contracts held under fair value approach</b>		
CSM balance, beginning of year	1,021	1,106
Change related to current service provided		
CSM recognized for services provided	(123)	(124)
Changes that relate to future service		
Changes in estimates that adjust the CSM	2	(24)
Total changes in insurance service result	(121)	(148)
Net finance expenses from reinsurance contracts	41	63
Total change	(80)	(85)
CSM balance, end of year	941	1,021
<b>Other reinsurance contracts held</b>		
CSM balance, beginning of year	51	7
Change related to current service provided		
CSM recognized for services provided	(2)	(7)
Changes that relate to future service		
Contracts initially recognized in the year	(22)	(34)
Changes in estimates that adjust the CSM	(96)	85
Total changes in insurance service result	(120)	44
Net finance expenses from reinsurance contracts	(5)	–
Total change	(125)	44
CSM balance, end of year	(74)	51
Net CSM balance, end of year	867	1,072

**EFFECT ON MEASUREMENT COMPONENTS OF CONTRACTS INITIALLY RECOGNIZED IN THE YEAR**

December 31	2025	2024
Estimates of present value of cash outflows	3,332	3,522
Estimates of present value of cash inflows	(3,226)	(3,407)
Risk adjustment for non-financial risk	(138)	(159)
Income recognized on initial recognition	10	10
CSM	22	34

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

**EXPECTED REMAINING CSM RECOGNITION**

December 31	2025	2024
1 year or less	(107)	(122)
1-2 years	(94)	(109)
2-3 years	(82)	(97)
3-4 years	(71)	(86)
4-5 years	(60)	(76)
5-10 years	(210)	(262)
Over 10 years	(243)	(320)
	(867)	(1,072)

## NOTE 12 Investment Contract Liabilities

Change in investment contract liabilities measured at fair value is as follows:

December 31	2025	2024
Balance, beginning of year	90,157	88,919
Normal change in in-force business	(1,870)	(8,469)
Investment experience	5,020	2,932
Management action and changes in assumptions	(16)	–
Impact of foreign exchange rate changes	(4,249)	6,775
Balance, end of year	89,042	90,157

All investment contract liabilities are measured at FVPL.

## NOTE 13 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 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. These investments are segregated from those of Lifeco 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 of these funds are presented on the balance sheets as investments on account of segregated fund policyholders and the associated liabilities as investment contracts on account of segregated fund policyholders 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, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are \$6,708 million at December 31, 2025 (\$6,082 million at December 31, 2024).

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. These revenues and expenses are presented in the statements of earnings where the contracts with the segregated fund policyholders are classified as insurance contracts.

### Segregated Funds 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 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 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 market 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 has a mix of open and closed blocks of group variable annuities with guaranteed minimum withdrawal benefits and a closed block of group standalone guaranteed minimum death benefits products which mainly provide return of premium on death. The guaranteed minimum withdrawal benefits portfolio has been reinsured by a third party.

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 a guaranteed minimum withdrawal benefits product in Canada and Ireland. Certain guaranteed minimum withdrawal benefits products offered by Lifeco offer levels of death and maturity guarantees. At December 31, 2025, the amount of guaranteed minimum withdrawal benefits products in force in Canada, the U.S., Ireland and Germany was \$7,084 million (\$7,538 million at December 31, 2024).

**NOTE 13 Segregated Funds and Other Structured Entities** (CONTINUED)

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	2025	2024
Cash and cash equivalents	20,297	18,895
Bonds	76,080	74,444
Mortgage loans	2,142	2,083
Shares and units in unit trusts	176,933	154,439
Mutual funds	262,239	232,073
Investment properties	11,050	11,317
	548,741	493,251
Accrued income	986	882
Other liabilities	(5,266)	(3,829)
Non-controlling mutual fund interest	6,708	6,082
Total <sup>[1][2]</sup>	551,169	496,386

[1] At December 31, 2025, \$58,675 million of investments on account of segregated fund policyholders were reinsured by Lifeco on a modified co-insurance basis (\$65,315 million at December 31, 2024). Included in this amount are \$598 million of cash and cash equivalents, \$9,666 million of bonds, \$16 million of shares and units in unit trusts, \$48,364 million of mutual funds, \$78 million of accrued income and \$47 million of other liabilities.

[2] At December 31, 2025, \$2,787 million of investments on account of segregated fund policyholders on the balance sheets were expected to be transferred to Countrywide in 2026 (\$2,750 million at December 31, 2024) (Note 3). Included in this amount are \$93 million of cash and cash equivalents, \$2,718 million of shares and units in unit trusts and \$24 million of other liabilities.

**INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

December 31	2025	2024
Insurance contracts on account of segregated fund policyholders	70,418	66,343
Investment contracts on account of segregated fund policyholders	480,751	430,043
	551,169	496,386

**INSURANCE CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS****Effect on Measurement Components of Contracts Initially Recognized in the Year**

December 31, 2025	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	–	–	–
Claims and other insurance service expenses payable	3,613	49	3,662
Estimates of present value of cash outflows	3,613	49	3,662
Estimates of present value of cash inflows	(3,613)	(49)	(3,662)
Risk adjustment for non-financial risk	–	–	–
Total losses (gains) recognized on initial recognition	–	–	–

  

December 31, 2024	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	–	–	–
Claims and other insurance service expenses payable	3,938	–	3,938
Estimates of present value of cash outflows	3,938	–	3,938
Estimates of present value of cash inflows	(3,938)	–	(3,938)
Risk adjustment for non-financial risk	–	–	–
Total losses (gains) recognized on initial recognition	–	–	–

**NOTE 13 Segregated Funds and Other Structured Entities** (CONTINUED)**CHANGES IN INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

Years ended December 31	2025	2024
Balance, beginning of year	496,386	422,956
Additions (deductions):		
Policyholder deposits	64,200	64,353
Net investment income	10,363	9,653
Net realized capital gains on investments	22,559	13,113
Net unrealized capital gains on investments	19,433	30,777
Unrealized gains (losses) due to changes in foreign exchange rates	(153)	21,161
Policyholder withdrawals	(62,276)	(65,662)
Change in segregated fund investment in general fund	18	5
Change in general fund investment in segregated fund	(1)	1
Net transfer from general fund	14	17
Non-controlling mutual fund interest	626	12
	54,783	73,430
Balance, end of year	551,169	496,386

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

December 31, 2025	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders <sup>[1]</sup>	402,281	139,230	14,013	555,524
December 31, 2024	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders <sup>[1]</sup>	348,889	136,947	13,354	499,190

[1] Excludes other liabilities, net of other assets, of \$4,355 million.

[1] Excludes other liabilities, net of other assets, of \$2,804 million.

In 2025, certain foreign equity holdings valued at \$2,779 million were transferred from Level 1 to Level 2 (\$1,624 million were transferred from Level 1 to Level 2 at December 31, 2024), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings. Level 2 assets include the assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have access to the underlying asset details within an investment fund.

**NOTE 13 Segregated Funds and Other Structured Entities** (CONTINUED)

As at December 31, 2025, \$6,315 million (\$4,061 million at December 31, 2024) 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	2025	2024
Balance, beginning of year	13,354	13,792
Total losses included in segregated fund investment income	(450)	(758)
Purchases	2,067	1,130
Sales	(1,066)	(872)
Transfers into Level 3	135	97
Transfers out of Level 3	(27)	(35)
Balance, end of year	14,013	13,354

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.

**OTHER STRUCTURED ENTITIES**

In addition to the segregated funds, Lifeco has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit holders based on the directive of each individual fund.

Some of these funds are sub-advised by related parties of Lifeco, which are paid sub-advisory fees at normal market rates for their services.

Lifeco earns management fees related to managing the segregated fund products. Management fees can be variable due to the performance of factors, such as markets or industries, in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management, which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

Fee income earned by Lifeco resulting from Lifeco's interests in segregated funds and other structured entities was \$5,115 million for the year ended December 31, 2025 (\$4,820 million in 2024).

Included within other assets (Note 8) at December 31, 2025 is \$3,832 million (\$3,540 million at December 31, 2024) of investments by Lifeco in bonds and shares of consolidated Empower CLOs and other sponsored funds and \$163 million (\$161 million at December 31, 2024) of investments in shares of sponsored unit trusts in Europe.

## NOTE 14 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 recorded 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, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a negative fair value of \$4.7 million at December 31, 2025 (negative fair value of \$7.9 million in 2024).

All mortgages securitized under the NHA MBS and CMB Programs are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, IGM has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP trusts have no recourse to IGM's other assets for failure to make payments when due.

December 31	2025			2024		
	Securitized mortgages	Obligations to securitization entities	Net	Securitized mortgages	Obligations to securitization entities	Net
Carrying value						
NHA MBS and CMB Programs	2,580	2,597	(17)	2,495	2,476	19
Bank-sponsored ABCP	2,180	2,218	(38)	2,551	2,549	2
<b>Total</b>	<b>4,760</b>	<b>4,815</b>	<b>(55)</b>	<b>5,046</b>	<b>5,025</b>	<b>21</b>
Fair value	4,890	4,916	(26)	5,078	5,098	(20)

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 rate method.

## NOTE 15 Power Corporation's Debentures and Other Debt Instruments

December 31	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
<b>POWER CORPORATION</b>				
<b>Debentures—unsecured</b>				
8.57% debentures due April 22, 2039	150	203	150	209
4.81% debentures due January 31, 2047	249	246	249	253
4.455% debentures due July 27, 2048	248	233	248	241
<b>Total Power Corporation</b>	<b>647</b>	<b>682</b>	<b>647</b>	<b>703</b>

There are no principal repayments on debentures in each of the next five years.

The Corporation has a line of credit of \$500 million bearing interest at Adjusted Term SOFR plus 0.70%. At December 31, 2025 and 2024, the Corporation was not using its line of credit.

## NOTE 16 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 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	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
<b>POWER FINANCIAL</b>				
<b>Debentures—unsecured</b>				
6.90% debentures due March 11, 2033	250	289	250	289
<b>Total Power Financial</b>	<b>250</b>	<b>289</b>	<b>250</b>	<b>289</b>
<b>LIFECO</b>				
<b>Debentures and Senior Bonds—unsecured</b>				
1.75% senior bonds due December 7, 2026 (€500 million) <sup>[1]</sup>	805	796	743	731
3.337% debentures due February 28, 2028	499	503	499	498
6.40% subordinated debentures due December 11, 2028	100	109	100	110
4.70% senior bonds due November 16, 2029 (€500 million) <sup>[1]</sup>	802	855	742	806
2.379% debentures due May 14, 2030	598	581	598	563
6.74% debentures due November 24, 2031	197	230	197	231
6.67% debentures due March 21, 2033	397	465	396	467
5.998% debentures due November 16, 2039	343	385	343	396
2.981% debentures due July 8, 2050	494	363	494	378
7.529% capital trust debentures due June 30, 2052 (face value of \$150 million)	154	177	155	179
	<b>4,389</b>	<b>4,464</b>	<b>4,267</b>	<b>4,359</b>
<b>Other Debt Instruments—unsecured</b>				
Commercial paper and other short-term debt instruments with interest rates of 3.921% to 4.204% (4.930% at December 31, 2024)	273	273	144	144
0.904% senior notes due August 12, 2025 (US\$500 million)	–	–	719	703
1.357% senior notes due September 17, 2027 (US\$400 million)	547	525	575	523
4.047% senior notes due May 17, 2028 (US\$300 million)	411	411	431	417
4.51% mortgage on investment property due January 1, 2029 (US\$39 million)	51	51	54	54
1.776% senior notes due March 17, 2031 (US\$400 million)	546	488	574	471
4.15% senior notes due June 3, 2047 (US\$700 million)	946	777	993	797
4.581% senior notes due May 17, 2048 (US\$500 million)	679	591	714	603
3.075% senior notes due September 17, 2051 (US\$700 million)	950	618	998	633
	<b>4,403</b>	<b>3,734</b>	<b>5,202</b>	<b>4,345</b>
<b>Total Lifeco</b>	<b>8,792</b>	<b>8,198</b>	<b>9,469</b>	<b>8,704</b>
<b>IGM FINANCIAL</b>				
<b>Debentures—unsecured</b>				
3.44% debentures due January 26, 2027	400	402	400	400
6.65% debentures due December 13, 2027	125	133	125	135
7.45% debentures due May 9, 2031	150	174	150	174
7.00% debentures due December 31, 2032	175	205	175	203
7.11% debentures due March 7, 2033	150	177	150	175
6.00% debentures due December 10, 2040	200	223	200	228
4.56% debentures due January 25, 2047	200	189	200	195
4.115% debentures due December 9, 2047	250	221	250	229
4.174% debentures due July 13, 2048	200	178	200	184
4.206% debentures due March 21, 2050	250	222	250	231
5.426% debentures due May 26, 2053	300	318	300	332
Debentures of IGM held by Lifeco as investments	(88)	(89)	(88)	(90)
<b>Total IGM</b>	<b>2,312</b>	<b>2,353</b>	<b>2,312</b>	<b>2,396</b>
<b>Total Power Financial, Lifeco and IGM</b>	<b>11,354</b>	<b>10,840</b>	<b>12,031</b>	<b>11,389</b>

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

**NOTE 16 Non-Recourse Debentures and Other Debt Instruments** (CONTINUED)**LIFECO**

On August 12, 2025, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of Lifeco, repaid the principal amount of its maturing 0.904% US\$500 million senior notes, together with accrued interest.

**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 26). 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	2025	2024
Balance, beginning of year	12,031	11,608
Increase in other debt instruments	138	54
Repayment of senior notes	(689)	–
Decrease in other debt instruments	–	(60)
Changes in foreign exchange rates and other	(126)	429
Balance, end of year	11,354	12,031

The principal repayments on debentures and other debt instruments in each of the next five years and thereafter are as follows:

2026	1,078
2027	1,040
2028	1,011
2029	857
2030	600
Thereafter	6,815

**NOTE 16 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 subsidiaries. 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	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
<b>OTHER DEBT INSTRUMENTS</b>				
<b>Investment Funds and Other—secured</b>				
Revolving credit facility up to \$420 million, with interest equal to CORRA plus 2.75% prime rate plus 1.75%, U.S. base rate plus 1.75% or SOFR plus 2.75% (\$21 million and US\$136 million) (\$17 million and US\$179 million at December 31, 2024)	207	207	274	274
Revolving credit facility up to \$300 million, with interest equal to CORRA plus 0.9%	100	100	–	–
Revolving credit facility up to US\$90 million, with interest equal to SOFR plus 1.8% (US\$58 million at December 31, 2024)	–	–	83	83
Revolving credit facility up to US\$75 million, with interest equal to the U.S. base rate minus 0.35% (US\$14 million) (US\$11 million at December 31, 2024)	19	19	16	16
Revolving credit facility up to US\$68 million, with interest equal to SOFR plus 2.0% (US\$5 million) (US\$5 million at December 31, 2024)	7	7	7	7
Revolving credit facility up to US\$62 million, bearing interest at various rates from SOFR plus 1.75% to 2.65% (US\$62 million) (US\$26 million at December 31, 2024)	85	85	37	37
Revolving credit facility up to US\$53 million, with interest equal to SOFR plus 1.6% (US\$3 million)	4	4	–	–
Revolving credit facility up to US\$50 million, with interest equal to SOFR plus 1.85% (US\$9 million)	12	12	–	–
Revolving credit facility up to US\$49 million, with interest equal to SOFR plus 2.0% (US\$38 million) (US\$49 million at December 31, 2024)	52	52	71	71
Mezzanine loan due in February 2029, with interest equal to 15.0% (€10 million)	15	15	–	–
Mortgages on investment properties, due from August 2028 to August 2030 bearing interest at various rates from 3.0% to 5.34% and SOFR plus 2.75% (US\$63 million) (US\$29 million at December 31, 2024)	86	86	43	43
Senior loan facility due in May 2028, with interest equal to SOFR plus 4.75% (US\$19 million)	26	26	–	–
	613	613	531	531
<b>Renewable Energy—Project Debt—secured</b>				
Construction loan facilities due from January 2026 to June 2026, bearing interest at various rates equal to SOFR plus 2.25% to 3.375%, U.S. base rate plus 1.25% and CORRA plus 2.75% (\$39 million and US\$478 million) (US\$420 million at December 31, 2024)	695	696	604	604
Loan facilities due from December 2030 to December 2037, bearing interest at various rates from 4.23% to 6.0% and CORRA plus 1.625%	448	435	496	479
Loan facilities due from May 2027 to December 2059, bearing interest at various rates from 3.62% to 6.93% and prime rate plus 1.5% (\$1,039 million and US\$148 million) (\$1,105 million and US\$160 million at December 31, 2024)	1,242	1,220	1,335	1,341
Loan facilities due from June 2026 to December 2055, bearing interest at various rates from 2.73% to 6.89%, SOFR plus 2.0% and SOFR plus 2.25% (US\$598 million) (US\$395 million at December 31, 2024)	818	801	568	568
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	84	81	88	84
	3,287	3,233	3,091	3,076
<b>Standalone Business—secured</b>				
Revolving credit facility and term loan facilities due in April 2026 bearing interest at various rates equal to prime rate or U.S. base rate plus 4.0% and CORRA or SOFR plus 5.0% <sup>[1]</sup>	169	169	186	186
Subordinated term facility of \$65 million, bearing interest at 13.5%, principal and accrued interest payable at maturity in October 2026	77	77	70	70
	246	246	256	256
<b>Total alternative asset investment platforms and other</b>	<b>4,146</b>	<b>4,092</b>	<b>3,878</b>	<b>3,863</b>

[1] The revolving credit and term loan facilities are subject to certain financial covenants including a minimum cumulative EBITDA covenant. At December 31, 2025, this covenant was not in compliance; however, the lenders have provided a tolerance letter valid until April 30, 2026.

