



POWER CORPORATION
OF CANADA

2021

ANNUAL REPORT

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The financial information in this Annual Report is presented in Canadian dollars for the period ended December 31, 2021, unless otherwise noted.

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

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

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

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

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

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

Our approach is
founded on a long-term
perspective and a
strategic vision anchored
in strong core values.

Financials at a Glance

\$2.9 billion
Net earnings^[1]

\$3.2 billion
Adjusted net earnings^{[1][2]}

\$28.3 billion
Market capitalization^[3]

\$2.5 trillion
Consolidated assets and assets
under administration^[2]

4.7%
Dividend yield^[4]

[1] Attributable to participating shareholders.

[2] Non-IFRS financial measure. Please refer to the Non-IFRS Financial Measures section in the Review of Financial Performance section of this Annual Report.

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

[4] Dividend yield is calculated as the annualized dividend based on the dividend declared on November 10, 2021 and November 14, 2021 in the fourth quarter of 2021 divided by the December 31, 2021 share price.

Focusing on **Financial Services**

Investing based on our **key principles**

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



POWER CORPORATION
OF CANADA



[1] Power Corporation, indirectly, owns 66.7% of Great-West Lifeco, and an additional 4.0% through IGM. Power Corporation, indirectly, owns 61.7% of IGM, and an additional 3.9% through Great-West Lifeco.

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

Pursuing a Focused **Value Creation** Strategy

Our three **key levers**

1 OpCo Organic

- Capitalize on significant past investments to drive higher organic earnings growth
- Enhance communications to provide greater visibility of earnings to the market

2 OpCo M&A

- Augment earnings and value through acquisitions and associated synergies
- Exit businesses that do not meet return thresholds

3 Power Company Level

- Create value through investment platforms
- Create and realize value from standalone businesses
- Return capital to shareholders
- Enhance communications to allow the market to measure value creation

Executing and Delivering in 2021

- › **Great-West Lifeco** reported record annual net earnings of \$3.1B.
- › **IGM** reported record annual net earnings of \$979M.
- › **GBL's** net asset value reached €22.5B, up 10% year over year.
- › **Empower** announced the acquisition of **Prudential's** full-service retirement business for \$4.45B, reinforcing its U.S. retirement industry leadership position.
- › **GBL** grew its alternative asset management business capabilities through the announced acquisitions of L'Etoile Properties, Malakoff Humanis and Acofi.
- › **Sagard** and **Power Sustainable** raised \$4.2B from third-party investors across all strategies.
- › **Sagard** acquired **EverWest** from Great-West Lifeco, establishing Sagard's real estate platform.
- › **Wealthsimple** announced a \$750M equity offering, including a \$500M secondary offering by the Power group, valuing the group's interest at \$2.6B.
- › **Lion Electric** began trading on the TSX and NYSE, surfacing the value of Power's ownership position.
- › **Power** sold its interest in **GP Strategies**, generating \$94M in gross proceeds.
- › **Power** generated \$769M in pre-tax proceeds from the sale of investments and standalone businesses.
- › **Power** achieved its \$50M annual cost-reduction target.
- › **Power** announced its intention to resume share buybacks under its NCIB and increased Q4 quarterly dividend by 10.6%.
- › **Power** continued to increase its investor relations outreach while enhancing disclosure.
- › In early January 2022, **Power** further simplified the group's corporate structure with the announcement of the intention to consolidate its interest in **ChinaAMC** at **IGM**.

2021 ESG Highlights

CDP Climate A List

status achieved alongside only two other Canadian companies

Say-on-pay

first annual executive compensation advisory vote

30%

objective for women on the Board by 2025*

43%

of Power Corporation management roles held by women

MSCI ESG Rating of AA^[1]

received by Power Corporation as of 2021

Global climate transition

movement joined by Great-West Lifeco, IGM and GBL

www.powercorporationsustainability.com

Our deeply rooted tradition of responsible management underpins our approach to ESG and how we are building a resilient business focused on driving sustainable long-term value.

Commitments to global initiatives



Power Corporation has been a signatory since 2014, and GBL since 2018.



The Power group of companies is an active contributor.



Putnam Investments, Irish Life Investment Managers, IG Wealth Management, Mackenzie Investments, GBL, Sagard and Power Sustainable are signatories.



Great-West Lifeco, IGM and GBL are supporters.

Listings and rankings



FTSE4Good

Power Corporation and IGM have been listed since 2016.



IGM has been listed since 2015.

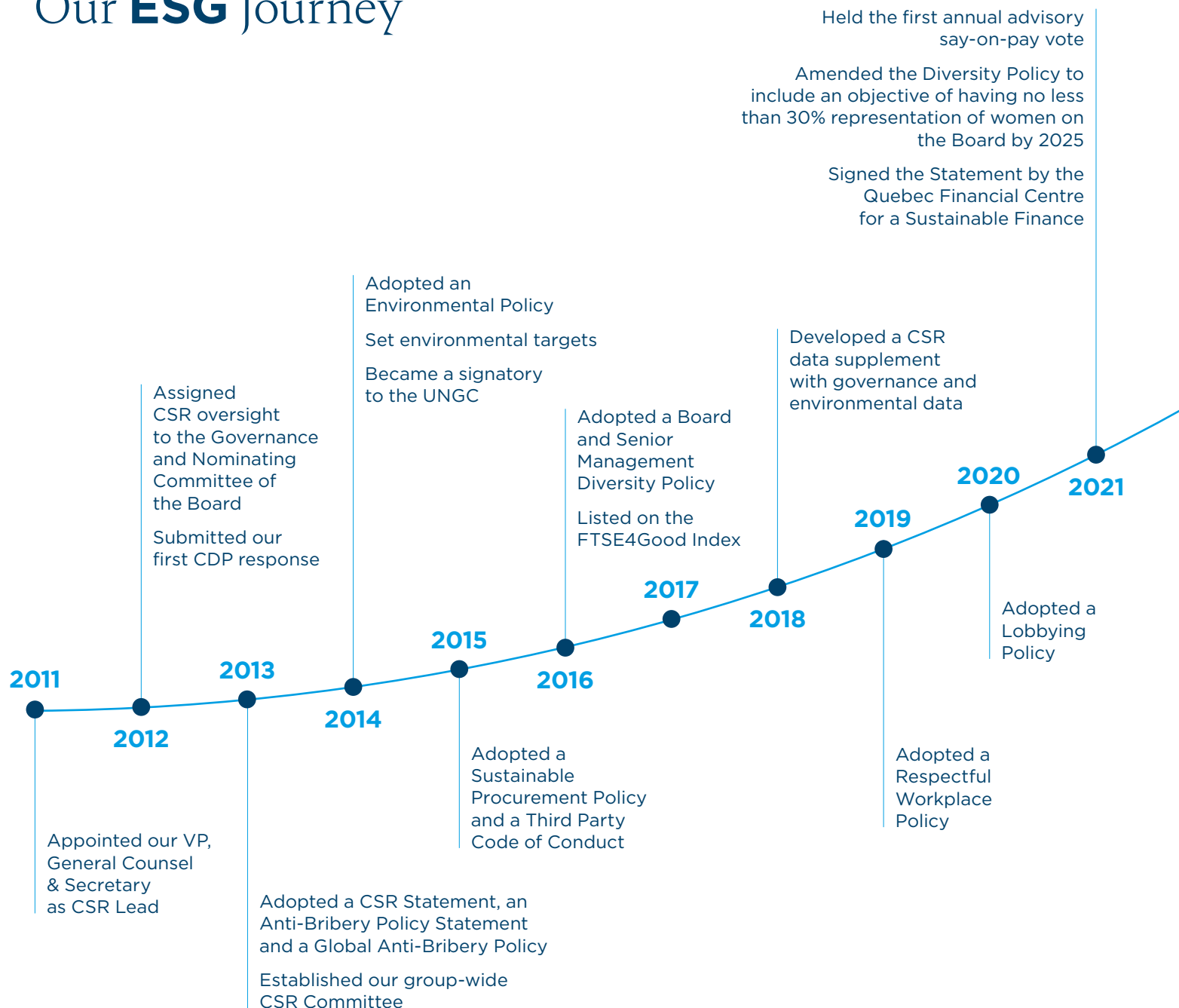


IGM ranked top capital markets and asset management firm in Corporate Knights' 2022 Global 100 Most Sustainable Corporations.

* The number of women nominated for election to Power Corporation's Board at the 2022 Annual Meeting of Shareholders is 4 of 14, representing 28.6% of the Board.

[1] The use by Power Corporation of any MSCI ESG Research LKC or its affiliates (MSCI) data, and the use of the MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Power Corporation by MSCI. MSCI services and data are the property of MSCI or its information providers 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Our **ESG** Journey



Investing in our Communities

We believe in the power of the voluntary sector and social entrepreneurs, working in partnership with governments and businesses, to build a better, more inclusive society with improved opportunities for all.

Initiatives funded by the Power group in 2021 include projects for the advancement of women and gender equality, diversity and inclusion, environment, reconciliation with Indigenous peoples, and financial inclusion.



Literacy:
Learning for Life.
L'alphabétisation,
Une leçon pour la vie.



National Centre for
Truth and Reconciliation
UNIVERSITY OF MANITOBA

www.powercorporationcommunity.com

2021 Highlights

\$45 million

in charitable contributions from
the Power group

Approximately

2,000

community organizations supported
across Canada

\$4.2 billion

in goods and services, and taxes paid
to various levels of government



**Canadian
Red Cross**

Corporate partner of the
Disaster Response Alliance



Directors' Report to Shareholders

After over two years of all of us coping with a global pandemic, the path back to a more normal world is starting to come into view.

As it does, a growing list of challenges lies before us, including the possibility of prolonged higher inflation, a warming planet, rising geopolitical tensions, and a growing call to address issues of equality and inclusiveness at all levels of society. While these are serious challenges that face all of us, addressing them effectively also presents opportunities for us to collectively get to a better place.

The clear and growing need in society for what the Power group companies provide is reinforced in times of challenge and change. We help millions of people manage risk and build financial security for themselves and their families. The way these services are provided by our industry is changing at a rapid pace, driven primarily by technology, which is also creating the opportunity to broaden access to these services to a greater part of society.

Companies across the globe are asking themselves what role they play in society, what value they provide, and to which stakeholders they are accountable. For a very long time across the Power group, we have thought of our clients, our people and our communities as key stakeholders.

The rising expectations being created by the current focus on Environmental, Social and Governance (ESG) matters is raising the bar for us, as it is for all companies.

At the same time, providing attractive returns to our shareholders has and will remain the core objective which allows us to continue contributing to the well-being of all our stakeholders.

In this regard, Power Corporation has been pursuing a well-defined value creation strategy focused on financial services announced as part of its reorganization some two years ago. It entails:

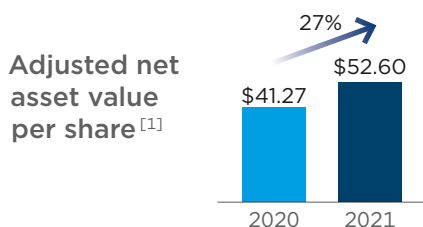
- 1) realizing higher organic growth at our publicly traded operating companies;
- 2) adding to that growth through M&A; and
- 3) creating additional returns through various opportunities at the Power Corporation level.

We refer to these as our three key levers of value creation.

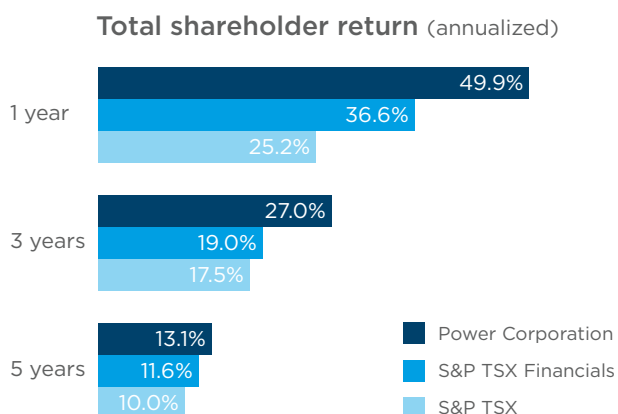
We made substantial progress in 2021 by pulling on all three value creation levers

Power Corporation drove shareholder value creation through a combination of strong growth at Great-West Lifeco, IGM and GBL (collectively, the "OpCos"), the benefit of acquisitions made by the OpCos, and a number of initiatives at the Power level. The latter included scaling our alternative asset management businesses, surfacing and realizing value from other assets and continuing to simplify our structure and our business.

Power Corporation reported record-high net earnings and adjusted net earnings in 2021, up 46 per cent and 62 per cent, respectively, from 2020 levels. The adjusted net asset value of the Corporation's shares increased 27 per cent during 2021, to finish the year at \$52.60 per share. In November, the Corporation increased the quarterly dividend declared on its participating shares by 10.6 per cent, to 49.50 cents per share.