**NOTE 16 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	2025	2024
Balance, beginning of year	3,878	3,017
Acquisitions	46	23
Increase in other debt instruments	1,162	1,183
Decrease in other debt instruments	(861)	(462)
Changes in foreign exchange rates and other	(79)	117
Balance, end of year	4,146	3,878

The principal repayments on other debt instruments in each of the next five years and thereafter are as follows:

2026 <sup>[1]</sup>	1,316
2027	293
2028	149
2029	348
2030	243
Thereafter	1,891

[1] Includes revolving credit facilities of \$532 million.

**NOTE 17 Other Liabilities**

December 31	2025	2024 <sup>[1]</sup>
Accounts payable	5,251	4,615
Securities loaned	3,733	1,339
Bank overdraft	375	379
Dividends and interest payable	575	538
Income taxes payable	533	345
Deferred income reserves	284	264
Pension and other post-employment benefits [Note 27]	866	893
Lease liabilities	806	836
Collateralized loan obligation liabilities	3,904	3,791
Limited-life and redeemable fund units	4,128	2,928
Other	6,844	6,805
	27,299	22,733

[1] Comparative figures have been reclassified to confirm with the current year's presentation.

Other liabilities of \$15,886 million as at December 31, 2025 (\$12,926 million as at December 31, 2024) are expected to be settled within 12 months.

**NOTE 17 Other Liabilities** (CONTINUED)**LEASE LIABILITIES**

The changes in the lease liabilities are as follows:

December 31	2025	2024
Lease liabilities, beginning of year	836	740
Additions	86	168
Modifications	(3)	(9)
Lease payments	(132)	(126)
Interest	36	35
Change in foreign exchange rates and other	(17)	28
Lease liabilities, end of year	806	836

The table below presents the contractual undiscounted cash flows for lease obligations in each of the next five years and thereafter:

2026	121
2027	114
2028	102
2029	91
2030	87
Thereafter	553
Total undiscounted lease liabilities at December 31, 2025	1,068

**NOTE 18 Income Taxes****INCOME TAXES**

The components of the income tax expense recognized in the statements of earnings are:

Years ended December 31	2025	2024
Current taxes		
Current year	972	1,121
Previously unrecognized tax losses, tax credits or temporary differences used in the year	(5)	(65)
Global minimum tax	150	113
	1,117	1,169
Deferred taxes		
Origination and reversal of temporary differences	(225)	(139)
Recognition of previously unrecognized tax losses, tax credits or temporary differences	(14)	(101)
	(239)	(240)
	878	929

The following table shows current and deferred taxes relating to items not recognized in the statements of earnings:

Years ended December 31	2025		2024	
	Other comprehensive income	Equity	Other comprehensive income	Equity
Current tax expense (recovery)	17	25	(12)	–
Deferred tax expense	66	9	98	–
	83	34	86	–

**NOTE 18 Income Taxes** (CONTINUED)

**EFFECTIVE INCOME TAX RATE**

The Corporation's effective income tax rate is derived as follows:

Years ended December 31	2025	2024
	%	%
Combined statutory Canadian federal and provincial tax rates	26.5	26.5
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(5.7)	(6.5)
Different tax rates applicable in local and foreign jurisdictions	(7.8)	(6.5)
Global minimum tax	2.8	2.0
Non-deductible impairment charge of goodwill	–	1.8
Share of earnings of investments in jointly controlled corporations and associates	(1.7)	(1.2)
Other	2.5	0.7
Effective income tax rate	16.6	16.8

**DEFERRED TAXES**

Composition and changes in net deferred taxes are as follows:

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Tax credits and other	Total
For the year ended December 31, 2025						
Balance, beginning of year	(2,620)	2,373	1,624	(826)	377	928
Recognized in						
Statements of earnings	782	(716)	156	14	3	239
Statements of comprehensive income	–	(19)	2	–	(49)	(66)
Statements of changes in equity	–	–	(2)	–	(7)	(9)
Business acquisitions	–	–	–	(35)	(2)	(37)
Foreign exchange rate changes and other	197	(83)	(64)	39	(157)	(68)
Balance, end of year	(1,641)	1,555	1,716	(808)	165	987

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Tax credits and other	Total
For the year ended December 31, 2024						
Balance, beginning of year	(2,727)	2,400	1,648	(1,156)	513	678
Recognized in						
Statements of earnings	358	(188)	(121)	361	(170)	240
Statements of comprehensive income	–	(9)	–	–	(89)	(98)
Foreign exchange rate changes and other	(251)	170	97	(31)	123	108
Balance, end of year	(2,620)	2,373	1,624	(826)	377	928

December 31	2025	2024
Presented on the balance sheets as follows:		
Deferred tax assets	2,408	2,181
Deferred tax liabilities	(1,421)	(1,253)
	987	928

**NOTE 18 Income Taxes** (CONTINUED)

Management of the Corporation and of its subsidiaries assess the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2025 are recoverable.

As at December 31, 2025, the Corporation and its subsidiaries have non-capital losses of \$1,987 million (\$1,813 million in 2024) available to reduce future taxable income for which the benefits have not been recognized. Of this amount, \$1,860 million expire from 2026 to 2045, while \$127 million have no expiry date. In addition, the Corporation and its subsidiaries have capital loss carry forwards of \$723 million (\$843 million in 2024) to offset future capital gains for which the benefits have not been recognized. Of this amount, \$163 million expire from 2028 to 2031 and \$560 million can be used indefinitely.

As at December 31, 2025, the Corporation and its subsidiaries have deductible temporary differences of \$1,060 million (\$1,077 million in 2024) for which the benefits have not been recognized. As at December 31, 2025 and 2024, 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 19 Share 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	2025		2024	
	Number of shares	Share capital	Number of shares	Share capital
		\$		\$
<b>Non-Participating Shares</b>				
First Preferred Shares				
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Series H	8,000,000	200	–	–
Series I	8,000,000	200	–	–
Total Non-Participating Shares		1,350		950
<b>Participating Shares</b>				
Participating Preferred Shares	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	589,948,328	9,003	597,387,873	9,051
Issued under Stock Option Plan	3,305,264	113	3,165,255	113
Purchased for cancellation under Normal Course Issuer Bid	(12,381,500)	(190)	(10,604,800)	(161)
Balance, end of year	580,872,092	8,926	589,948,328	9,003
Total Participating Shares		9,159		9,236

**NOTE 19 Share Capital** (CONTINUED)**Non-Participating Shares**

On September 22, 2025, the Corporation issued 8,000,000 5.75% Non-Cumulative First Preferred Shares, Series H (Series H shares) at \$25.00 per share, for gross proceeds of \$200 million. The holders of the Series H shares are entitled to receive fixed non-cumulative preferential cash dividends at a rate equal to \$1.4375 per share per annum. On and after October 15, 2030, the Corporation may redeem for cash the Series H shares in whole or in part, at the Corporation's option, at \$26.00 per share if redeemed prior to October 15, 2031, \$25.75 per share if redeemed thereafter and prior to October 15, 2032, \$25.50 per share if redeemed thereafter and prior to October 15, 2033, \$25.25 per share if redeemed thereafter and prior to October 15, 2034 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 in connection with the Series H shares of \$5 million were charged to retained earnings.

On November 20, 2025, the Corporation issued 8,000,000 5.65% Non-Cumulative First Preferred Shares, Series I (Series I shares) at \$25.00 per share, for gross proceeds of \$200 million. The holders of the Series I shares are entitled to receive fixed non-cumulative preferential cash dividends at a rate equal to \$1.4125 per share per annum. On and after January 15, 2031, the Corporation may redeem for cash the Series I shares in whole or in part, at the Corporation's option, at \$26.00 per share if redeemed prior to January 15, 2032, \$25.75 per share if redeemed thereafter and prior to January 15, 2033, \$25.50 per share if redeemed thereafter and prior to January 15, 2034, \$25.25 per share if redeemed thereafter and prior to January 15, 2035 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 in connection with the Series I shares of \$6 million were charged to retained earnings.

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
Series H, 5.75%	0.359375	October 15, 2030	26.00
Series I, 5.65%	0.353125	January 15, 2031	26.00

**Participating Shares**

Participating Preferred Shares are entitled to ten votes per share; and, subject to the rights of holders of the First Preferred Shares, to a non-cumulative dividend of 0.938¢ per share per annum before dividends on the Subordinate Voting Shares and have the further right to participate, share and share alike, with the holders of the Subordinate Voting Shares in any dividends that may be paid with respect to the Subordinate Voting Shares.

Subordinate Voting Shares are entitled to one vote per share. In 2025, 3,305,264 Subordinate Voting Shares (3,165,255 in 2024) were issued under the Corporation's Executive Stock Option Plan for a consideration of \$104 million (\$103 million in 2024).

Dividends declared on the Corporation's participating shares in 2025 were \$2.45 per share (\$2.25 per share in 2024).

**Normal Course Issuer Bids**

On March 1, 2024, the Corporation commenced a Normal Course Issuer Bid (NCIB) which was effective until February 28, 2025. On March 1, 2025, the Corporation commenced a new NCIB which was effective until February 28, 2026. Pursuant to this NCIB, the Corporation was able to purchase up to 20 million of its Subordinate Voting Shares outstanding (representing approximately 3.7% of the public float of Subordinate Voting Shares outstanding as at February 18, 2025) at market prices.

In connection with its NCIB, the Corporation has entered into an automatic share purchase plan (ASPP) and may provide parameters thereunder from time to time to allow a designated broker to purchase Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Outside of these predetermined trading blackout periods, purchases under the Corporation's NCIB will be completed at management's discretion.

During the year ended December 31, 2025, the Corporation purchased and cancelled 12,381,500 Subordinate Voting Shares pursuant to this NCIB for a total of \$711 million (10,604,800 Subordinate Voting Shares for a total of \$430 million during the year ended December 31, 2024).

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 share capital was \$521 million and was recognized as a reduction to retained earnings (\$269 million in 2024).

**Subsequent event**

On March 1, 2026, the Corporation commenced a new NCIB which is effective until the earlier of February 28, 2027 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 20 million of its Subordinate Voting Shares outstanding (representing approximately 3.8% of the public float of Subordinate Voting Shares outstanding at February 16, 2026) at market prices. At March 18, 2026, the Corporation has repurchased 3,036,300 Subordinate Voting Shares for a total of \$206 million under the NCIB programs.

## NOTE 20 Share-Based Compensation

### STOCK OPTION PLAN

There are 19,128,615 Subordinate Voting Shares and 3,126,726 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation (Stock Option Plans). The plans require that the exercise price of the option must not be less than the market value of a share on the date of the grant of the option.

A summary of the status of the Corporation's Stock Option Plans, including tandem share appreciation rights (TSAR or TSARs), as at December 31, 2025 and 2024, and changes during the respective years ended is as follows:

	2025		2024	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	18,804,983	32.77	23,532,731	32.41
Granted	1,158,924	50.37	1,292,486	38.09
Exercised or surrendered for cash	(5,897,687)	31.74	(6,020,234)	32.50
Outstanding, end of year	14,066,220	34.66	18,804,983	32.77
Options exercisable, end of year	9,999,844	32.28	14,211,753	31.75

The following table summarizes information about stock options, including TSARs, outstanding at December 31, 2025:

Range of exercise prices	Expiry date	Options outstanding			Options exercisable	
		Options	Weighted-average remaining life	Weighted-average exercise price	Options	Weighted-average exercise price
\$			(yrs)	\$		\$
29.31	2026	81,064	0.2	29.31	81,064	29.31
31.48–33.68	2027	1,496,878	1.2	32.61	1,496,878	32.61
28.51–34.54	2028	2,390,941	2.3	29.65	2,372,953	29.62
31.12–31.84	2029	2,339,554	3.3	31.46	2,339,554	31.46
34.23	2030	2,755,103	4.1	34.23	2,755,103	34.23
33.30–42.45	2031	645,037	5.2	33.48	645,037	33.48
38.34	2032	642,048	6.2	38.34	309,255	38.34
34.54	2033	1,264,185	7.2	34.54	–	–
38.09	2034	1,292,486	8.2	38.09	–	–
50.37	2035	1,158,924	9.2	50.37	–	–
		14,066,220	4.6	34.66	9,999,844	32.28

### TANDEM SHARE APPRECIATION RIGHTS

The Corporation's Stock Option Plans provide for the granting of TSARs in connection with options granted thereunder, at or after the time of grant of such options. A TSAR entitles the optionee to surrender to the Corporation, unexercised, the right to subscribe for a Subordinate Voting Share pursuant to the related option and to receive cash from the Corporation in an amount equal to the excess of the market value of a Subordinate Voting Share over the subscription price under the related option.

A summary of the status of the Corporation's options with TSARs attached, as at December 31, 2025 and 2024, and changes during the respective years ended is as follows:

	2025			2024		
	TSARs	Weighted-average exercise price	Fair value of liability	TSARs	Weighted-average exercise price	Fair value of liability
		\$	\$		\$	\$
Outstanding, beginning of year	7,751,627	31.40	84	10,606,606	31.71	67
Surrendered for cash	(2,592,423)	32.23	(58)	(2,854,979)	32.54	(27)
Change in fair value			158			44
Outstanding, end of year	5,159,204	30.98	184	7,751,627	31.40	84
TSARs exercisable, end of year	5,159,204	30.98		7,751,627	31.40	

The fair value of the outstanding cash-settled liability was \$184 million at December 31, 2025 (\$84 million at December 31, 2024) and is recorded in other liabilities. The intrinsic value of this liability at December 31, 2025 was \$217 million (\$104 million at December 31, 2024).