As a result of share price appreciation and dividends, shareholders realized a total return of 49.9 per cent for the twelve months ended December 31, 2021 and realized annual compounded total returns of 27.0 per cent and 13.1 per cent over the three- and five-year periods to that date, respectively. These total return numbers are above those realized by the S&P TSX Composite Index and Financial Services Sub-Index for each of the corresponding periods.



Our operating companies successfully executed on organic growth and M&A strategies

After several years of investing in their businesses to enhance their competitive positions, the management teams of each of our OpCos are highly focused on translating these investments into higher earnings and cash flow growth, and, in the case of GBL, higher net asset value growth.

Great-West Lifeco reported record financial results in 2021 based on strong underlying business performance across segments, and several acquisitions which advanced the company's value creation priorities and accelerated its growth.

Following the acquisition by Great-West Lifeco's U.S.-based Empower of Personal Capital and MassMutual in 2020, Empower agreed to acquire Prudential's full-service retirement business in 2021. Expected to be highly accretive to earnings, this transaction is further transforming Great-West Lifeco's business, earnings, and growth profiles, all the while reinforcing Empower's position as an industry leader in the defined contribution space. In addition, the acquisitions of ClaimSecure and Ark Life by Canada Life and Irish Life, respectively, also advanced Great-West Lifeco's core strategic focus of investing in workplace capabilities.

IGM continued to implement growth strategies at IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, and delivered record assets under management, assets under advisement and earnings in 2021. IGM benefitted from Mackenzie's acquisition of Canada Life's Canadian asset management business and its acquisition of Northleaf, both completed in 2020. IGM is well positioned for continued earnings and cash flow growth.

[1] Non-IFRS ratio. Please refer to the Non-IFRS Financial Measures section in the Review of Financial Performance section of this Annual Report.

Finally, GBL continued to actively manage its portfolio companies, rotating increasingly to private investments and focusing on consumer, health, sustainability and technology mega-trends in order to increase net asset value.

We made significant headway in growing our alternative asset management businesses

Our strategies at the Power Corporation level are progressing well. We made significant headway in creating scale as asset managers, attracting third-party capital to fuel growth. Total assets under management of our alternative asset investment platforms^[2] grew to \$19.1 billion at year-end, up significantly from \$8.5 billion the previous year.

Both Sagard and Power Sustainable launched new investment vehicles and accelerated external funding, raising a total of \$4.2 billion from third-party investors^[3] in 2021.

Alternative asset management is also synergistic with the businesses of our OpCos. Both Great-West Lifeco and IGM are focused on increasing their participation in this area, either for their own balance sheet needs or to meet the investing needs of their clients. In 2021, Sagard acquired Great-West Lifeco's U.S.-based real estate investment management firm EverWest, with Great-West Lifeco committing to invest approximately US\$2 billion in EverWest investment vehicles, and up to approximately US\$500 million in other Sagard strategies. GBL is also building its private asset capabilities through its alternative investments and real assets platform, Sienna Investment Managers.

We surfaced and realized value while simplifying our business

Power owns a number of standalone businesses that are not focused on financial services. Our strategy consists of managing these businesses to surface and then realize value over time. We will do so in a manner that supports the growth of these businesses and maximizes their value. In 2021, the public listing of Lion Electric through a merger with a special purpose acquisition company surfaced significant value relative to Power's carrying value. We also monetized our position in GP Strategies with the closing of its merger with Learning Technologies Group.

Power and IGM are, together, the largest shareholder of Wealthsimple, one of Canada's leading financial technology companies and operating one of the country's largest and fastest-growing digital investing services. A round of fundraising by Wealthsimple led by a number of the world's leading technology investors in 2021 confirmed the significant value that has been created at Wealthsimple. The Power group took advantage of the fundraising round to sell some of their shares, more than recouping the group's total investment in the company, while still maintaining a significant ownership position of 43 per cent, on a fully diluted basis. The sale also added to Power's liquid resources.

These various transactions, together with other asset sales, generated pre-tax proceeds of \$769 million in 2021, providing additional liquidity that can be deployed in support of Power's share buyback program.

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

[3] Includes associated companies including Great-West Lifeco, IGM and GBL as well as commitments from management.

In the first few days of 2022, we continued to simplify our corporate structure and announced the consolidation of the Power group's ownership stake in ChinaAMC at IGM and the acquisition by Power Financial of approximately 15 million common shares of Great-West Lifeco^[4].

We returned capital to shareholders and reduced costs

Having raised liquidity through asset sales in 2021, we also took steps to return additional capital to our shareholders. After a period of approximately a year and a half where Power had decided to maintain its dividend level in the face of increased potential risk due to the pandemic, we were pleased to announce in November the 10.6 per cent increase in the quarterly dividend rate referred to above in this report. At that time, we also announced the resumption of the Corporation's NCIB.

At the end of the fourth quarter, we also announced that Power had met its target of reducing its annual operating expenses at the holding company by \$50 million. The target had been set and announced at the time of the reorganization as part of the Corporation's value creation strategy.

We advanced meaningful ESG initiatives through our active ownership approach

Responsible management is an intrinsic component of Power's long-term profitability and value creation outlook. We understand that as a company, a corporate citizen, and an investor, we play an important role in addressing the many environmental and societal challenges faced today. As part of our active ownership approach, we regularly engage with our group companies regarding the ESG strategies they adopt and execute.

In 2021, the Power group made significant progress on ESG initiatives by developing and implementing sustainability strategies in support of the environment and diversity, equity, and inclusion.

At our publicly traded operating companies, Great-West Lifeco committed to net zero greenhouse gas emissions by 2050, IGM released its climate commitments to become carbon neutral and support the transition to net zero, and GBL's recently adopted climate targets were approved by the Science Based Targets initiative. In addition, IGM was once again recognized as one of Corporate Knights' Global 100 Most Sustainable Corporations and included in Corporate Knights' Best 50 Corporate Citizens in Canada.

At the Power Corporation level, we held our first annual advisory say-on-pay vote on the Corporation's approach to executive compensation and, for the second consecutive year, we were proud to be one of only three companies in Canada named on CDP's Climate "A List".

Given our operating companies' achievement in and our group's focus on building businesses that drive sustainable long-term value for our stakeholders, we are well positioned to continue elevating our ESG performance in the coming years.

We enhanced investor relations and stakeholder communications

We remain committed to improving our communications to increase investors and other stakeholders' understanding of our business model, active management approach, value creation strategies, and performance.