**NOTE 20 Share-Based Compensation** (CONTINUED)

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

December 31	2025	2024
Dividend yield	5.2%	5.6%
Expected volatility	17.4%–18.5%	17.9%–19.8%
Risk-free interest rate	2.7%–2.9%	3.0%–3.5%
Expected remaining life (years)	1.2–3.3	0.1–4.3
Share price (\$/share)	72.95	44.84
Weighted-average exercise price (\$/option)	30.98	31.40
Weighted-average fair value (\$/option)	35.59	10.82

The Corporation entered into total return swap agreements to manage exposure to the volatility of its cash-settled share-based payments and related liability. For the year ended December 31, 2025, a net gain of \$10 million (a net gain of \$1 million in 2024) arising from the change in fair value of the liability, net of the gain on the remeasurement to fair value of the derivative instruments, was included in operating and administrative expenses in the statements of earnings.

**COMPENSATION EXPENSE**

During the year ended December 31, 2025, Power Corporation granted 1,158,924 options (1,292,486 options in 2024) under its Executive Stock Option Plan. Generally, the options vest on the basis of [i] the first 50%, three years from the date of the grant and [ii] the remaining 50% four years from the date of the grant.

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

December 31	2025	2024
Dividend yield	5.7%	5.5%
Expected volatility	18.3%	18.6%
Risk-free interest rate	3.1%	3.4%
Expected life (years)	9.1	9.2
Fair value (\$/option)	4.00	3.53
Weighted-average exercise price (\$/option)	50.37	38.09

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

Lifeco, IGM and Wealthsimple have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense related to equity-settled stock option plans is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. Total compensation expense relating to the equity-settled stock options granted by the Corporation and its subsidiaries amounted to \$79 million in 2025 (\$61 million in 2024) and was recorded in operating and administrative expenses in the statements of earnings.

**PERFORMANCE RESTRICTED SHARE UNITS**

In 2025, the Corporation established a Performance Restricted Share Unit (PRSU) Plan for selected employees and officers (participants) to promote long-term share ownership, align participants and shareholders' interests and enhance the Corporation's ability to attract and retain key talent. A maximum of 8,000,000 aggregate Subordinate Voting Shares may be issued pursuant to the grants made under the PRSU Plan of which 7,679,293 are reserved for issuance at December 31, 2025. The value of each PRSU is based on the share price of the Corporation's Subordinate Voting Shares. Additional PRSUs are issued in respect to dividends payable on the Subordinate Voting Shares based on the value of the PRSUs at the dividend payment date. Under the terms of the Plan, PRSUs are subject to time and performance vesting conditions. Grants under the PRSU Plan will generally

vest over three years from the grant date and expire 10 years from the date of the grant. A vested PRSU may be settled, based on the election of the participant, in (i) equity: the issuance of one Subordinate Voting Share for each PRSU then being settled, or (ii) cash: a cash payment equal to the fair market value on the redemption date of the PRSU. It is anticipated that grants under the PRSU Plan would be made in lieu of an equivalent grant-date fair value of Performance Share Units (PSUs) and/or Performance Deferred Share Units (PDSUs) and, in most cases, entirely replace grants of PSUs and PDSUs.

**Restricted Share Units**

During the year ended December 31, 2024, the Corporation granted 294,039 Restricted Share Units (RSUs) to an executive to assist in retention and further alignment of its interests with those of the shareholders. The fair value of the RSUs granted was measured based on the market value of the Corporation's Subordinate Voting Shares at the grant date and vest on the basis of [i] 25% two years from the date of grant; [ii] 50% three years from the date of grant; and [iii] 25% four years from the date of grant. Additional RSUs are issued in respect to dividends payable on the Subordinate Voting Shares at the dividend payment date.

On November 14, 2025, the Corporation exchanged all outstanding RSUs for an equivalent number of PRSUs. These PRSUs are not subject to performance vesting conditions and may be settled, based on the election of the participant, in either equity or cash. The original vesting conditions remain the same, and PRSUs expire 10 years from the initial RSUs grant date.

**NOTE 20 Share-Based Compensation** (CONTINUED)

The Corporation reclassified 320,707 units as cash-settled share-based payments and recognized a liability for the corresponding vested units, which is measured at fair value at each reporting period. The reclassification as cash-settled share-based payments resulted in a decrease to retained earnings and to the share-based compensation reserve of \$6 million and \$7 million, respectively.

At December 31, 2025, the carrying value of the PRSU liability was \$15 million and is recorded within other liabilities.

**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 the Subordinate Voting Shares based on the value of the PSU or PDSU at the dividend payment date. At December 31, 2025, the carrying value of the PSU liability was \$122 million (\$67 million at December 31, 2024) and is recorded within other liabilities.

**DEFERRED SHARE UNIT PLAN**

Power Corporation established a Deferred Share Unit (DSU) Plan for its Directors to promote a greater alignment of interests between Directors and shareholders of the Corporation. Under this Plan, Directors participating

in the Plan will receive half of their annual retainer in the form of DSUs and may elect to receive the remainder of their annual retainer entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by the simple average of the volume weighted-average trading price on the Toronto Stock Exchange of the Subordinate Voting Shares of the Corporation during each of the last three trading days immediately preceding the granting of such DSUs. A Director will receive additional DSUs in respect of dividends payable on the Subordinate Voting Shares, based on the value of the DSU at the dividend payment date. 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 the DSU at that time. At December 31, 2025, the carrying value of the DSUs outstanding was \$96 million (\$54 million at December 31, 2024) and was 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, Lifeco, IGM 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 \$445 million in 2025 (\$228 million in 2024) and was recorded in operating and administrative expenses on the statements of earnings.

**NOTE 21 Non-Controlling Interests**

The carrying value of non-controlling interests consists of the following:

December 31, 2025	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	7,175	2,276	–	836	10,287
Preferred shareholders	2,920	–	2,830	–	5,750
Participating account surplus	3,079	–	–	–	3,079
Limited recourse capital notes	1,500	–	–	–	1,500
	14,674	2,276	2,830	836	20,616
December 31, 2024	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	7,326	2,222	–	467	10,015
Preferred shareholders	2,720	–	2,830	–	5,550
Participating account surplus	3,041	–	–	–	3,041
Limited recourse capital notes	1,500	–	–	–	1,500
	14,587	2,222	2,830	467	20,106

**NOTE 21 Non-Controlling Interests** (CONTINUED)

The changes in non-controlling interests are as follows:

December 31, 2025	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	14,587	2,222	2,830	467	20,106
Net earnings (losses) attributable to non-controlling interests	1,307	351	139	(26)	1,771
Other comprehensive income (loss) attributable to non-controlling interests	(13)	(16)	–	4	(25)
Dividends	(848)	(145)	(139)	–	(1,132)
Repurchase of equity instruments, net of issuance	(592)	(177)	–	472	(297)
Effect of changes in capital and ownership, and other	233	41	–	(81)	193
Non-controlling interests, end of year	14,674	2,276	2,830	836	20,616
December 31, 2024	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	13,710	2,015	2,830	567	19,122
Net earnings (losses) attributable to non-controlling interests	1,361	315	141	(82)	1,735
Other comprehensive income (loss) attributable to non-controlling interests	361	79	–	5	445
Dividends	(739)	(180)	(141)	–	(1,060)
Repurchase of equity instruments, net of issuance	(34)	(12)	–	39	(7)
Effect of changes in capital and ownership, and other	(72)	5	–	(62)	(129)
Non-controlling interests, end of year	14,587	2,222	2,830	467	20,106

Financial information of Lifeco and IGM as at and for the year ended December 31, 2025 can be obtained from their publicly available financial statements. Summarized financial information for Lifeco and IGM is as follows:

	2025		2024	
	Lifeco	IGM	Lifeco	IGM
<b>Balance sheet</b>				
Assets	862,828	22,402	802,163	20,683
Liabilities	829,825	13,364	769,509	12,813
Equity	33,003	9,038	32,654	7,870
<b>Comprehensive income</b>				
Net earnings	4,161	1,107	4,173	937
Other comprehensive income (loss)	(40)	811	980	754
<b>Cash flows</b>				
Operating activities	2,708	1,035	4,751	1,092
Financing activities	(4,322)	(972)	(2,285)	(253)
Investing activities	(56)	301	(408)	(474)

**LIFECO****Preferred Shares**

On September 24, 2025, Lifeco issued 8,000,000 5.70% Non-Cumulative First Preferred Shares, Series Z at \$25.00 per share for gross proceeds of \$200 million.

**WEALTHSIMPLE**

On October 27, 2025, Wealthsimple announced that it had signed a \$750 million equity offering, consisting of a \$550 million primary offering, as well as a secondary offering. On October 31, 2025, the primary offering closed and the Corporation, through Power Financial, and IGM each invested \$100 million. Following the primary offering, the Corporation remains the controlling shareholder of Wealthsimple, while its equity interest decreased to 52.4% at December 31, 2025. A secondary transaction involving third-party investors totalling \$190 million closed on December 19, 2025.

## NOTE 22 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 a prudent amount of available cash and cash equivalents.

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, certain of IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements and they manage their capital as described below.

### LIFECO

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

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of Lifeco ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholder value in the context of Lifeco's operational risks and strategic plans.

The target level of capitalization for Lifeco and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to Lifeco, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of Lifeco with a high degree of confidence.

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

Lifeco's subsidiaries 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. 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%. Canada Life's consolidated LICAT ratio at December 31, 2025 was 128% (130% at December 31, 2024).
- For entities based in Europe, the local solvency capital regime is the Solvency II/UK basis. At December 31, 2025 and 2024, all Lifeco's European regulated entities met the capital and solvency requirements as prescribed under Solvency II/UK.
- Empower is subject to the risk-based capital regulatory regime in the U.S. Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2025 and 2024, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its 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 dealer, exempt market dealer, 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, 2025 and 2024, 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, 2025 and 2024, these subsidiaries have complied with all regulatory capital requirements.

## NOTE 23 Risk Management

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

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

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

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

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments and insurance contracts. 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.

### 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 subsidiaries to pay dividends. The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends.

Power Corporation and Power Financial 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, 2025 and 2024, the Corporation was not utilizing its committed line of credit or uncommitted line of credit. Other subsidiaries also have committed and uncommitted lines of credit of \$1,081 million and \$357 million, respectively, with Canadian and U.S. banks (\$612 million and \$294 million, respectively, was undrawn at December 31, 2025).

**NOTE 23 Risk Management** (CONTINUED)

Principal repayments on debentures and other debt instruments, and client funds payable (other than those of Lifeco and IGM discussed below) represent the only significant contractual liquidity requirements. Contractual maturities of certain liabilities were as follows:

December 31, 2025	Payments due by period				Total
	Demand	1 year or less	1-5 years	Over 5 years	
Client funds payable <sup>[1]</sup>	21,494	–	–	–	21,494
Power Corporation's debentures	–	–	–	650	650
Non-recourse debentures and other debt instruments					
Power Financial	–	–	–	250	250
Consolidated investment funds and Other	–	1,316	1,033	1,891	4,240
Future lease payments	–	47	174	617	838
Pension contributions	–	16	–	–	16
	21,494	1,379	1,207	3,408	27,488

[1] Client funds payable due on demand are primarily offset by Other subsidiaries' funds held on behalf of clients.

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, 2024.

**CREDIT RISK**

Power Corporation, Power Financial and other subsidiaries' cash and cash equivalents, including fixed income securities, funds held on behalf of clients, securities borrowed, other loans and derivatives are subject to credit risk. Power Corporation, Power Financial and other subsidiaries 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 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.

Other subsidiaries had funds held on behalf of clients of \$21,494 million at December 31, 2025 (\$12,902 million at December 31, 2024), which are mainly held with Schedule I chartered banks.

Other subsidiaries and Power Financial held other loans, classified as FVPL and at amortized cost, of \$686 million and \$1,224 million, respectively, at December 31, 2025 (\$314 million and nil, respectively, at December 31, 2024). The carrying value represents the maximum exposure to credit risk for those assets.

Derivatives can also be used to mitigate foreign exchange or equity exposures. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

Other subsidiaries are also exposed to credit risk through derivative contracts used to hedge interest rate risk or mitigate foreign exchange exposures. Other subsidiaries regularly review the credit ratings of their counterparties. The exposure to credit risk on these financial instruments is limited to their carrying value.

Power Corporation, Power Financial and other subsidiaries' exposure to and management of credit risk related to cash and cash equivalents, fixed income securities, funds held on behalf of clients, securities borrowed, other loans and derivatives have not changed materially since December 31, 2024.

**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 investment properties), derivatives and debentures and other debt instruments.

**Foreign Exchange Risk**

In managing their own cash and cash equivalents as well as fixed income securities, Power Corporation, Power Financial and other subsidiaries may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation, Power Financial and other subsidiaries may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2025, approximately 78% (55% as at December 31, 2024) 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 FVOCI or as FVPL. Unrealized gains and losses on investments classified as FVOCI, resulting from foreign exchange rate variations, are recorded in other comprehensive income and reclassified directly to retained earnings on realization. Unrealized gains and losses on investments classified as FVPL, resulting from foreign exchange rate variations, are recorded directly in net earnings. As at December 31, 2025, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in a loss recorded in net earnings of approximately \$108 million (\$82 million in 2024). As at December 31, 2025, the Corporation's investments classified as FVOCI are not significant. 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 Accounting Standards, 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 spot rate impacts the Corporation's total equity.

**NOTE 23 Risk Management** (CONTINUED)

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, 2025, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of the foreign investment by approximately \$165 million (\$185 million in 2024).

**Interest Rate Risk**

Other subsidiaries and Power Financial held other loans, classified as FVPL, of \$686 million and are exposed to interest rate risk (\$314 million at December 31, 2024). Other subsidiaries also held other loans, classified as amortized cost, of \$1,224 million (nil at December 31, 2024). As at December 31, 2025, the impact to net earnings of a 100 basis point increase in interest rates would not have been significant.

Other subsidiaries are exposed to interest rate risk on funds held on behalf of clients of \$21,494 million (\$12,902 million at December 31, 2024) invested in interest-bearing accounts, of which the majority have an offsetting liability.

Power Corporation, Power Financial and other subsidiaries' financial instruments do not have significant exposure to interest rate risk.

**Equity Risk**

Power Corporation, Power Financial and other subsidiaries held other investments either classified as FVOCI or FVPL. Unrealized gains and losses on investments classified as FVOCI are recorded in other comprehensive income and transferred directly to retained earnings on realization.

Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. As at December 31, 2025 the Corporation's investments classified as FVOCI are not significant. As at December 31, 2025, 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 \$455 million loss recorded in net earnings related to investments classified as FVPL, including investments in jointly controlled corporations and associates measured at FVPL (\$342 million at December 31, 2024).

GBL holds a portfolio of investments which are classified as FVOCI or FVPL. Unrealized gains and losses on investments classified as FVOCI are recorded in other comprehensive income and transferred directly to retained earnings on realization. Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. As at December 31, 2025, the impact of a 10% decrease in equity markets would have resulted in an approximate \$170 million unrealized loss (\$220 million at December 31, 2024) to be recorded in other comprehensive income related to investments classified as FVOCI and a \$45 million loss (\$75 million at December 31, 2024) recorded in net earnings related to investments classified as FVPL, 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. Lifeco has established policies and procedures designed to identify, measure, manage, monitor and report material risks associated with financial instruments and insurance contracts.

**LIQUIDITY RISK**

Lifeco's liquidity risk management framework and associated limits are designed to allow Lifeco to meet cash and collateral commitments as they fall due, both on an expected basis and under a severe liquidity stress.