Throughout 2021, we undertook increased investor relation activities, which included the holding of meetings with more than 100 investors and analysts, the enhancement of our MD&A and alternative asset investment platforms disclosure, and the addition of an ESG index in our annual ESG data supplement.

[4] These transactions are expected to close in the first half of 2022.

We are increasing diversity on our Board

This year, Mr. J. David A. Jackson will not stand for re-election at the annual meeting of shareholders. Mr. Jackson has been a Director of the Corporation since 2013 and also serves on our Audit Committee. In addition, he was a director of IGM from 1991 to 2002 and of Great-West Lifeco from 2013 to 2021. On behalf of our Board of Directors, we wish to thank Mr. Jackson for his invaluable contribution to our Boards over the years.

We wish to welcome Ms. Elizabeth D. Wilson as nominee for election to the Board. Ms. Wilson is the former Chief Executive Officer at Dentons Canada LLP and was a member of its global leadership team. Prior to that, she was an audit partner and a Managing Partner at KPMG. She also has served on the board of directors of IGM, IG Wealth Management and Mackenzie since 2018.

In 2021, we set an objective of having at least 30 per cent of the Board made up of women by 2025. In 2022, the number of women nominated for election to the Board at the Annual Meeting is four out of a total of fourteen, representing 28.6 per cent of the Board.

On behalf of the Board of Directors,

Signed,

R. Jeffrey Orr
President and
Chief Executive Officer

Signed,

Paul Desmarais, Jr., O.C., O.Q.
Chairman of the Board

Signed,

André Desmarais, O.C., O.Q.
Deputy Chairman of the Board

March 17, 2022

We are well positioned for further value creation

We continued to make significant progress in 2021 in executing our value creation strategy. We did so while also putting a high degree of focus on advancing our strategies to meet the increasing expectations of all stakeholders.

We have many value-enhancing opportunities to pursue as we continue to execute our strategy. Although there is enhanced risk in the current global and economic environment, we will continue to pursue our goals and our vision, while we manage risk for our clients and for our own businesses.

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

Our Companies

Investing in leading franchises with attractive growth profiles

Publicly Traded Operating Companies

Great-West Lifeco

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

IGM Financial

A leading diversified wealth and asset management company providing a broad range of financial planning and investment management services to help more than two million Canadians meet their financial goals.

Groupe Bruxelles Lambert

A leading investor in Europe, focused on long-term value creation with a diversified high-quality portfolio composed of global companies, public and private, that are leaders in their sector.

Alternative Asset Investment Platforms

Sagard

A multi-strategy alternative asset manager seeking to generate attractive investment returns through flexible capital, an entrepreneurial and disciplined culture, and a unique global network of portfolio companies, limited partners, advisors and other valued relationships.

Power Sustainable

A global multi-platform alternative asset manager with a long-term investment approach investing in companies and projects that contribute to decarbonization, social progress and quality growth.

\$3.1 billion

Net earnings^[1]

14.0%

Return on equity^{[1][2]}

\$3.3 billion

Base earnings^{[1][3]}

14.6%

Base return on equity^{[1][3]}

\$630 billion

Consolidated assets

\$2.3 trillion

Total assets under administration^[3]

Market capitalization

\$35.3 billion

Customer relationships

33 million+

Advisor relationships

215,000

Employees

28,000+

Great-West Lifeco

ESG commitments and rating

In 2021, Great-West Lifeco committed to achieving net zero greenhouse gas emissions by 2050. Great-West Lifeco's subsidiaries Putnam Investments and Irish Life Investment Managers are signatories to the PRI – Principles for Responsible Investment.

INITIATIVE	COMMITMENT/RATING
TCFD	Supporter since May 2020
CDP climate change	B

greatwestlifeco.com

2021 value creation highlights

- › Reported record net earnings of \$3.1B in 2021 with strong underlying business performance across segments
- › Made focused investments to drive organic growth across Great-West Lifeco's businesses
- › Strengthened market leadership positions through strategic and disciplined acquisition and integration efforts
- › Maintained risk and expense discipline to deliver sustainable, long-term shareholder value creation

Leading franchises



[1] Attributable to common shareholders.

[2] The description of return on equity is incorporated by reference from and can be found under "Glossary" in Lifeco's annual MD&A for the year ended December 31, 2021, included in the Corporation's annual MD&A for the year ended December 31, 2021 available on SEDAR at www.sedar.com.

[3] Base earnings, base return on equity and assets under administration are identified as non-GAAP financial measures or ratios by Lifeco. Additional information regarding these measures and ratios, including reconciliations, is incorporated by reference from and can be found under "Non-GAAP Financial Measures and Ratios" in Lifeco's annual MD&A for the year ended December 31, 2021, included in the Corporation's annual MD&A for the year ended December 31, 2021 available on SEDAR at www.sedar.com.

IGM Financial

\$979 million

Net earnings^[1]

\$971 million

Adjusted net earnings^{[1][2]}

\$277 billion

Total assets under management and advisement^[3]

16.5%

Return on equity^[1]

Market capitalization

\$10.9 billion

IG Wealth Management clients

1 million+

Investment Planning Counsel clients

198,000

External advisors serving more than 1 million Mackenzie clients

30,000+

Employees across the IGM family of companies

3,800+

ESG commitments and rating

In 2021, IGM enhanced climate commitments to include carbon neutral operations by 2022 and setting interim targets to transition investments towards net zero by 2050. IGM's subsidiaries IG Wealth Management and Mackenzie Investments are signatories to the PRI – Principles for Responsible Investment.

INITIATIVE	COMMITMENT/RATING
TCFD	Supporter since May 2019
CDP climate change	A-

igmfinancial.com

2021 value creation highlights

- › Reported record-high annual net earnings of \$979M, up 28% year over year
- › Reported record-high assets under advisement, and gross and net client inflows from wealth management activities
- › Reached record-high total assets under management, with record-high annual investment fund net sales and annual mutual fund gross sales from the asset management segment
- › Benefitted from increased earnings contributions from strategic investments, which continued to help enhance growth profile and expand capabilities

Operating companies



Strategic investments



[1] Available to common shareholders.

[2] Adjusted net earnings is identified as a non-IFRS financial measure by IGM. Additional information regarding this measure, including a reconciliation, is incorporated by reference from and can be found in IGM's annual MD&A for the year ended December 31, 2021, included in the Corporation's annual MD&A for the year ended December 31, 2021 available on SEDAR at www.sedar.com.