- Lifeco attempts to mitigate liquidity risk through product design and maintaining a high quality, diversified investment portfolio with a spread of asset maturities by year. Approximately 67% (67% in 2024) of insurance and investment contract liabilities (measured based on carrying value and excluding liabilities held on account of segregated fund holders) are subject to discretionary withdrawal.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at its holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2025, Lifeco maintained \$950 million of liquidity at its level through committed lines of credit with Canadian chartered banks. As well, Lifeco maintains a US\$1,000 million revolving credit agreement with a syndicate of banks and a US\$50 million line of credit at Empower. Empower also has borrowing capacity of approximately US\$992 million under the Federal Home Loan Bank program.

**Payments Due by Period**

In the normal course of business, Lifeco enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following table summarizes the principal repayment schedule of certain of Lifeco's financial liabilities.

December 31, 2025	Payments due by period						Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
Debentures and other debt instruments	1,078	548	1,011	857	600	4,595	8,689
Capital trust debentures <sup>(1)</sup>	–	–	–	–	–	150	150
Purchase obligations	210	115	65	35	24	13	462
Pension contributions	264	–	–	–	–	–	264
	1,552	663	1,076	892	624	4,758	9,565

[1] Payments due have not been reduced to reflect that Lifeco held capital trust securities of \$37 million principal amount (\$44 million carrying value).

**NOTE 23 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 a debtor'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 debtor 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 seeking protection in the form of collateral or funds-withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

**Maximum Exposure to Credit Risk**

The following table summarizes Lifeco's maximum exposure to credit risk related to financial instruments as well as insurance and reinsurance contracts.

December 31	2025	2024
Financial instruments		
Cash and cash equivalents	8,902	10,709
Bonds	174,468	167,114
Mortgage loans	36,873	38,879
Interest due and accrued	1,885	1,778
Accounts receivable	4,144	3,624
Funds held under investment contracts	6,229	6,895
Trading account assets	3,995	3,701
Finance leases receivable	1,043	926
Other assets <sup>[1]</sup>	2,117	1,979
Derivative assets	1,863	2,431
	241,519	238,036
Insurance and reinsurance contracts		
Reinsurance contract held assets <sup>[2]</sup>	16,850	17,842
Insurance contract assets	1,571	1,193
Funds held by ceding insurers <sup>[3]</sup>	3,489	3,640
	21,910	22,675
<b>Total</b>	<b>263,429</b>	<b>260,711</b>

[1] Includes items such as income taxes receivable and miscellaneous other assets of Lifeco.

[2] Includes funds withheld on reinsurance contracts issued.

[3] Included in insurance contract liabilities (Note 10).

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. Collateral primarily consists of government bonds, investment-grade corporate bonds and cash. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco had \$1,401 million of collateral received from counterparties as at December 31, 2025 (\$1,732 million as at December 31, 2024) relating to derivative assets.

**NOTE 23 Risk Management** (CONTINUED)**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 tables provide details of the carrying value of bonds of Lifeco for each business by issuer and industry sector:

December 31, 2025	United States	Canada	Europe	Capital and Risk Solutions	Total
Bond issued or guaranteed by:					
Treasuries	4,788	2,275	7,592	3,040	17,695
Government-related	2,748	16,787	8,118	1,186	28,839
Agency securitized	1,859	–	–	12	1,871
Non-agency securitized	10,909	3,973	886	266	16,034
Financials	12,578	5,605	5,887	954	25,024
Communications	1,927	1,370	949	227	4,473
Consumer products	10,696	4,955	2,039	1,274	18,964
Energy	4,085	3,049	800	361	8,295
Industrials	8,440	2,985	1,157	471	13,053
Technology	3,827	1,345	419	375	5,966
Transportation	1,919	4,816	1,153	284	8,172
Utilities	6,980	12,923	4,840	1,339	26,082
	70,756	60,083	33,840	9,789	174,468

December 31, 2024	United States	Canada	Europe	Capital and Risk Solutions	Total
Bond issued or guaranteed by:					
Treasuries	1,361	3,304	7,274	4,220	16,159
Government-related	2,605	17,286	7,444	694	28,029
Agency securitized	1,055	186	–	13	1,254
Non-agency securitized	12,395	3,453	800	163	16,811
Financials	12,556	4,726	5,651	1,124	24,057
Communications	1,741	1,194	856	211	4,002
Consumer products	10,172	5,086	2,084	1,061	18,403
Energy	3,363	2,809	502	370	7,044
Industrials	7,927	2,878	1,178	469	12,452
Technology	3,568	1,329	409	322	5,628
Transportation	2,021	4,426	853	198	7,498
Utilities	7,468	12,559	4,660	1,090	25,777
	66,232	59,236	31,711	9,935	167,114

The following tables provide details of the carrying value of mortgage loans of Lifeco by business:

December 31, 2025	United States	Canada	Europe	Capital and Risk Solutions	Total
Single-family residential	–	765	–	–	765
Multi-family residential	3,383	4,985	932	33	9,333
Equity-release	–	2,058	2,888	718	5,664
Commercial	7,837	9,084	4,103	87	21,111
	11,220	16,892	7,923	838	36,873

December 31, 2024	United States	Canada	Europe	Capital and Risk Solutions	Total
Single-family residential	–	1,225	–	–	1,225
Multi-family residential	4,065	4,523	946	34	9,568
Equity-release	–	1,949	2,279	590	4,818
Commercial	9,754	9,228	4,133	153	23,268
	13,819	16,925	7,358	777	38,879

**NOTE 23 Risk Management** (CONTINUED)**Expected Credit Losses**

The following tables reconcile the allowance for credit losses under the ECL model, by asset classification and stage, at Lifeco.

December 31, 2025	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Bonds at FVOCI</b>				
Balance, beginning of year	4	–	–	4
Provision for credit losses				
Originations	–	–	–	–
Maturities	(1)	–	–	(1)
Net remeasurement of loss allowance	–	–	–	–
Balance, end of year	3	–	–	3
<b>Mortgages at amortized cost</b>				
Balance, beginning of year	1	20	7	28
Provision for credit losses				
Transfers to stage 2	1	(1)	–	–
Maturities	–	–	(2)	(2)
Net remeasurement of loss allowance	(1)	(3)	(1)	(5)
Exchange rate and other	–	–	1	1
Balance, end of year	1	16	5	22
<b>Mortgages at FVOCI</b>				
Balance, beginning of year	–	1	–	1
Provision for credit losses				
Net remeasurement of loss allowance	–	(1)	–	(1)
Balance, end of year	–	–	–	–
<b>Total allowance for credit losses, end of year</b>	<b>4</b>	<b>16</b>	<b>5</b>	<b>25</b>

December 31, 2024	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Bonds at FVOCI</b>				
Balance, beginning of year	3	–	–	3
Provision for credit losses				
Originations	1	–	–	1
Maturities	(1)	–	–	(1)
Net remeasurement of loss allowance	1	–	–	1
Balance, end of year	4	–	–	4
<b>Mortgages at amortized cost</b>				
Balance, beginning of year	1	29	4	34
Provision for credit losses				
Transfers to stage 1	3	(3)	–	–
Net remeasurement of loss allowance	(3)	(7)	3	(7)
Exchange rate and other	–	1	–	1
Balance, end of year	1	20	7	28
<b>Mortgages at FVOCI</b>				
Balance, beginning of year	–	–	–	–
Provision for credit losses				
Net remeasurement of loss allowance	–	1	–	1
Balance, end of year	–	1	–	1
<b>Total allowance for credit losses, end of year</b>	<b>5</b>	<b>21</b>	<b>7</b>	<b>33</b>

**NOTE 23 Risk Management** (CONTINUED)

**Credit Risk Exposure by Internal Risk Rating**

The following tables present the fair value of bonds and mortgages at FVOCI and carrying amounts of mortgages at amortized cost held by Lifeco. Risk ratings are based on internal ratings used in the measurement of ECL as at the reporting date.

December 31, 2025	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Bonds at FVOCI</b>				
Investment grade	12,959	–	–	12,959
Non-investment grade	71	10	–	81
	13,030	10	–	13,040
<b>Mortgages at FVOCI</b>				
Investment grade	263	–	–	263
Non-investment grade	–	6	–	6
	263	6	–	269
<b>Mortgages at amortized cost</b>				
Investment grade	4,601	–	–	4,601
Non-investment grade	–	212	–	212
Impaired	–	–	10	10
	4,601	212	10	4,823
Allowance for credit losses	(1)	(16)	(5)	(22)
	4,600	196	5	4,801
December 31, 2024	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Bonds at FVOCI</b>				
Investment grade	13,669	–	–	13,669
Non-investment grade	75	14	–	89
	13,744	14	–	13,758
<b>Mortgages at FVOCI</b>				
Investment grade	446	–	–	446
Non-investment grade	–	15	–	15
	446	15	–	461
<b>Mortgages at amortized cost</b>				
Investment grade	4,562	–	–	4,562
Non-investment grade	–	266	–	266
Impaired	–	–	10	10
	4,562	266	10	4,838
Allowance for credit losses	(1)	(20)	(7)	(28)
	4,561	246	3	4,810

**NOTE 23 Risk Management** (CONTINUED)**Credit Impact on Financial Assets and Liabilities Designated as FVPL**

The carrying value of Lifeco's financial assets and liabilities designated as FVPL represents the maximum exposure to credit risk for those financial instruments. The change in fair value attributable to the change in credit risk of these financial instruments is generally insignificant in the absence of significant credit events occurring on specific financial instruments. In 2025, a fair value loss of \$153 million (\$67 million in 2024) is reflected in changes in FVPL in the statements of earnings related to significant credit events occurring on financial instruments designated as FVPL.

**Asset Quality**

Bond Portfolio Quality December 31	2025	2024
Based on internal ratings:		
AAA	26,599	24,462
AA	32,162	32,310
A	63,342	60,041
BBB	49,476	47,936
BB and lower	2,889	2,365
	174,468	167,114
Derivative Portfolio Quality December 31	2025	2024
Over-the-counter contracts (counterparty ratings):		
AA	1,216	1,687
A	645	743
Exchange-traded	2	1
	1,863	2,431
Reinsurance Contract Held Assets Quality December 31	2025	2024
Based on rating agency ratings:		
AA- to AA+	15,343	16,409
A- to A+	1,474	1,424
BBB+ and lower	–	8
Not rated	33	1
	16,850	17,842
Total reinsurance contract held assets less collateral	4,143	4,177

Total reinsurance contract held assets are net of funds held under reinsurance contracts.

As at December 31, 2025, \$11,710 million of the \$16,850 million of reinsurance contract held assets are ceded to Protective Life Insurance Company (\$12,633 million of \$17,842 million at December 31, 2024). This concentration risk is mitigated by funds held in trust and other arrangements of \$12,882 million as at December 31, 2025 (\$13,774 million at December 31, 2024).

**NOTE 23 Risk Management** (CONTINUED)

**Funds Held Under Investment Contracts and Funds Held by Ceding Insurers**

At December 31, 2025, Lifeco had amounts on deposit of \$6,229 million (\$6,895 million at December 31, 2024) for funds held under investment contracts. This amount has been included in other assets on the balance sheets. At December 31, 2025, Lifeco had amounts on deposit of \$3,489 million (\$3,640 million at December 31, 2024) for funds held by ceding insurers. This amount has been included in insurance contract liabilities on the balance sheets. Included in these amounts are assets of \$153 million at December 31, 2025 (\$98 million at December 31, 2024) where Lifeco does not retain the credit risk. Income and expenses arising from the underlying assets are included in net investment result in 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	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	117	117	206	206
Bonds	8,980	8,980	9,689	9,689
Mortgages	344	344	384	384
Other assets	124	124	158	158
	9,565	9,565	10,437	10,437
Supporting:				
Insurance contract liabilities	3,336	3,336	3,542	3,542
Investment contract liabilities	6,229	6,229	6,895	6,895
	9,565	9,565	10,437	10,437

**Bonds**

The following provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

December 31	2025	2024
Bonds issued or guaranteed by:		
Treasuries	188	265
Government-related	973	1,080
Agency securitized	81	94
Non-agency securitized	978	1,063
Financials	1,566	1,670
Communications	266	291
Consumer products	1,474	1,525
Energy	439	504
Industrials	836	927
Technology	321	349
Transportation	300	306
Utilities	1,558	1,615
	8,980	9,689

**Asset Quality**

Bond Portfolio Quality December 31	2025	2024
AAA	574	794
AA	2,213	2,332
A	3,786	4,002
BBB	2,344	2,501
BB and lower	63	60
	8,980	9,689

**NOTE 23 Risk Management** (CONTINUED)**Mortgages**

The following provides details of the carrying value of mortgages included in the funds on deposit by property type:

December 31	2025	2024
Multi-family residential	80	81
Commercial	264	303
	344	384

**MARKET RISK****Foreign Exchange Risk**

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases.

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

Lifeco has net investments in foreign operations. Lifeco's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS Accounting Standards, 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.

**Interest Rate Risk**

The following policies and procedures are in place to mitigate Lifeco's exposure to interest rate risk:

- Lifeco manages its interest rate risk by investing in assets that are suitable for the products sold.
- Lifeco uses a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into each of its segments. Assets in each of its segments are managed in relation to the liabilities in the segment.

- For products with fixed and highly predictable benefit payments, investments are generally made in fixed income assets or investment properties whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and non-fixed income assets while the rest are duration matched.
- Hedging instruments are employed when there is a lack of suitable permanent investments or to manage the level of loss exposure to interest rate changes.
- To the extent asset and liability cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities and non-fixed income assets.
- 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.

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

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

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

**Change in Market Yield Curves**

December 31	2025		2024	
	Increase 50 basis points interest rates	Decrease 50 basis points interest rates	Increase 50 basis points interest rates	Decrease 50 basis points interest rates
Net earnings	25	(50)	125	(150)
Equity	–	(25)	75	(125)

The sensitivities above reflect the immediate impacts on net earnings and equity from market movements.

**NOTE 23 Risk Management** (CONTINUED)

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

The potential impact on the net earnings does not take into account any future potential changes to Lifeco's ultimate investment rate (UIR) assumptions. As at both December 31, 2025 and December 31, 2024, the sensitivity of net earnings to a 10 basis point increase or decrease in the UIR in all geographies would be an increase of \$10 million or a decrease of \$10 million post-tax, respectively, when rounded to the nearest \$10 million.

The impact to net earnings and equity from an immediate parallel 50 basis point increase or decrease in credit spreads is illustrated in the table below, rounded to the nearest \$25 million, with no change to the ultimate illiquidity premium:

**Change in Credit Spreads**

	2025		2024	
	Increase 50 basis points credit spreads	Decrease 50 basis points credit spreads	Increase 50 basis points credit spreads	Decrease 50 basis points credit spreads
December 31				
Net earnings	150	(200)	250	(300)
Equity	225	(300)	325	(400)

The sensitivities above reflect the immediate impacts on net earnings and equity from market movements.

Actual impacts of credit spread changes will vary depending on the geographies where the changes occur, and the changes in credit spreads by term. A change in credit spreads may also lead to a change in the allowance for credit risk within the discount rate, depending on prevailing market and credit conditions at the time; any potential earnings impacts that may arise from such a change are not reflected in the sensitivities above.

**Equity Risk**

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate this risk. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards and interest rate derivatives.

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

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

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

**Change in Publicly Traded Common Share Values**

	2025				2024			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
December 31								
Net earnings	75	50	(50)	(75)	100	50	(50)	(100)
Equity	500	250	(250)	(525)	525	250	(250)	(525)

The sensitivities above reflect the immediate impacts on net earnings and equity from market movements.

**NOTE 23 Risk Management** (CONTINUED)

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

**Change in Other Non-Fixed Income Asset Values<sup>[1]</sup>**

December 31	2025				2024			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
Net earnings	550	275	(300)	(600)	425	225	(225)	(450)
Equity	600	300	(325)	(650)	475	250	(250)	(500)

[1] Sensitivities to other non-fixed income asset values as at December 31, 2025 reflect a refinement in methodology, not a change to the underlying exposure to other non-fixed income assets. Prior to the refinement, the +10%/+5%/-5%/-10% sensitivities were +\$425 million /+\$200 million /-\$225 million /-\$475 million for net earnings, and +\$475 million /+\$225 million /-\$250 million /-\$525 million for equity, respectively.

The sensitivities above reflect the immediate impacts on net earnings and equity from market movements.

**IGM FINANCIAL**

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

**LIQUIDITY RISK**

IGM's liquidity profile is structured to ensure it has sufficient liquidity to satisfy current and prospective requirements in both normal and stressed conditions. 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 risks by its internal financial risk management committee.

A key liquidity requirement for IGM is the funding of advisor network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

IGM also maintains sufficient liquidity to fund and temporarily hold mortgages, which include home equity lines of credit (HELOCs), 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 accesses the unsecured long-term debt markets for corporate purposes and ensures a well-diversified maturity schedule to manage associated liquidity risks.

IGM's contractual maturities of certain liabilities were as follows:

December 31, 2025	Payments due by period				Total
	Demand	1 year or less	1-5 years	Over 5 years	
Derivative financial instruments	–	7	8	–	15
Client funds payable <sup>[1]</sup>	4,299	–	–	–	4,299
Obligations to securitization entities	–	1,279	3,532	4	4,815
Future lease payments	–	28	96	95	219
Debentures	–	–	525	1,875	2,400
Total contractual maturities	4,299	1,314	4,161	1,974	11,748

[1] Client funds payable due on demand are primarily offset by IGM's funds held on behalf of clients.

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 \$800 million as at December 31, 2025. The lines of credit as at December 31, 2025 consisted of committed lines of \$650 million and uncommitted lines of \$150 million.

Any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2025 and 2024, 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, 2024.

**NOTE 23 Risk Management** (CONTINUED)**CREDIT RISK**

IGM's cash and cash equivalents, funds held on behalf of clients, mortgage portfolios and derivatives are subject to credit risk. IGM monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2025, IGM's cash and cash equivalents of \$1,274 million (\$910 million in 2024) consisted of cash balances of \$677 million (\$545 million in 2024) primarily on deposit with Canadian chartered banks and cash equivalents of \$598 million (\$365 million in 2024). IGM manages credit risk related to cash and cash equivalents by adhering to its investment and counterparty credit risk management policies that outline 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.

Funds held on behalf of clients of \$4.3 billion (\$3.7 billion in 2024) are held with Schedule I chartered banks.

As at December 31, 2025, residential mortgages, including HELOCs, recorded on IGM's balance sheets, of \$5.3 billion (\$5.5 billion in 2024) consisted of \$4.8 billion sold to securitization programs (\$5.1 billion in 2024), \$493 million held pending sale or securitization (\$406 million in 2024) and \$10 million related to IGM's intermediary operations (\$11 million in 2024).

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 Advisors and IG Wealth Management advisors as part of a client's IG Living Plan™.

In certain instances, IGM's 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 (\$2.5 billion in 2024), 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 \$2.2 billion (\$2.6 billion in 2024) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$54 million (\$63 million in 2024) and \$51 million (\$38 million in 2024), respectively, at December 31, 2025. 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, 2025, residential mortgages recorded on the balance sheets were 52.6% insured (48.9% in 2024). At December 31, 2025, impaired mortgages on these portfolios were \$6 million (\$4 million in 2024). Uninsured non-performing mortgages over 90 days on these portfolios were \$3 million at December 31, 2025 (\$2 million in 2024).

IGM also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short-Term Income Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the balance sheets as IGM has transferred substantially all of the risks and rewards of ownership associated with these loans.

IGM regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

IGM's allowance for expected credit losses was \$1 million at December 31, 2025 (\$1 million in 2024), 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 in interest rates; iii) current portfolio credit metrics and other relevant characteristics; iv) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

IGM's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2024.

IGM is exposed to credit risk through the derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain share-based compensation arrangements. These derivatives are discussed more fully under the IGM market risk section below.

To the extent that the fair value of the derivatives is in a gain position, IGM is exposed to the credit risk that its counterparties fail to fulfill their obligations under these arrangements.

IGM's derivative activities are managed in accordance with its derivative 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, 2025. Management of credit risk related to derivatives has not changed materially since December 31, 2024.

**NOTE 23 Risk Management** (CONTINUED)**MARKET RISK****Foreign Exchange Risk**

IGM is exposed to foreign exchange risk on its investments in ChinaAMC and Rockefeller. Changes to the carrying value due to changes in foreign exchange rates are recognized in other comprehensive income. As of December 31, 2025, a 5% appreciation in Canadian currency relative to foreign currencies would decrease the aggregate carrying value of foreign investments by approximately \$120 million (\$133 million in 2024).

**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 (CMB) 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 CMB coupons. This swap had a fair value of negative \$4.4 million (negative \$3.6 million in 2024) and an outstanding notional value of \$0.2 billion at December 31, 2025 (\$0.3 billion in 2024). IGM enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled negative \$0.3 million (negative \$4.3 million in 2024), on an outstanding notional amount of \$1.2 billion at December 31, 2025 (\$1.4 billion in 2024). The net fair value of these swaps recorded on the balance sheets was negative \$4.7 million at December 31, 2025 (negative \$7.9 million in 2024) and had an outstanding notional amount of \$1.4 billion at December 31, 2025 (\$1.7 billion in 2024).

- 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 negative \$0.1 million (negative \$1.1 million in 2024) on an outstanding notional amount of \$157 million at December 31, 2025 (\$166 million in 2024).

As at December 31, 2025, the impact to net earnings of a 100 basis point increase in interest rates would have been an increase of approximately \$0.2 million (increase of \$0.5 million in 2024). IGM's exposure to and management of interest rate risk have not changed materially since December 31, 2024.

**Equity Risk**

IGM is exposed to equity risk on its equity investments which are classified as FVPL and on its investments in associates, which are accounted for using the equity method.

IGM sponsors a number of deferred compensation arrangements 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 24 Insurance Revenue**

Years ended December 31	2025	2024
<b>Contracts not measured under the PAA</b>		
Amounts relating to changes in liabilities for remaining coverage		
Experience adjustments	(100)	(61)
CSM recognized for services provided	1,357	1,262
Change in risk adjustment for non-financial risk for risk expired	624	624
Expected incurred claims and other insurance service expenses	9,927	9,527
Recovery of insurance acquisition cash flows	658	588
	12,466	11,940
<b>Contracts measured under the PAA</b>		
	9,855	9,274
<b>Total insurance revenue</b>	<b>22,321</b>	<b>21,214</b>

**NOTE 25 Insurance Service and Operating and Administrative Expenses**

Years ended December 31	2025	2024 <sup>(1)</sup>
Claims and benefits incurred	15,256	14,598
Allocation of premium directly to recovery of insurance acquisition cash flows	843	748
Adjustments to the liability for incurred claims	(820)	(773)
Losses and reversal of losses on onerous insurance contracts	213	97
Salaries and other employee benefits	6,839	6,457
General and administrative	4,787	3,225
Amortization, depreciation and impairment	1,009	1,319
Commissions	2,911	3,023
Restructuring and other	379	136
<b>Total expenses</b>	<b>31,417</b>	<b>28,830</b>
Represented by:		
Insurance service expenses	17,239	16,368
Operating and administrative expenses	14,178	12,462
<b>Total expenses</b>	<b>31,417</b>	<b>28,830</b>

[1] Certain comparative figures have been reclassified to conform with the current year's presentation.

**RESTRUCTURING CHARGES**

Restructuring expenses are recorded in operating and administrative expenses on the statements of earnings and include:

**Lifeco**

Lifeco undertakes a variety of initiatives related to operational restructuring, acquisition-related integration and technology and process modernization. Only the initiatives that qualify as formal restructuring programs in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, result in a provision. These provisions are described further below. Other restructuring and business transformation costs that do not qualify are expensed as incurred and are not included in the amounts described below.

Lifeco recorded restructuring provisions of \$361 million for the year ended December 31, 2025. The provisions recorded in 2025 are related to planned technology and efficiency initiatives intended to position Lifeco for future growth and expense savings, primarily driven by initiatives in Canada of \$226 million and Europe of \$107 million. Lifeco expects to complete these restructuring initiatives by the end of 2027.

For the year ended December 31, 2024, Lifeco recorded restructuring provisions of \$78 million.

At December 31, 2025, the balance of restructuring provisions, including those above, amounts to \$376 million (\$148 million in 2024) and is recorded in other liabilities.

**Power Sustainable Manager Inc.**

In 2024, Power Sustainable Manager Inc. realigned its strategies, which included a strategic decision to wind down its China public equity strategy and close its investment management operations in China. Power Sustainable Manager Inc. recorded a restructuring charge of \$14 million for the year ended December 31, 2024.

## NOTE 26 Financing Charges

Years ended December 31	2025	2024
Interest on debentures and other debt instruments	731	686
Interest on lease liabilities	35	35
Interest on limited recourse capital notes <sup>[1]</sup>	27	54
Interest on capital trust debentures	11	11
Other	45	26
	849	812

[1] Beginning in the third quarter of 2025, interest on limited recourse capital notes is recognized as a deduction to equity when incurred.

## NOTE 27 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 defined benefit plans of the Corporation and its subsidiaries are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Corporation and its subsidiaries' defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, in most circumstances active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans, and assuming the plans are not terminated. Assets supporting the funded pension plans are held in separate trustee pension funds. Obligations for the wholly unfunded plans are supported by assets of the Corporation or its subsidiaries, as applicable.

New hires are only eligible for defined contribution benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Corporation and its subsidiaries also provide unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. The Corporation and its subsidiaries' plans were previously amended to limit which employees could become eligible to receive benefits and Lifeco's subsidiaries' plans are closed to new hires. The obligations for these benefits are supported by assets of the Corporation or its subsidiaries, as applicable.

The Corporation and its subsidiaries have pension and benefit committees or a trustee arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to benefit plans of the Corporation or of its subsidiaries require approval from the respective board of directors or committee thereof.

The Corporation and its subsidiaries' funding policy for the funded pension plans requires annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit asset, the Corporation and its subsidiaries determine if an economic benefit exists in the form of potential reductions in future contributions, the present value of future expenses to be paid from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Corporation and its subsidiaries to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Corporation and its subsidiaries.

**NOTE 27 Pension Plans and Other Post-Employment Benefits** (CONTINUED)

**PLAN ASSETS, BENEFIT OBLIGATION AND FUNDED STATUS**

December 31	2025		2024	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
<b>Change in fair value of plan assets</b>				
Fair value of plan assets, beginning of year	7,786	–	7,590	–
Interest income	351	–	327	–
Employee contributions	22	–	24	–
Employer contributions	8	21	13	23
Actual return on assets greater (less) than interest income	(118)	–	163	–
Benefits paid	(426)	(21)	(380)	(23)
Settlements	(2)	–	(56)	–
Administrative expenses	(7)	–	(9)	–
Foreign exchange and other	133	–	114	–
Fair value of plan assets, end of year	7,747	–	7,786	–
<b>Change in defined benefit obligation</b>				
Defined benefit obligation, beginning of year	7,600	292	7,631	298
Current service cost	58	2	63	2
Employee contributions	22	–	24	–
Interest cost	340	12	333	13
Actuarial (gains) losses on:				
Financial assumption changes	(414)	(1)	(172)	–
Demographic assumption changes	95	9	(3)	(1)
Arising from member experience	13	(6)	52	2
Benefits paid	(426)	(21)	(380)	(23)
Curtailments and termination benefits	(3)	–	–	–
Settlements	(2)	–	(58)	–
Foreign exchange and other	127	(1)	110	1
Defined benefit obligation, end of year	7,410	286	7,600	292
<b>Funded status</b>				
Fund surplus (deficit)	337	(286)	186	(292)
Unrecognized amount due to asset ceiling (see below)	(231)	–	(177)	–
Accrued benefit asset (liability)	106	(286)	9	(292)

The aggregate defined benefit obligation of pension plans is as follows:

December 31	2025	2024
Wholly or partly funded plans	6,817	7,012
Wholly unfunded plans	593	588

**NOTE 27 Pension Plans and Other Post-Employment Benefits** (CONTINUED)

The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

December 31	2025			2024		
	Defined benefit pension plans	Other post-employment benefits	Total	Defined benefit pension plans	Other post-employment benefits	Total
Pension benefit assets [Note 8]	686	–	686	610	–	610
Pension and other post-employment benefit liabilities [Note 17]	(580)	(286)	(866)	(601)	(292)	(893)
Accrued benefit asset (liability)	106	(286)	(180)	9	(292)	(283)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Corporation and its subsidiaries must assess whether each pension plan's asset has economic benefit to the Corporation and its subsidiaries through future contribution reductions, the present value of future expenses to be paid from the plan, or surplus refunds; in the event the Corporation or 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	2025	2024
Asset ceiling, beginning of year	177	213
Interest on asset ceiling	6	8
Change in asset ceiling	39	(48)
Foreign exchange rate changes	9	4
Asset ceiling, end of year	231	177

**PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSE**

Years ended December 31	2025		2024	
	Pension plans	Other post-employment benefits	Pension plans	Other post-employment benefits
Defined benefit current service cost	58	2	63	2
Net interest	(5)	12	14	13
Curtailments and settlements	(3)	–	(2)	–
Administrative expenses	7	–	9	–
Defined contribution current service cost	261	–	232	–
Expense recognized in net earnings	318	14	316	15
Actuarial (gains) losses recognized	(306)	2	(123)	1
Return on assets less (greater) than discount rate	118	–	(163)	–
Change in asset ceiling	39	–	(48)	–
Expense (income) recognized in other comprehensive income (loss)	(149)	2	(334)	1
Total expense (income)	169	16	(18)	16

In 2025, the Corporation and its subsidiaries incurred \$2 million of actuarial gains (\$1 million of actuarial gains in 2024) for pension plan remeasurements not included in the table shown above. This relates to the share of actuarial gains for investments in jointly controlled corporations and associates.

**NOTE 27 Pension Plans and Other Post-Employment Benefits** (CONTINUED)

**ASSET ALLOCATION BY MAJOR CATEGORY WEIGHTED BY PLAN ASSETS**

December 31 Percentage [%]	Defined benefit pension plans	
	2025	2024
Equity securities	34	37
Debt securities	51	52
All other assets <sup>(1)</sup>	15	11
	100	100

[1] Includes \$404 million of buy-in annuities, of which \$305 million were purchased in 2025. These buy-in annuities were purchased by a subsidiary of the Corporation to cover the remaining of its future annuity payments.

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Lifeco's plan assets include investments in segregated and other funds managed by subsidiaries of Lifeco of \$5,972 million at December 31, 2025 (\$5,971 million at December 31, 2024) of which \$5,972 million (\$5,970 million at December 31, 2024) are included in the balance sheets. Plan assets do not include any property occupied or other assets used by Lifeco. A portion of IGM's plan assets are invested in investment funds managed by IGM or related parties. A portion of Power Corporation and Power Financial's plan assets are invested in segregated funds managed by a subsidiary of Lifeco.