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

Groupe Bruxelles Lambert

€**22.5** billion
Net asset value^[1]

€**143.91**
Net asset value per share^[1]

€**279** million
Net earnings^[2]

€**474** million
Cash earnings^[3]

10.8%
Annualized TSR^[4]
since 2012

Market capitalization
€**15.3** billion

Active asset rotation since 2012
€**25.4** billion^[5]

ESG commitments and rating

In 2021, GBL developed climate targets which were approved by the Science Based Targets initiative in January 2022. GBL is a signatory to the PRI - Principles for Responsible Investment.

INITIATIVE	COMMITMENT/RATING
TCFD	Supporter since June 2021
CDP climate change	C

gbl.be

2021 value creation highlights

- › Pursued its asset rotation strategy, with €4.2B^[5] in 2021, favouring private and alternative assets with attractive growth prospects and building a less replicable portfolio
- › Solidified its financial position to support its strategy
- › Started transformation into a third-party asset manager with the announced acquisitions of L'Etoile Properties, Malakoff Humanis and Acofi
- › Strengthened its ESG integration and supported portfolio companies in the reinforcement of their climate commitments

Listed investments



Private investments



Alternative investments



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

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

[3] Cash earnings primarily include dividends from portfolio companies and treasury shares, dividends and interests from Sienna Investment Managers, net earnings from the yield enhancement activity, income from cash management, realized exchange differences, tax refunds, less general overheads, gross debt-related charges and taxes. All of these results relate to the holding activity of GBL.

[4] Total shareholder return or TSR is calculated on the basis of the change in the stock price(s) over the period under consideration, taking into account the gross dividend(s) received during this period and reinvested in securities at the time of the receipt. It is expressed on an annualized basis and corresponds to the calculation made with Bloomberg's TRA function.

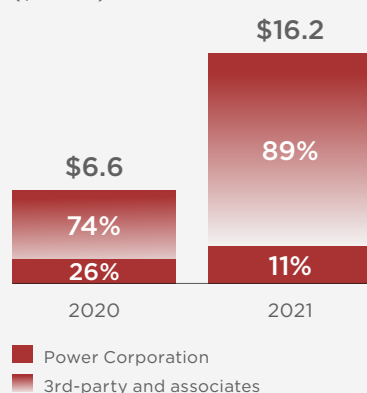
[5] Excluding share buybacks.

Alternative Asset Management

We are creating alternative asset management businesses, building upon the investment capabilities that have been created over many years in several high-growth asset classes. By providing seed capital and fuelling the businesses' growth through raising third-party capital, we aim to generate attractive returns, augmented in time with profits earned as the asset manager.

Sagard

Assets under management^[1]
(\$ billion)



\$16.2 billion
Assets under management

89%
of 3rd-party and associates

5
Asset classes

270+
Professionals

Asset classes

Private equity	Healthcare royalties
Venture capital	Real estate
Private credit	

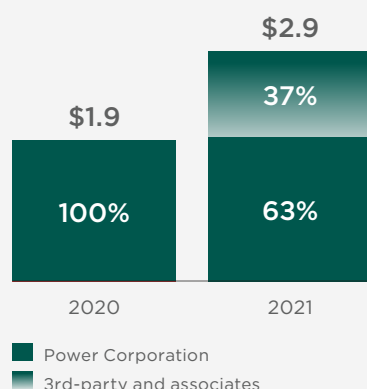
ESG commitment

Signatory to the PRI - Principles for Responsible Investment

sagard.com

Power Sustainable

Assets under management^[1]
(\$ billion)



\$2.9 billion
Assets under management

37%
of 3rd-party and associates

2
Investment platforms

60+
Professionals

Platforms

Energy Infrastructure
Power Sustainable China

ESG commitment

Signatory to the PRI - Principles for Responsible Investment

powersustainable.com

[1] Excludes standalone businesses and assets under management of Sagard's wealth management business.

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Review of Financial Performance

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

MARCH 17, 2022

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

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

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

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were

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

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

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

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

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

DISCLOSURES CONCERNING PUBLIC INVESTEE INFORMATION › In this Annual Report, (i) disclosure concerning Great-West Lifeco and IGM, as applicable, has been derived from Great-West Lifeco's and IGM's respective annual MD&A for the year ended December 31, 2021, as prepared and disclosed by the respective companies in accordance with applicable securities legislation, and which is also available either directly from SEDAR at www.sedar.com or directly from their websites, www.greatwestlifeco.com and www.igmfinancial.com and (ii) disclosure concerning GBL has been derived from publicly disclosed information, as issued by GBL, including in its fourth quarter press release, and further information on GBL's results is available on its website at www.gbl.be. For definitions and reconciliations of non-IFRS financial measures, disclosed by Great-West Lifeco and IGM, refer to the "Non-GAAP Financial Measures and Ratios" section of Great-West Lifeco's and "Non-IFRS Financial Measures and Additional IFRS Measures" section of IGM's respective annual MD&A for the year ended December 31, 2021, included in the Corporation's annual MD&A for the year ended December 31, 2021 on SEDAR at www.sedar.com.

Readers are reminded that a list of the abbreviations used throughout can be found on the inside back cover of this Annual Report. In addition, the following abbreviation is used in the Review of Financial Performance and in the Financial Statements and Notes thereto: Audited Consolidated Financial Statements of Power Corporation and Notes thereto for the year ended December 31, 2021 (the 2021 Consolidated Financial Statements or the Financial Statements).

Overview

POWER CORPORATION OF CANADA

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

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

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

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

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

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

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

- Sagard (formerly Sagard Holdings), since its inception in 2005, has evolved into a multi-strategy alternative asset manager. Sagard looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard invests across five asset classes: private credit, healthcare royalties, venture capital, private equity and real estate, and also offers wealth management services. Sagard also sponsored a special purpose acquisition company, which is listed on the Nasdaq exchange.
- Power Sustainable is a sustainability-led global alternative asset manager with a long-term investment approach. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. Power Sustainable currently manages two main platforms:

- Power Sustainable China (formerly Power Pacific) selects a high-conviction portfolio based on fundamental research and takes an active approach to investing in China's public equity markets, selecting companies and business models that have significant alignment with the following goals: innovation and technology, decarbonization and quality growth.
- Power Sustainable Energy Infrastructure invests in the development, construction, and operation of renewable energy infrastructure assets across North America.