**DETAILS OF DEFINED BENEFIT OBLIGATION**
**Portion of Defined Benefit Obligation Subject to Future Salary Increases**

December 31	2025		2024	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Benefit obligation without future salary increases	6,972	286	7,085	292
Effect of assumed future salary increases	438	–	515	–
Defined benefit obligation	7,410	286	7,600	292

**Maturity Profile of Plan Membership**

December 31 Percentage [%]	2025		2024	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Actives	33	17	35	19
Deferred vesteds	14	–	14	–
Retirees	53	83	51	81
Total	100	100	100	100
Weighted average duration of defined benefit obligation (in years)	13.5	9.4	14.5	9.9

**CASH FLOW INFORMATION**

The expected employer contributions (use of surplus) for the year 2026 are as follows:

	Pension plans	Other post-employment benefits
Funded (wholly or partly) defined benefit plans	(37)	–
Unfunded defined benefit plans	41	19
Defined contribution plans	290	–
Total	294	19

**NOTE 27 Pension Plans and Other Post-Employment Benefits** (CONTINUED)**ACTUARIAL ASSUMPTIONS AND SENSITIVITIES****Actuarial Assumptions**

December 31 Percentage [%]	2025		2024	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
<b>Range of discount rates</b>				
To determine benefit cost	4.5–4.8	4.6–5.0	4.4–4.6	4.6–5.0
To determine defined benefit obligation at year-end	4.6–5.1	4.6–5.1	4.5–4.8	4.6–5.0
<b>Weighted average assumptions used to determine benefit cost<sup>[1]</sup></b>				
Discount rate	4.6	4.7	4.5	4.7
Rate of compensation increase	3.4	–	3.4	–
<b>Weighted average assumptions used to determine defined benefit obligation at year-end<sup>[1]</sup></b>				
Discount rate	4.9	4.8	4.6	4.7
Rate of compensation increase	3.3	–	3.4	–
<b>Weighted average healthcare trend rates<sup>[1]</sup></b>				
Initial healthcare trend rate		4.7		4.8
Ultimate healthcare trend rate		3.8		3.8
Year ultimate trend rate is reached		2039		2039

[1] Weighted based on the obligations of each plan.

**Sample Life Expectancies Based on Mortality Assumptions**

December 31	2025		2024	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
<b>Weighted average life expectancies based on mortality assumptions<sup>[1]</sup>:</b>				
Male				
Age 65 in fiscal year	23.3	23.5	22.9	22.8
Age 65 for those age 35 in the fiscal year	25.4	25.5	24.7	24.2
Female				
Age 65 in fiscal year	25.5	25.8	25.0	25.0
Age 65 for those age 35 in the fiscal year	27.6	27.8	26.9	26.5

[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 \$208 million for the defined benefit pension plans and \$8 million for the other post-employment benefits (\$215 million and \$7 million in 2024, respectively).

**Impact of Changes to Assumptions on Defined Benefit Obligation**

December 31	2025		2024	
	1% increase	1% decrease	1% increase	1% decrease
<b>Defined benefit pension plans:</b>				
Impact of a change to the discount rate	(871)	1,070	(949)	1,180
Impact of a change to the rate of compensation increase	163	(151)	192	(176)
Impact of a change to the rate of inflation	389	(343)	410	(362)
<b>Other post-employment benefits:</b>				
Impact of a change to the discount rate	(24)	28	(26)	30
Impact of a change to assumed medical cost trend rates	16	(15)	17	(15)

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 28 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:

December 31, 2025	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
<b>Derivatives not designated as accounting hedges</b>						
Interest rate contracts						
Swaps	1,284	3,952	8,998	14,234	180	(575)
Options purchased	206	822	3,218	4,246	38	–
Bond forwards	–	–	372	372	1	(6)
Futures–short	153	–	–	153	–	–
	1,643	4,774	12,588	19,005	219	(581)
Foreign exchange contracts						
Cross-currency swaps	3,462	8,688	22,011	34,161	1,232	(1,549)
Forward contracts	8,312	559	–	8,871	91	(33)
Options written	127	–	–	127	–	–
	11,901	9,247	22,011	43,159	1,323	(1,582)
Other derivative contracts						
Equity contracts	1,400	279	–	1,679	246	–
Futures–long	18	–	–	18	–	–
Futures–short	688	–	–	688	2	(3)
Equity options purchased	1,459	1,435	–	2,894	23	–
Equity options written	–	–	–	–	–	(103)
Credit default swaps	–	685	–	685	1	–
	3,565	2,399	–	5,964	272	(106)
	17,109	16,420	34,599	68,128	1,814	(2,269)
<b>Fair value hedges</b>						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	81	–	–	81	2	–
<b>Cash flow hedges</b>						
Interest rate risk						
Interest rate contracts						
Swaps	–	101	1,231	1,332	42	(2)
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	9	7	–	16	–	–
Forward contracts	193	506	–	699	4	(5)
Equity risk						
Other derivative contracts						
Equity contracts	256	399	–	655	375	–
	458	1,013	1,231	2,702	421	(7)
<b>Net investment hedges</b>						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	–	–	2,270	2,270	11	(152)
Forward contracts	1,971	1,128	–	3,099	42	(10)
	1,971	1,128	2,270	5,369	53	(162)
	19,619	18,561	38,100	76,280	2,290	(2,438)

**NOTE 28 Derivative Financial Instruments** (CONTINUED)

December 31, 2024	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
<b>Derivatives not designated as accounting hedges</b>						
Interest rate contracts						
Swaps	1,293	3,674	7,126	12,093	266	(367)
Options purchased	216	864	2,159	3,239	90	–
Options written	150	–	–	150	–	(1)
Futures–short	159	–	–	159	–	–
	1,818	4,538	9,285	15,641	356	(368)
Foreign exchange contracts						
Cross-currency swaps	3,776	9,416	20,514	33,706	1,862	(1,402)
Forward contracts	5,960	7	–	5,967	16	(225)
Options written	109	–	–	109	–	–
	9,845	9,423	20,514	39,782	1,878	(1,627)
Other derivative contracts						
Equity contracts	1,774	773	–	2,547	80	(18)
Futures–long	14	–	–	14	–	–
Futures–short	599	–	–	599	–	–
Equity options written	–	1,509	–	1,509	28	–
Credit default swaps	–	746	13	759	1	–
	2,387	3,028	13	5,428	109	(18)
	14,050	16,989	29,812	60,851	2,343	(2,013)
<b>Fair value hedges</b>						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	79	–	–	79	–	(3)
<b>Cash flow hedges</b>						
Interest rate risk						
Interest rate contracts						
Swaps	–	145	1,255	1,400	15	(15)
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	46	25	–	71	6	–
Forward contracts	–	267	–	267	1	–
Equity risk						
Other derivative contracts						
Equity contracts	169	336	–	505	132	–
	215	773	1,255	2,243	154	(15)
<b>Net investment hedges</b>						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	–	–	2,270	2,270	103	(61)
Forward contracts	2,353	547	–	2,900	37	(88)
	2,353	547	2,270	5,170	140	(149)
	16,697	18,309	33,337	68,343	2,637	(2,180)

The amount subject to maximum credit risk is limited to the current fair value of the instruments which are in a gain position (assets). 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 assets and liabilities 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 28 Derivative Financial Instruments** (CONTINUED)**DERIVATIVES DESIGNATED AS ACCOUNTING HEDGES**

The following tables provide further details on the portfolio of derivative financial instruments designated as accounting hedges by the Corporation and its subsidiaries:

December 31, 2025 [exchange rates are expressed in dollar terms]	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
<b>Fair value hedges</b>				
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	81	–	–	81
<i>Weighted average USD-CAD exchange rate</i>	1.41	–	–	1.41
<b>Cash flow hedges</b>				
Interest rate risk				
Interest rate contracts				
Swaps	–	101	1,231	1,332
<i>Weighted average fixed interest rate (%)</i>	–	2.94	3.27	3.25
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	193	506	–	699
<i>Weighted average USD-CAD exchange rate</i>	–	1.37	–	1.37
<i>Weighted average CHF-USD exchange rate</i>	1.25	–	–	1.25
Cross-currency swaps				
<i>Weighted average USD-EUR exchange rate</i>	9	7	–	16
<i>Weighted average USD-GBP exchange rate</i>	0.92	–	–	0.92
<i>Weighted average USD-GBP exchange rate</i>	–	0.76	–	0.76
Equity risk				
Other derivative contracts				
Equity contracts				
<i>Weighted average share price (POW) (\$/share)</i>	256	399	–	655
<i>Weighted average share price (GWO) (\$/share)</i>	52.39	48.75	–	51.87
<i>Weighted average share price (IGM) (\$/share)</i>	36.69	47.53	–	43.75
<i>Weighted average share price (IGM) (\$/share)</i>	48.72	45.75	–	46.73
<b>Net investment hedges</b>				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps				
<i>Weighted average EUR-CAD exchange rate</i>	–	–	2,270	2,270
<i>Weighted average GBP-CAD exchange rate</i>	–	–	1.41	1.41
<i>Weighted average GBP-CAD exchange rate</i>	–	–	1.73	1.73
Forward contracts				
<i>Weighted average USD-CAD exchange rate</i>	1,971	1,128	–	3,099
<i>Weighted average USD-CAD exchange rate</i>	1.37	1.37	–	1.37
<i>Weighted average EUR-GBP exchange rate</i>	0.87	0.87	–	0.87

**NOTE 28 Derivative Financial Instruments** (CONTINUED)

December 31, 2024 [exchange rates are expressed in dollar terms]	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
<b>Fair value hedges</b>				
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	79	–	–	79
<i>Weighted average USD-CAD exchange rate</i>	1.37	–	–	1.37
<b>Cash flow hedges</b>				
Interest rate risk				
Interest rate contracts				
Swaps	–	145	1,255	1,400
<i>Weighted average fixed interest rate (%)</i>	–	2.92	3.29	3.25
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	–	267	–	267
<i>Weighted average USD-CAD exchange rate</i>	–	1.40	–	1.40
Cross-currency swaps				
<i>Weighted average USD-AUD exchange rate</i>	1.33	–	–	1.33
<i>Weighted average USD-CAD exchange rate</i>	1.26	–	–	1.26
<i>Weighted average USD-EUR exchange rate</i>	0.91	0.92	–	0.91
<i>Weighted average USD-GBP exchange rate</i>	0.76	0.76	–	0.76
Equity risk				
Other derivative contracts				
Equity contracts	169	336	–	505
<i>Weighted average share price (POW) (\$/share)</i>	35.12	32.39	–	34.27
<i>Weighted average share price (GWO) (\$/share)</i>	38.71	39.40	–	39.17
<i>Weighted average share price (IGM) (\$/share)</i>	47.84	45.02	–	45.77
<b>Net investment hedges</b>				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps				
<i>Weighted average EUR-CAD exchange rate</i>	–	–	2,270	2,270
<i>Weighted average GBP-CAD exchange rate</i>	–	–	1.41	1.41
Forward contracts				
<i>Weighted average USD-CAD exchange rate</i>	2,353	547	–	2,900
<i>Weighted average EUR-GBP exchange rate</i>	1.37	–	–	1.37
	0.83	0.83	–	0.83

**NOTE 28 Derivative Financial Instruments** (CONTINUED)

The Corporation and its subsidiaries use the following derivatives:

Type	Purpose
Interest rate contracts	<p>Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities and to reduce the impact of fluctuating interest rates on the mortgage banking operations, intermediary operations and debt instruments. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based.</p> <p>Call options grant the Corporation and its subsidiaries the right to enter into a swap with predetermined fixed rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees, debt instruments and hedging costs of deferred compensation arrangements.</p>
Foreign exchange contracts	<p>Cross-currency swaps are used in combination with other investments to manage foreign exchange risk associated with investment activities and insurance and investment contract liabilities. Under these swaps, principal amounts and fixed or floating interest payments may be exchanged in different currencies. Cross-currency swaps are also used to hedge the Corporation and its subsidiaries' net investment in foreign operations. The Corporation and its subsidiaries may also enter into certain foreign exchange forward contracts to hedge certain product liabilities and future cash flows.</p>
Other derivative contracts	<p>Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage the potential credit risk impact of significant declines in certain equity markets.</p> <p>Equity forward agreements and total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Forward agreements are contractual agreements to buy or sell a financial instrument on a future date at a specified price. Total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these instruments are not designated as hedges.</p>

**HEDGE ACCOUNTING**
**Fair Value Hedges**

The ineffective portion of fair value hedges recognized in the net investment result, which includes foreign exchange contracts, was nil during 2025 and 2024.

**Cash Flow Hedges**

The ineffective portion of the cash flow hedges, which include interest rate contracts, foreign exchange contracts, and equity total return swap contracts, was not significant during 2025 and 2024, and the anticipated net gains (losses) expected to be reclassified out of other comprehensive income within the next twelve months are not significant. The maximum time frame for which variable cash flows are hedged is 22 years.

**NET INVESTMENT HEDGES**

The effects of the net investment hedges on the statements of earnings and statements of comprehensive income are shown in the following tables.

	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in other comprehensive income	Gains (losses) reclassified from other comprehensive income into net investment result	Ineffectiveness recognized in net investment result
December 31, 2025					
Euro-denominated debt	120	(120)	(120)	–	–
Cross-currency swaps	145	(145)	(145)	–	–
Foreign exchange forward contracts	(44)	44	44	–	–
	221	(221)	(221)	–	–

	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in other comprehensive income	Gains (losses) reclassified from other comprehensive income into net investment result	Ineffectiveness recognized in net investment result
December 31, 2024					
Euro-denominated debt	30	(30)	(30)	–	–
Cross-currency swaps	85	(85)	(85)	–	–
Foreign exchange forward contracts	88	(88)	(88)	–	–
	203	(203)	(203)	–	–

**NOTE 28 Derivative Financial Instruments** (CONTINUED)**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.

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, 2025	Gross amount of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net exposure
		Offsetting counterparty position <sup>[1]</sup>	Financial collateral received/pledged <sup>[2]</sup>	
<b>Financial instruments—assets</b>				
Derivative financial instruments	2,290	(1,246)	(485)	559
	2,290	(1,246)	(485)	559
<b>Financial instruments—liabilities</b>				
Derivative financial instruments	2,438	(1,246)	(669)	523
	2,438	(1,246)	(669)	523

December 31, 2024	Gross amount of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net exposure
		Offsetting counterparty position <sup>[1]</sup>	Financial collateral received/pledged <sup>[2]</sup>	
<b>Financial instruments—assets</b>				
Derivative financial instruments	2,637	(1,134)	(1,130)	373
	2,637	(1,134)	(1,130)	373
<b>Financial instruments—liabilities</b>				
Derivative financial instruments	2,180	(1,134)	(628)	418
	2,180	(1,134)	(628)	418

[1] Includes counterparty amounts recognized on the balance sheets where the Corporation and its subsidiaries have a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheets, excluding collateral.

[2] Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2025, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$1,427 million (\$1,732 million at December 31, 2024), and pledged on derivative liabilities was \$2,501 million (\$2,068 million at December 31, 2024).

## NOTE 29 Fair Value Measurement

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

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	<ul style="list-style-type: none"> <li>▪ actively exchange-traded equity securities;</li> <li>▪ exchange-traded futures;</li> <li>▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions;</li> <li>▪ open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.</li> </ul>
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.	<ul style="list-style-type: none"> <li>▪ assets and liabilities priced using a matrix which is based on credit quality and average life;</li> <li>▪ government and agency securities;</li> <li>▪ restricted shares;</li> <li>▪ certain private bonds and investment funds;</li> <li>▪ most investment-grade and high-yield corporate bonds;</li> <li>▪ most asset-backed securities;</li> <li>▪ most over-the-counter derivatives;</li> <li>▪ most mortgage and other loans;</li> <li>▪ deposits and certificates;</li> <li>▪ most debentures and other debt instruments;</li> <li>▪ most of the investment contracts that are measured at FVPL;</li> <li>▪ notes issued by consolidated CLOs;</li> <li>▪ certain limited-life and redeemable fund units.</li> </ul>
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.	<ul style="list-style-type: none"> <li>▪ certain bonds;</li> <li>▪ certain asset-backed securities;</li> <li>▪ certain private equities;</li> <li>▪ certain investments in jointly controlled corporations and associates;</li> <li>▪ certain mortgage and other loans, including equity-release mortgages;</li> <li>▪ investments in mutual and segregated funds where there are redemption restrictions;</li> <li>▪ certain over-the-counter derivatives;</li> <li>▪ investment properties;</li> <li>▪ obligations to securitization entities;</li> <li>▪ most of the limited-life and redeemable fund units.</li> </ul>

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.