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

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

2021 HIGHLIGHTS

2020 Reorganization

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

Operating Expense Reduction

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

Financing Expense Reduction

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

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

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

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

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

■ Prudential Financial, Inc.'s (Prudential) full-service retirement business:

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

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

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

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

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

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

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

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

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

The Corporation's share of the net charge on the carried interest payable was \$41 million comprised of:

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

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

- **Power Sustainable Energy Infrastructure Partnership (PSEIP):** On January 1, 2021, Power Sustainable launched PSEIP, an investment platform with an initial \$1 billion of committed capital dedicated to the renewable energy sector, including a commitment of \$400 million from Power Sustainable and \$150 million from Lifeco. Through Potentia Renewables and Nautilus Solar Energy, wholly owned subsidiaries of Power Sustainable and leading integrated owner-operators of high-quality renewable energy assets, PSEIP invests in the development, construction, financing and operation of renewable energy assets across North America.
- **GP Strategies Corporation (NYSE: GPX):** On July 15, 2021, GP Strategies announced it had entered into a definitive agreement to be acquired by Learning Technologies Group (AIM: LTG.L), a provider of services and technologies for digital learning and talent management, for US\$20.85 per GP Strategies share in cash, in a transaction valued at approximately US\$394 million. In the second quarter, Sagard recorded a reversal of a previously recognized impairment of \$33 million (US\$27 million) on its investment in GP Strategies which was accounted for using the equity method. On October 15, 2021, the transaction was completed and Sagard disposed of its 21.0% equity interest and received proceeds of US\$76 million. GP Strategies was previously included in Standalone businesses.

Subsequent event

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

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

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

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

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

COVID-19

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

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

PUBLICLY TRADED OPERATING COMPANIES

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

Lifeco

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

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

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

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

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

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

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

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

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

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

IGM Financial

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

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

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

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

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

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

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

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

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

GBL

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

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

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

PUBLICLY LISTED

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

PRIVATELY HELD

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

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

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

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

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

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

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

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

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

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

ALTERNATIVE ASSET INVESTMENT PLATFORMS

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

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

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

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

Sagard

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

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

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

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

Asset Management Activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRIVATE CREDIT

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

In the third quarter of 2021, the Corporation reassessed its control assessment for Sagard Credit I and determined that its exposure to the variable returns supports that Sagard is acting as an agent. The Corporation no longer controls Sagard Credit I and has derecognized the assets and liabilities of Sagard Credit I.

- In October 2020, Sagard launched Sagard Credit II, its second credit fund, which will primarily invest in secured private credit, which the fund's investment manager believes to be an underserved segment in the non-sponsor-backed middle market in Canada and the U.S. At December 31, 2021, Sagard Credit II had commitments totalling US\$1,070 million, of which Sagard has committed US\$50 million and Lifeco has committed up to US\$50 million, of which US\$31 million has been accepted at December 31, 2021.

Sagard also has a separately managed agreement with Lifeco to invest up to an additional US\$200 million alongside Sagard Credit II.

- On October 20, 2021, Sagard Credit Partners announced the launch of a new senior loans fund, Sagard Senior Loan Partners, which will focus on first-lien lending to non-sponsor-owned North American companies with \$50 million or less in EBITDA. Sagard expects external fundraising efforts to begin in the first half of 2022.

HEALTHCARE ROYALTIES

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

VENTURE CAPITAL (FINTECH INVESTMENTS)

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

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

PRIVATE EQUITY

SAGARD EUROPE

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

On December 31, 2021, subsequent to an amendment of the Limited Partners Agreement, the Corporation reassessed its control assessment for Sagard Europe 4 and determined that its exposure to variable returns supports that Sagard is acting as an agent. The Corporation no longer controls Sagard Europe 4 and derecognized the assets and liabilities of the fund, including an investment in a controlled subsidiary, at December 31, 2021.

- Sagard NewGen, a fund launched in 2020, is a European small cap fund focused on the healthcare and technology sectors; it will invest in majority and minority holdings with deal sizes typically between €10 million and €50 million. Sagard NewGen will seek to invest in companies aiming to become leaders in their respective market that share a commitment to innovation and sustainability. At December 31, 2021, Sagard NewGen had total committed capital of €117 million, of which the Corporation has committed an amount of €60 million. At December 31, 2021, the fair value of Sagard NewGen's investment portfolio was \$139 million (€97 million), (\$15 million and €10 million, respectively, at December 31, 2020).

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

CANADIAN PRIVATE EQUITY

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

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

REAL ESTATE

- In November 2021, Sagard completed the acquisition of EverWest, a vertically integrated, full-service real estate investment advisor with capabilities in investment management, development, and property management. EverWest is based in Denver, Colorado and has four regional investment offices as well as four additional property management offices across the United States. EverWest manages assets with a fair value at December 31, 2021 of US\$4.3 billion, representing more than 110 properties. EverWest offers a variety of investment strategies including separate accounts and funds. EverWest manages, through its separate account segment, real estate assets with a fair value at December 31, 2021 of US\$2.9 billion, which includes over US\$800 million of assets managed on behalf of Lifeco. EverWest's flagship fund, USPF, is a core open-end real estate investment fund, and is included in the Open-End Diversified Core Equity Index. At December 31, 2021, USPF managed assets with a fair value of US\$1.4 billion.

WEALTH MANAGEMENT

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

PORTAGE FINTECH ACQUISITION CORPORATION

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

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

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

Investing Activities

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

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

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

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

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

Fintech Investments

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

WEALTHSIMPLE

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

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

On March 4, 2021, Wealthsimple announced that it had sold its U.S. book of business. This disposal supports Wealthsimple's strategy to focus on the Canadian market. During the second quarter, Wealthsimple closed this transaction and completed the transfer of the U.S.-based customer accounts. At December 31, 2021, the Group had invested \$315 million in Wealthsimple (same at December 31, 2020).

KOHO FINANCIAL

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

On February 1, 2022, subsequent to year-end, Koho announced that it completed a \$210 million Series D financing round which includes \$150 million in primary capital, \$10 million in secondary capital for early shareholders and members of the Koho team, and a \$50 million debt facility. The round was led by U.S.-based holding company Eldridge, with follow-on funding from past investors including Drive Capital, TTV Capital, and Portage Ventures. The Corporation, Lifeco and IGM participated in a secondary offering pro rata to their respective ownership interests and sold 16.7% of their ownership interest in Koho to a special purpose co-investment vehicle managed by Sagard.

The Power Group will receive proceeds of \$32 million and will retain a 22.3% fully-diluted equity interest in Koho through Portage I and Portage II. In the fourth quarter of 2021, due to the fair value increase in Koho, the Corporation recognized its share of the unrealized gain of \$35 million, of which \$18 million was reflected in Lifeco and IGM's contribution to adjusted net earnings based on their respective interest.

Power Sustainable

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

Asset Management Activities

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

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

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

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

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

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

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

Power Sustainable China

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

Power Sustainable China manages China-based equity investment funds and holds a Private Fund Manager (PFM) licence for domestic Chinese investors. At December 31, 2021, Power Sustainable China had \$1.4 billion of assets under management, of which \$394 million of assets under management

are on behalf of third-party investors. Power Sustainable China continues fundraising activities across all investment vehicles. Power Sustainable China also manages the Corporation's capital which is invested in mainland China's public equity markets through a Qualified Foreign Institutional Investor (QFII) licence as well as through the Hong Kong Stock Connect program.

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

Power Sustainable Energy Infrastructure

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

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

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

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP

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

Investing Activities

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

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

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

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

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

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

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

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

DIRECT ENERGY INFRASTRUCTURE INVESTMENTS

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

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

Standalone Businesses

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

SAGARD

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

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

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

POWER SUSTAINABLE

- LMPG: Power Sustainable, through Power Sustainable Energy, held a controlling interest of 54.4% at December 31, 2021 in LMPG (formerly Lumenpulse Group Inc.), an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments. In the fourth quarter of 2021, LMPG completed an equity financing of \$75 million, in which the Corporation's interest decreased from 60.5% to 54.4%.
- Lion Electric: Power Sustainable, through Power Sustainable Energy, held a 35.4% equity interest at December 31, 2021 (44.1% at December 31, 2020) in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion Electric creates, designs and manufactures all-electric Class 5 to Class 8 commercial urban trucks and all-electric buses and minibuses for the school, paratransit and mass transit segments. Lion is a North American leader in electric transportation and designs, builds and assembles many of its vehicles' components, including chassis, battery packs, truck cabins and bus bodies.

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

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

CHINAAMC

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

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

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

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Power Corporation

This section presents:

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

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

PRESENTATION OF HOLDING COMPANY ACTIVITIES

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

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

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

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

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

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

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

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

Consolidated net earnings

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

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

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

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

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

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

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

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

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

Twelve months ended December 31	2021	2020
Adjusted net earnings^[1]		
Lifeco ^[2]	2,175	1,784
IGM ^[2]	601	474
GBL ^[2]	60	89
Effect of consolidation ^[3]	68	(44)
	2,904	2,303
Alternative and other investments ^[4]	685	112
ChinaAMC	62	42
Corporate operating and other expenses	(233)	(164)
Dividends on non-participating and perpetual preferred shares	(188)	(189)
Non-controlling interests of Power Financial	–	(116)
	3,230	1,988
Adjustments^[5]		
Lifeco ^[2]	(87)	183
IGM ^[2]	5	1
GBL ^{[2][6]}	–	(6)
Effect of consolidation	(103)	(165)
	(185)	13
Alternative and other investments	(115)	5
Corporate operations	(13)	(8)
Non-controlling interests of Power Financial	–	(4)
	(313)	6
Net earnings^[7]		
Lifeco ^[2]	2,088	1,967
IGM ^[2]	606	475
GBL ^[2]	60	83
Effect of consolidation	(35)	(209)
	2,719	2,316
Alternative and other investments ^[4]	570	117
ChinaAMC	62	42
Corporate operations and other expenses	(246)	(172)
Dividends on non-participating and perpetual preferred shares	(188)	(189)
Non-controlling interests of Power Financial	–	(120)
	2,917	1,994

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

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

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

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

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

[6] Previously reported by Pargesa.

[7] Attributable to participating shareholders.

Contribution to adjusted and net earnings per share

Twelve months ended December 31	2021	2020
Adjusted net earnings per share – basic^[1]		
Lifeco ^[2]	3.22	2.65
IGM ^[2]	0.89	0.71
GBL ^[2]	0.08	0.14
Effect of consolidation ^[3]	0.10	(0.13)
	4.29	3.37
Alternative and other investments ^[4]	1.01	0.18
ChinaAMC	0.09	0.06
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.62)	(0.54)
	4.77	3.07
Adjustments^[5]		
Lifeco	(0.13)	0.28
IGM	–	–
GBL	–	(0.01)
Effect of consolidation	(0.14)	(0.25)
	(0.27)	0.02
Alternative and other investments	(0.17)	–
Corporate operations	(0.02)	(0.01)
	(0.46)	0.01
Net earnings per share – basic^[6]		
Lifeco ^[2]	3.09	2.93
IGM ^[2]	0.89	0.71
GBL ^[2]	0.08	0.13
Effect of consolidation	(0.04)	(0.38)
	4.02	3.39
Alternative and other investments ^[4]	0.84	0.18
ChinaAMC	0.09	0.06
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.64)	(0.55)
	4.31	3.08

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

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

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

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

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

[6] Attributable to participating shareholders.

Effect of consolidation reflects:

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

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

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

2021 vs. 2020

Net earnings	\$2,917 million or \$4.31 per share, compared with \$1,994 million or \$3.08 per share in the corresponding period in 2020, an increase of 39.9% on a per share basis.
Adjusted net earnings	\$3,230 million or \$4.77 per share, compared with \$1,988 million or \$3.07 per share in the corresponding period in 2020, an increase of 55.4% on a per share basis.
Contribution to net earnings and adjusted net earnings from Lifeco, IGM and GBL	Contribution to net earnings of \$2,719 million, compared with \$2,316 million in the corresponding period in 2020, an increase of 17.4%. Contribution to adjusted net earnings of \$2,904 million, compared with \$2,303 million in the corresponding period in 2020, an increase of 26.1%.

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

LIFECO

Contribution to Power Corporation

Twelve months ended December 31	2021	2020
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings		
As reported by Lifeco	2,175	1,784
Effect of consolidation ^[2]	(13)	10
	2,162	1,794
Adjustments		
As reported by Lifeco	(87)	183
Effect of consolidation ^[3]	(2)	(109)
	(89)	74
Non-controlling interests of Power Financial	-	(76)
Net earnings	2,073	1,792

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

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

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

Adjusted and net earnings per share as reported by Lifeco

Twelve months ended December 31	2021	2020
Adjusted net earnings per share ^{[1][2]}	3.507	2.878
Adjustments ^[3]	(0.142)	0.295
Net earnings per share^[1]	3.365	3.173

[1] Attributable to Lifeco common shareholders.

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

[3] See "Adjustments" section below.