**NOTE 29 Fair Value Measurement** (CONTINUED)

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, accounts and interest receivable, securities borrowed, funds held on behalf of clients, certain other financial assets, accounts payable, dividends and interest payable, securities loaned and certain other financial liabilities.

December 31, 2025	Carrying value	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>					
Assets recorded at fair value					
Bonds					
FVPL	161,232	–	161,041	191	161,232
FVOCI	13,040	–	13,040	–	13,040
Mortgage and other loans					
FVPL	32,489	–	26,139	6,350	32,489
FVOCI	269	–	269	–	269
Shares					
FVPL	21,301	12,751	183	8,367	21,301
FVOCI	1,043	1,033	–	10	1,043
Investment in jointly controlled corporations and associates <sup>[1]</sup>	1,452	–	–	1,452	1,452
Investment properties	8,493	–	–	8,493	8,493
Derivative instruments	2,290	2	2,285	3	2,290
Trading account assets	3,995	244	3,751	–	3,995
Other assets	849	–	615	234	849
	246,453	14,030	207,323	25,100	246,453
Assets disclosed at fair value					
Bonds					
Amortized cost	595	–	596	–	596
Mortgage and other loans					
Amortized cost	11,287	–	6,074	4,890	10,964
	11,882	–	6,670	4,890	11,560
<b>Total</b>	<b>258,335</b>	<b>14,030</b>	<b>213,993</b>	<b>29,990</b>	<b>258,013</b>
<b>Liabilities</b>					
Liabilities recorded at fair value					
Investment contract liabilities	89,042	–	89,042	–	89,042
Derivative instruments	2,438	3	2,428	7	2,438
Collateralized loan obligation liabilities	3,904	–	3,904	–	3,904
Limited-life and redeemable fund units	4,128	–	–	4,128	4,128
Lifeco's other debt instruments	51	–	51	–	51
Consolidated investment funds' other debt instruments	86	–	86	–	86
Other liabilities	649	–	624	25	649
	100,298	3	96,135	4,160	100,298
Liabilities disclosed at fair value					
Obligations to securitization entities	4,815	–	–	4,916	4,916
Power Corporation's debentures and other debt instruments	647	–	682	–	682
Non-recourse debentures and other debt instruments of:					
Power Financial, Lifeco and IGM	11,303	273	10,516	–	10,789
Consolidated investment funds and Other	4,060	–	4,006	–	4,006
Client funds payable	25,793	–	25,793	–	25,793
Other liabilities	514	–	–	514	514
	47,132	273	40,997	5,430	46,700
<b>Total</b>	<b>147,430</b>	<b>276</b>	<b>137,132</b>	<b>9,590</b>	<b>146,998</b>

[1] Represents investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, which have been elected to be measured at FVPL.

**NOTE 29 Fair Value Measurement** (CONTINUED)

December 31, 2024	Carrying value	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>					
Assets recorded at fair value					
Bonds					
FVPL	153,266	–	153,088	178	153,266
FVOCI	13,758	–	13,758	–	13,758
Mortgage and other loans					
FVPL	33,932	–	28,790	5,142	33,932
FVOCI	461	–	461	–	461
Shares					
FVPL	18,649	11,174	260	7,215	18,649
FVOCI	923	923	–	–	923
Investment in jointly controlled corporations and associates <sup>(1)</sup>	950	–	–	950	950
Investment properties	8,350	–	–	8,350	8,350
Derivative instruments	2,637	1	2,630	6	2,637
Trading account assets	3,701	252	3,449	–	3,701
Other assets	395	–	219	176	395
	237,022	12,350	202,655	22,017	237,022
Assets disclosed at fair value					
Bonds					
Amortized cost	376	–	377	–	377
Mortgage and other loans					
Amortized cost	10,272	–	4,607	5,078	9,685
	10,648	–	4,984	5,078	10,062
<b>Total</b>	<b>247,670</b>	<b>12,350</b>	<b>207,639</b>	<b>27,095</b>	<b>247,084</b>
<b>Liabilities</b>					
Liabilities recorded at fair value					
Investment contract liabilities	90,157	–	90,157	–	90,157
Derivative instruments	2,180	–	2,171	9	2,180
Collateralized loan obligation liabilities	3,791	–	3,791	–	3,791
Limited-life and redeemable fund units	2,928	–	22	2,906	2,928
Lifeco's other debt instruments	54	–	54	–	54
Consolidated investment funds' other debt instruments	43	–	43	–	43
Other liabilities	240	–	219	21	240
	99,393	–	96,457	2,936	99,393
Liabilities disclosed at fair value					
Obligations to securitization entities	5,025	–	–	5,098	5,098
Power Corporation's debentures and other debt instruments	647	–	703	–	703
Non-recourse debentures and other debt instruments of:					
Power Financial, Lifeco and IGM	11,977	143	11,192	–	11,335
Consolidated investment funds and Other	3,835	–	3,820	–	3,820
Client funds payable	16,605	–	16,605	–	16,605
Other liabilities	424	–	–	424	424
	38,513	143	32,320	5,522	37,985
<b>Total</b>	<b>137,906</b>	<b>143</b>	<b>128,777</b>	<b>8,458</b>	<b>137,378</b>

[1] Represents investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, which have been elected to be measured at FVPL.

There were no significant transfers between Level 1 and Level 2 in 2025 and 2024.

**NOTE 29 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, 2025 and 2024 is presented below.

	Mortgages and other loans		Shares and investments in jointly controlled corporations and associates		Investment properties	Derivatives net	Limited-life and redeemable fund units	Assets held for sale	Other assets (liabilities)	Total
	Bonds									
December 31, 2025	FVPL	FVPL	FVPL <sup>[1]</sup>	FVOCI						
Balance, beginning of year	178	5,142	8,165	–	8,350	(3)	(2,906)	–	155	19,081
Total gains (losses)										
Net earnings	(8)	291	1,104	–	(137)	3	(681)	–	–	572
Other comprehensive income <sup>[1]</sup>	8	62	(189)	6	(48)	–	100	–	(10)	(71)
Business acquisition	–	–	–	–	–	–	–	–	136	136
Purchases	(69)	452	1,754	2	741	(2)	–	–	7	2,885
Issues	–	739	–	–	–	–	(889)	–	–	(150)
Sales	(5)	–	(1,006)	26	(439)	–	–	–	–	(1,424)
Settlements	64	(415)	–	(26)	–	(2)	245	–	(79)	(213)
Transferred from owner-occupied properties	–	–	–	–	26	–	–	–	–	26
Transfers into Level 3	78	–	6	–	–	–	–	–	–	84
Other	(55)	79	(15)	2	–	–	3	–	–	14
Balance, end of year	191	6,350	9,819	10	8,493	(4)	(4,128)	–	209	20,940

[1] Amount of other comprehensive income for FVPL investments, investment properties, limited-life and redeemable fund units and other assets and liabilities represents the unrealized gains (losses) on foreign exchange.

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

	Mortgages and other loans		Shares and investments in jointly controlled corporations and associates		Investment properties	Derivatives net	Limited-life and redeemable fund units	Assets held for sale	Other assets (liabilities)	Total
	Bonds									
December 31, 2024	FVPL	FVPL	FVPL <sup>[1]</sup>	FVOCI						
Balance, beginning of year	252	4,248	5,797	–	7,870	8	(1,815)	907	(64)	17,203
Total gains (losses)										
Net earnings	7	196	799	–	(154)	(12)	(143)	–	86	779
Other comprehensive income <sup>[1]</sup>	–	169	218	–	270	–	(119)	–	9	547
Business acquisition	–	–	–	–	–	–	(177)	–	–	(177)
Purchases	29	327	1,969	–	707	(2)	–	–	130	3,160
Sale of discontinued operations	–	–	–	–	–	–	–	(907)	–	(907)
Issues	–	481	–	–	–	–	(771)	–	–	(290)
Sales	(27)	(41)	(563)	–	(334)	–	–	–	–	(965)
Settlements	–	(227)	–	–	–	3	118	–	–	(106)
Transferred to owner-occupied properties	–	–	–	–	(9)	–	–	–	–	(9)
Transfers into Level 3	–	–	1	–	–	–	–	–	–	1
Transfers out of Level 3	(83)	–	–	–	–	–	–	–	–	(83)
Other	–	(11)	(56)	–	–	–	1	–	(6)	(72)
Balance, end of year	178	5,142	8,165	–	8,350	(3)	(2,906)	–	155	19,081

[1] Amount of other comprehensive income for FVPL investments, investment properties, limited-life and redeemable fund units and other assets and liabilities represents the unrealized gains (losses) on foreign exchange.

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

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

**NOTE 29 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	Interrelationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate  Reversionary rate  Vacancy rate	Range of 4.5%–13.1%  Range of 4.3%–8.0%  Weighted average of 8.5%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.  A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.  A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans—Equity-release mortgages (FVPL)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 4.7%–6.4%	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.
Shares and investments in jointly controlled corporations and associates (FVPL)	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 and earnings multiples	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Limited-life and redeemable fund units	The determination of the fair value of the limited-life and redeemable fund units is based on the fair value of the underlying fund's investments.	Discount rate and earnings multiples	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 30 Other Comprehensive Income**

	Items that may be reclassified subsequently to net earnings				Items that will not be reclassified to net earnings			Total
	Investment revaluation	Cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Investment revaluation	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Year ended December 31, 2025								
Balance, beginning of year	(174)	32	1,778	18	(285)	8	626	2,003
Other comprehensive income (loss)	82	86	(344)	229	113	62	(255)	(27)
Realized gains on FVOCI equity instruments transferred to retained earnings	–	–	–	–	–	–	(29)	(29)
Other	(1)	–	15	(51)	(3)	–	17	(23)
Balance, end of year	(93)	118	1,449	196	(175)	70	359	1,924

	Items that may be reclassified subsequently to net earnings				Items that will not be reclassified to net earnings			Total
	Investment revaluation	Cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Investment revaluation	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Year ended December 31, 2024								
Balance, beginning of year	(206)	25	1,115	(276)	(36)	(150)	1,024	1,496
Other comprehensive income (loss)	32	7	663	341	(290)	158	(149)	762
Realized (gains) losses on FVOCI equity instruments transferred to retained earnings	–	–	–	–	41	–	(279)	(238)
Other	–	–	–	(47)	–	–	30	(17)
Balance, end of year	(174)	32	1,778	18	(285)	8	626	2,003

## NOTE 31 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	2025	2024
<b>Earnings</b>		
Net earnings attributable to shareholders	2,627	2,795
Dividends on non-participating shares	(55)	(52)
Net earnings attributable to participating shareholders	2,572	2,743
Net loss attributable to participating shareholders from discontinued operations	–	79
Net gain attributable to participating shareholders from disposal of discontinued operations	–	(30)
Net earnings attributable to participating shareholders from continuing operations	2,572	2,792
Dilutive effect of subsidiaries' outstanding stock options	(16)	(10)
Effect of equity-settled method for TSARs and PRSUs <sup>[1]</sup>	(10)	(1)
Net earnings adjusted for dilutive effect from continuing operations	2,546	2,781
<b>Number of participating shares [millions]</b>		
Weighted average number of participating shares outstanding—Basic	640.9	648.1
Effect of potential exercise of outstanding stock options and PRSUs	5.5	3.9
Weighted average number of participating shares outstanding—Diluted	646.4	652.0
<b>Net earnings per participating share from continuing operations</b>		
Basic	4.01	4.31
Diluted	3.94	4.27
<b>Net earnings per participating share</b>		
Basic	4.01	4.23
Diluted	3.94	4.19

[1] Options with TSARs and PRSUs are accounted for as cash-settled share-based payments. As these options or units can be exercised in exchange for subordinate voting shares or for cash, they are considered potentially dilutive and are included in the calculation of the diluted net earnings per share if they have a dilutive impact in the year, and the net earnings used in the diluted calculation is adjusted to reflect the expense had these options been classified as equity-settled.

For 2025, no stock options were excluded from the computation of diluted earnings per share as there were no options that were anti-dilutive (0.1 million were excluded from the calculations in 2024 as they were anti-dilutive).

## NOTE 32 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, property management services, management of debt instruments, distribution of insurance products and/or other administrative services to other subsidiaries of the group and to the Corporation; employee ownership participations; loans to employees; as well as capital commitments to investment funds, including commitments from management, performance fees and base management fees paid to alternative asset managers of the group. In all cases, these transactions are in the normal course of operations and have been recorded at fair value. Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Corporation and related parties are disclosed below.

On March 31, 2025, GBL acquired a 5% fully diluted interest in SHMI for a consideration of US\$33 million. This transaction was at market terms and conditions and was reviewed and approved by a committee of independent directors appointed by GBL's board of directors.

In the second quarter of 2025, wind projects which had been developed by Potentia were sold to Power Sustainable Energy Infrastructure in exchange for consideration in cash. This transaction did not have a material impact on the Corporation's financial statements.

Effective on September 3, 2025, the TSX approved an amendment that permitted Lifeco to purchase its shares from Power Financial and certain of Power Financial's wholly owned subsidiaries in connection with its NCIB, in order for Power Financial to maintain its approximate proportionate percentage ownership in Lifeco. At December 31, 2025, Lifeco had repurchased and cancelled 12,801,349 shares from Power Financial. This transaction did not have a material impact on the Corporation's financial statements.

Lifeco provides asset management, employee benefits and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries.

### KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The persons included in the key management personnel are the members of the Board of Directors of the Corporation, as well as certain management executives of the Corporation and its subsidiaries.

The following table details 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	2025	2024
Compensation and employee benefits	34	33
Post-employment benefits	2	2
Share-based payments	19	22
	55	57

## NOTE 33 Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations, class actions and regulatory matters. 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.

### LIFECO

Subsidiaries of Lifeco in the United States are defendants in a class action relating to the costs and features of their retirement and fund products and the conduct of their businesses. Management of Lifeco believes the claim is without merit and will be vigorously defending these actions. Based on the information presently known, these actions will not have a material adverse effect on the financial position of the Corporation.

A proposed class action was filed against a subsidiary of Lifeco in Canada and other third-party defendants relating to the defendants' alleged use of a software application for setting rents in multi-family residential complexes. The plaintiff has agreed to discontinue the proposed class action on consent. The discontinuance is subject to Court approval.

### IGM FINANCIAL

In late March 2023, IGM was notified by one of its third-party vendors, InvestorCOM Inc., that it was compromised due to a cybersecurity incident related to a technology supplier to InvestorCOM, GoAnywhere. IGM has notified impacted clients and offered credit monitoring at no cost for all clients. Four proposed class actions have been filed against Mackenzie concerning this incident, one of which was certified during 2025. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge, it is not expected that the outcome of these matters will have a material adverse effect on the financial position of the Corporation.

## NOTE 34 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\$1,723 million, of which US\$889 million were issued as of December 31, 2025.

The Capital and Risk Solutions activities also periodically use letters of credit as collateral under certain reinsurance contracts for on-balance-sheet policy liabilities.

Potentia and Power Sustainable Energy Infrastructure have issued letters of credit totalling \$297 million with one-year terms to support required lender reserves, performance guarantees for operating solar and wind assets, as well as commitments for projects under construction.

### INVESTMENT COMMITMENTS

With respect to Lifeco, commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines and that are to be disbursed upon fulfillment of certain contract conditions were \$6,794 million as at December 31, 2025, with \$6,469 million maturing within one year, \$194 million maturing within two years, \$46 million maturing within three years, \$28 million maturing within four years and \$57 million maturing within over five years.

The Corporation and other subsidiaries have outstanding commitments of \$613 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 \$3,577 million (\$3,710 million at December 31, 2024) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in 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, \$68 million (\$74 million at December 31, 2024) of its assets for the purpose of providing collateral for the counterparty.

### ENERGY SALES CONTRACTS

Power Sustainable Energy Infrastructure and Potentia have 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 5 to 25 years.

Power Sustainable Energy Infrastructure has entered into purchase contracts related to projects under construction of \$1,140 million.

Power Sustainable Energy Infrastructure has issued certain indemnifications and guarantees in relation to projects in operation and under construction. These guarantees are non-recourse to the Corporation.

## NOTE 35 Segmented Information

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

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

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

- **Lifeco** is a financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management, and reinsurance businesses, primarily in Canada, the U.S. and Europe.
- **IGM Financial** is a leading wealth and asset management company supporting advisors and the clients they serve in Canada, and institutional investors globally.
- **GBL** is indirectly held through Parjointco. GBL is a Belgian investment holding company and leading investor in Europe. Its portfolio is comprised of a portfolio of listed, direct private and indirect private investments composed of global companies, which are leaders in their sectors.
- **Holding company** comprises the corporate activities of the Corporation and Power Financial, on a combined basis, and presents the investment activities of the Corporation including its investments in consolidated entities. The Holding company activities present the Holding company's assets and liabilities, including cash, investments, debentures and non-participating shares. The Holding company cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes and non-participating and participating share dividends.

The Corporation's asset management activities through the investment platforms, Sagard and Power Sustainable, together with their investing activities, are presented on a combined basis in another category, Alternative asset investment platforms and other, as they do not qualify as reportable segments.

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

- Alternative asset management businesses, Sagard and Power Sustainable;
- Investments managed by Sagard and Power Sustainable on behalf of the Corporation;
- Entities held through the alternative asset managers which are consolidated; and
- Standalone businesses.

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

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

Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

**NOTE 35 Segmented Information** (CONTINUED)

**CONSOLIDATED NET EARNINGS**

For the year ended December 31, 2025	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
<b>Segment revenue</b>							
Insurance revenue <sup>[1]</sup>	22,321	–	–	–	–	–	22,321
Net investment income <sup>[2]</sup>	9,798	49	–	25	691	45	10,608
Changes in fair value through profit or loss <sup>[2]</sup>	3,907	(7)	–	9	469	(137)	4,241
Fee income <sup>[3][4]</sup>	7,895	3,779	–	–	856	(232)	12,298
Other <sup>[3]</sup>	–	–	–	–	998	–	998
<b>Total segment revenue</b>	<b>43,921</b>	<b>3,821</b>	<b>–</b>	<b>34</b>	<b>3,014</b>	<b>(324)</b>	<b>50,466</b>
<b>Other insurance and investment results</b>							
Insurance service expenses <sup>[1]</sup>	(17,239)	–	–	–	–	–	(17,239)
Net expense from reinsurance contracts <sup>[1]</sup>	(1,703)	–	–	–	–	–	(1,703)
Net investment result from insurance activities <sup>[2][5]</sup>	(11,683)	–	–	–	–	–	(11,683)
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
<b>Total other insurance and investment results</b>	<b>(30,625)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(30,625)</b>
<b>Other expenses</b>							
Operating and administrative expenses <sup>[4]</sup>	8,277	2,560	–	216	3,372	(247)	14,178
Financing charges	379	129	–	54	281	6	849
<b>Total other expenses</b>	<b>8,656</b>	<b>2,689</b>	<b>–</b>	<b>270</b>	<b>3,653</b>	<b>(241)</b>	<b>15,027</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,640	1,132	–	(236)	(639)	(83)	4,814
Share of earnings (losses) of investments in jointly controlled corporations and associates	55	309	(263)	–	482	(121)	462
Earnings before income taxes	4,695	1,441	(263)	(236)	(157)	(204)	5,276
Income taxes	534	334	–	1	8	1	878
<b>Net earnings</b>	<b>4,161</b>	<b>1,107</b>	<b>(263)</b>	<b>(237)</b>	<b>(165)</b>	<b>(205)</b>	<b>4,398</b>
<b>Attributable to</b>							
Non-controlling interests	1,540	449	–	139	(152)	(205)	1,771
Non-participating shareholders	–	–	–	55	–	–	55
Participating shareholders <sup>[6][7]</sup>	2,621	658	(263)	(431)	(13)	–	2,572
	<b>4,161</b>	<b>1,107</b>	<b>(263)</b>	<b>(237)</b>	<b>(165)</b>	<b>(205)</b>	<b>4,398</b>

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

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

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

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

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

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

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

**NOTE 35 Segmented Information** (CONTINUED)**TOTAL ASSETS AND LIABILITIES**

December 31, 2025	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	8,902	1,274	–	2,232	2,518	(560)	14,366
Investments	239,080	5,387	–	176	4,552	554	249,749
Investments in Lifeco, IGM and alternative asset investment platforms and other	1,499	3,067	–	23,183	–	(27,749)	–
Investments in jointly controlled corporations and associates	570	3,084	3,291	–	1,734	(544)	8,135
Other assets	45,413	5,662	–	626	29,100	(177)	80,624
Goodwill and intangible assets	16,359	3,947	–	1	1,385	–	21,692
Investments on account of segregated fund policyholders	551,169	–	–	–	–	–	551,169
<b>Total assets<sup>(1)</sup></b>	<b>862,992</b>	<b>22,421</b>	<b>3,291</b>	<b>26,218</b>	<b>39,289</b>	<b>(28,476)</b>	<b>925,735</b>
Insurance and investment contract liabilities	250,686	–	–	–	–	–	250,686
Obligations to securitization entities	–	4,815	–	–	–	–	4,815
Power Corporation's debentures and other debt instruments	–	–	–	647	–	–	647
Non-recourse debentures and other debt instruments of:							
Power Financial, Lifeco and IGM	8,792	2,400	–	250	–	(88)	11,354
Consolidated investment funds and Other	–	–	–	–	4,146	–	4,146
Other liabilities	19,178	6,149	–	1,350	32,327	(1,134)	57,870
Insurance and investment contracts on account of segregated fund policyholders	551,169	–	–	–	–	–	551,169
<b>Total liabilities</b>	<b>829,825</b>	<b>13,364</b>	<b>–</b>	<b>2,247</b>	<b>36,473</b>	<b>(1,222)</b>	<b>880,687</b>

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

**TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION**

December 31, 2025	United States	Canada	Europe and other	Total
Investments and cash and cash equivalents	96,218	113,679	54,218	264,115
Investments in jointly controlled corporations and associates	1,369	1,213	5,553	8,135
Other assets	31,735	39,815	9,074	80,624
Goodwill and intangible assets	7,056	11,127	3,509	21,692
Investments on account of segregated fund policyholders	234,212	125,176	191,781	551,169
<b>Total assets</b>	<b>370,590</b>	<b>291,010</b>	<b>264,135</b>	<b>925,735</b>
Total revenues	13,303	23,136	14,027	50,466

**CONDENSED STATEMENTS OF CASH FLOWS**

December 31, 2025	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	2,708	1,035	1,791	961	(1,715)	4,780
Financing activities	(4,322)	(972)	(1,958)	1,307	2,274	(3,671)
Investing activities	(56)	301	793	(606)	(780)	(348)
Effect of changes in exchange rates on cash and cash equivalents	(137)	–	–	(2)	–	(139)
Increase (decrease) in cash and cash equivalents	(1,807)	364	626	1,660	(221)	622
Cash and cash equivalents, beginning of year	10,709	910	1,606	858	(339)	13,744
Cash and cash equivalents, end of year	8,902	1,274	2,232	2,518	(560)	14,366

**NOTE 35 Segmented Information** (CONTINUED)**CONSOLIDATED NET EARNINGS**

For the year ended December 31, 2024	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
<b>Segment revenue</b>							
Insurance revenue <sup>[1]</sup>	21,214	–	–	–	–	–	21,214
Net investment income <sup>[2]</sup>	9,616	47	–	73	572	52	10,360
Changes in fair value through profit or loss <sup>[2]</sup>	1,676	6	–	14	245	(64)	1,877
Fee income <sup>[3][4]</sup>	7,224	3,438	–	–	607	(212)	11,057
Other <sup>[3]</sup>	–	–	–	–	747	–	747
<b>Total segment revenue</b>	<b>39,730</b>	<b>3,491</b>	<b>–</b>	<b>87</b>	<b>2,171</b>	<b>(224)</b>	<b>45,255</b>
<b>Other insurance and investment results</b>							
Insurance service expenses <sup>[1]</sup>	(16,368)	–	–	–	–	–	(16,368)
Net expense from reinsurance contracts <sup>[1]</sup>	(1,599)	–	–	–	–	–	(1,599)
Net investment result from insurance activities <sup>[2][5]</sup>	(8,860)	–	–	–	–	–	(8,860)
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
<b>Total other insurance and investment results</b>	<b>(26,827)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(26,827)</b>
<b>Other expenses</b>							
Operating and administrative expenses <sup>[4]</sup>	7,587	2,366	–	188	2,507	(186)	12,462
Financing charges	402	129	–	54	215	12	812
<b>Total other expenses</b>	<b>7,989</b>	<b>2,495</b>	<b>–</b>	<b>242</b>	<b>2,722</b>	<b>(174)</b>	<b>13,274</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,914	996	–	(155)	(551)	(50)	5,154
Share of earnings (losses) of investments in jointly controlled corporations and associates	67	213	31	–	211	(146)	376
Earnings before income taxes	4,981	1,209	31	(155)	(340)	(196)	5,530
Income taxes	737	272	–	1	(77)	(4)	929
Net earnings from continuing operations	4,244	937	31	(156)	(263)	(192)	4,601
Net loss from discontinued operations	(115)	–	–	–	–	–	(115)
Net gain from disposal of discontinued operations	44	–	–	–	–	–	44
<b>Net earnings</b>	<b>4,173</b>	<b>937</b>	<b>31</b>	<b>(156)</b>	<b>(263)</b>	<b>(192)</b>	<b>4,530</b>
<b>Attributable to</b>							
Non-controlling interests	1,560	355	–	140	(128)	(192)	1,735
Non-participating shareholders	–	–	–	52	–	–	52
Participating shareholders <sup>[6][7]</sup>	2,613	582	31	(348)	(135)	–	2,743
	<b>4,173</b>	<b>937</b>	<b>31</b>	<b>(156)</b>	<b>(263)</b>	<b>(192)</b>	<b>4,530</b>

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

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

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

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

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

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

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

**NOTE 35 Segmented Information** (CONTINUED)**TOTAL ASSETS AND LIABILITIES**

December 31, 2024	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	10,709	910	–	1,606	858	(339)	13,744
Investments	231,478	5,600	–	101	2,497	311	239,987
Investments in Lifeco, IGM and alternative asset investment platforms and other	1,112	1,965	–	22,940	–	(26,017)	–
Investments in jointly controlled corporations and associates	486	3,346	3,683	–	1,780	(494)	8,801
Other assets	45,606	4,948	–	349	20,047	(160)	70,790
Goodwill and intangible assets	16,550	3,930	–	1	1,170	–	21,651
Investments on account of segregated fund policyholders	496,386	–	–	–	–	–	496,386
<b>Total assets<sup>(1)</sup></b>	<b>802,327</b>	<b>20,699</b>	<b>3,683</b>	<b>24,997</b>	<b>26,352</b>	<b>(26,699)</b>	<b>851,359</b>
Insurance and investment contract liabilities	245,840	–	–	–	–	–	245,840
Obligations to securitization entities	–	5,025	–	–	–	–	5,025
Power Corporation's debentures and other debt instruments	–	–	–	647	–	–	647
Non-recourse debentures and other debt instruments of:							
Power Financial, Lifeco and IGM	9,469	2,400	–	250	–	(88)	12,031
Consolidated investment funds and Other	–	–	–	–	3,878	–	3,878
Other liabilities	17,814	5,387	–	1,073	20,050	(758)	43,566
Insurance and investment contracts on account of segregated fund policyholders	496,386	–	–	–	–	–	496,386
<b>Total liabilities</b>	<b>769,509</b>	<b>12,812</b>	<b>–</b>	<b>1,970</b>	<b>23,928</b>	<b>(846)</b>	<b>807,373</b>

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

**TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION**

December 31, 2024	United States	Canada	Europe and other	Total
Investments and cash and cash equivalents	95,513	106,407	51,811	253,731
Investments in jointly controlled corporations and associates	2,027	1,010	5,764	8,801
Other assets	32,964	29,586	8,240	70,790
Goodwill and intangible assets	7,088	11,403	3,160	21,651
Investments on account of segregated fund policyholders	215,986	114,547	165,853	496,386
<b>Total assets</b>	<b>353,578</b>	<b>262,953</b>	<b>234,828</b>	<b>851,359</b>
<b>Total revenues</b>	<b>10,971</b>	<b>22,797</b>	<b>11,487</b>	<b>45,255</b>

**CONDENSED STATEMENTS OF CASH FLOWS**

December 31, 2024	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	4,751	1,092	1,688	(37)	(1,603)	5,891
Financing activities	(2,285)	(253)	(1,958)	1,090	2,146	(1,260)
Investing activities	(408)	(474)	658	(861)	(675)	(1,760)
Effect of changes in exchange rates on cash and cash equivalents	534	–	–	27	–	561
Increase (decrease) in cash and cash equivalents	2,592	365	388	219	(132)	3,432
Cash and cash equivalents, beginning of year	8,117	545	1,218	639	(207)	10,312
Cash and cash equivalents, end of year	10,709	910	1,606	858	(339)	13,744

# 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, 2025 and 2024, 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 material accounting policy information (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, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

## 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 MATTER

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, 2025. 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.

### Insurance Contract Liabilities—Refer to Notes 2 and 10 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 IFRS 17, *Insurance Contracts* ("IFRS 17"). This requires the use of complex valuation models and assumptions to measure groups of contracts as the total of estimates of future cash flows, plus a risk adjustment for non-financial risk and a contractual service margin ("CSM"). The CSM component is only relevant for groups of insurance contracts measured using the general measurement model and the variable fee approach.

While there is considerable judgment applied by management of Lifeco and inherent uncertainty in selecting assumptions, the assumptions with the greatest estimation uncertainty are related to mortality, policyholder behaviour and discount rates. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Lifeco and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires complex calculation and measurement of unobservable market inputs. Auditing certain valuation models and significant assumptions (mortality, policyholder behaviour and discount rates) required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial and fair value specialists.

#### How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to certain valuation models and significant assumptions included the following, among others:

- With the assistance of actuarial specialists, tested the appropriateness of certain valuation models used in the valuation process by:
  - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate;
  - Testing the accuracy of certain valuation models for changes in key assumptions.
- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions by:
  - Evaluating whether management of Lifeco's assumptions were determined in accordance with the requirements of IFRS 17;
  - Testing experience studies and other inputs used in the determination of the assumptions;
  - Analyzing management of Lifeco's interpretation and judgment of its experience study results and emerging claims experience, evaluating new and revised key assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking, where applicable.
- With the assistance of actuarial and fair value specialists, evaluated the reasonableness of the discount rates used by:
  - Evaluating whether management of Lifeco's assumptions and methodologies were determined in accordance with the requirements of IFRS 17;
  - Testing the inputs and source information underlying the determination of the discount rates and for a sample of curves, calculated the discount rates and compared against discount rates derived by management of Lifeco.

## 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 Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Matthew J. Welchinski.

/s/ Deloitte LLP<sup>[1]</sup>

[1] CPA auditor, public accountancy permit No. TA149936

March 18, 2026  
Montréal, Quebec