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

Twelve months ended December 31	2021	2020
Adjusted net earnings (loss) ^{[1][2]}		
Canada	1,220	1,206
United States	671	273
Europe	830	688
Capital and Risk Solutions	547	536
Lifeco Corporate	(8)	(34)
	3,260	2,669
Adjustments ^{[3][4]}		
Actuarial assumption changes and other management actions	134	113
Market-related impacts on liabilities	24	(127)
Transaction costs related to acquisitions	(189)	(78)
Restructuring and integration costs	(66)	(67)
Tax legislative changes impact on liabilities	(21)	-
Net gain/charge on business dispositions	(14)	237
Revaluation of a deferred tax asset	-	196
	(132)	274
Net earnings (loss) ^[1]		
Canada	1,187	1,070
United States	499	380
Europe	976	913
Capital and Risk Solutions	532	614
Lifeco Corporate	(66)	(34)
Net earnings^[1]	3,128	2,943

[1] Attributable to Lifeco common shareholders.

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

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

[4] See "Adjustments" section below.

2021 vs. 2020

Net earnings	\$3,128 million or \$3.365 per share, compared with \$2,943 million or \$3.173 per share in the corresponding period in 2020, an increase of 6.1% on a per share basis.
Adjusted net earnings	\$3,260 million or \$3.507 per share, compared with \$2,669 million or \$2.878 per share in the corresponding period in 2020, an increase of 21.9% on a per share basis.

Canada

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

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

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

United States

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

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

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

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

Europe

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

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

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

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

Capital and Risk Solutions

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

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

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

Adjustments

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

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

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

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

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

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

IGM FINANCIAL

Contribution to Power Corporation

Twelve months ended December 31	2021	2020
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings		
As reported by IGM	601	474
Effect of consolidation ^[2]	(31)	2
	570	476
Adjustments		
As reported by IGM	5	1
Effect of consolidation ^[3]	(101)	(56)
	(96)	(55)
Non-controlling interests of Power Financial	-	(17)
Net earnings	474	404

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

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

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

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

Twelve months ended December 31	2021	2020
Adjusted net earnings per share ^{[1][2]}	4.05	3.20
Adjustments ^{[3][4]}	0.03	0.01
Net earnings per share^[1]	4.08	3.21

[1] Available to IGM common shareholders.

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

[3] See "Adjustments" section below.

[4] Described as "Other items" by IGM in its public disclosure.

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

Twelve months ended December 31	2021	2020
Wealth Management ^[1]	543	449
Asset Management ^[1]	241	158
Strategic Investments and Other ^[1]	187	156
Adjusted net earnings ^[2, 3]	971	763
Adjustments ^{[3][4]}	8	1
Net earnings^[2]	979	764

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

[2] Available to IGM common shareholders.

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

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

2021 vs. 2020

Net earnings	\$979 million or \$4.08 per share, compared with \$764 million or \$3.21 per share in the corresponding period in 2020, an increase of 27.1% on a per share basis.
Adjusted net earnings	\$971 million or \$4.05 per share, compared with \$763 million or \$3.20 per share in the corresponding period in 2020, an increase of 26.6% on a per share basis.

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

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

Wealth Management

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

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

Partially offset by:

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

Asset Management

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

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

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

- An increase in net investment income and other of \$3 million to \$6 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds, which are generally made in the process of launching a fund and are sold as third-party investors subscribe.

Partially offset by:

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

Assets under Management and Advisement

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

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

Total assets under management and advisement were as follows:

December 31 [In billions of dollars]	2021	2020
Wealth Management		
Assets under management	116.2	103.1
Other assets under advisement	36.4	29.5
Assets under advisement	152.6	132.6
Asset Management		
Assets under management excluding sub-advisory to Wealth Management	129.1	110.9
Sub-advisory to Wealth Management	81.2	74.2
Assets under management	210.3	185.1
Consolidated^[1]		
Assets under management	245.3	214.0
Other assets under advisement ^[2]	31.8	26.0
Total assets under management and advisement^[2]	277.1	240.0

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

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

Total average assets under management and advisement were as follows:

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

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

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

Adjustments

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

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

Adjustments in 2020 were \$1 million and consisted of:

- In the fourth quarter of 2020, adjusted net earnings excluded a positive impact of \$24 million. IGM recognized a gain on the sale of the investment in the Quadrus Group of Funds to Lifeco, net of acquisition costs, of \$21 million after tax (\$25 million pre-tax). The Corporation has not included the amount of the gain of \$30 million on the sale of Quadrus Group of Funds in its Adjustments as this gain was eliminated on consolidation. Also in the fourth quarter of 2020, a positive earnings impact of \$3 million, consisting of IGM's proportionate share of Lifeco's after-tax adjustments, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs.

- In the third quarter of 2020, adjusted net earnings excluded a net charge of \$23 million, consisting of restructuring and other charges of \$54 million after tax (\$75 million pre-tax) resulting from IGM's ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also from the acquisition of GLC and other changes to IGM's investment management teams, offset by a gain on the sale of the investment in Personal Capital of \$31 million after tax (\$37 million pre-tax). The Corporation has not included the amount of the gain on the sale of Personal Capital in its Adjustments as this gain was eliminated on consolidation. The Corporation recognized a gain as a result of the investment in Personal Capital being remeasured at fair value on the date control was acquired by Lifeco; this gain was not included as an Adjustment, in accordance with the Corporation's definition of Adjusted net earnings.

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

GBL

Contribution to Power Corporation

Twelve months ended December 31 [In millions of Canadian dollars]	2021	2020
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings (loss)		
As reported by GBL ^[2]	60	89
Effect of consolidation ^[3]	112	(56)
	172	33
Adjustments ^[2]	-	(6)
Non-controlling interests of Power Financial	-	(33)
Net earnings (loss)	172	(6)

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

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

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

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

Twelve months ended December 31 [In millions of Euros]	2021	2020
Share of earnings (loss) of associates and consolidated operating companies of:		
Imerys	132	16
Webhelp	40	27
Piolin II/Parques Reunidos	13	(72)
Canyon	(15)	-
Sienna Investment Managers	116	38
	286	9
Net dividends from investments:		
SGS	104	108
Holcim	65	89
Pernod Ricard	62	53
adidas	35	-
Umicore	31	11
MOWI	16	1
GEA	13	13
Other ^[1]	37	38
	363	313
Interest income (expenses)	(20)	(24)
Other financial income (expenses)	(164)	239
Other operating income (expenses)	(312)	(146)
Gains (losses) from disposals, impairments and reversals of non-current assets	125	1
Taxes	1	(1)
Net earnings (loss)^{[2][3]}	279	391

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

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

[3] Attributable to GBL shareholders.

2021 vs. 2020

Net earnings (loss) €279 million, compared with €391 million in the corresponding period in 2020, a decrease of 28.6%.

IAS 39 adjustments to the contribution of GBL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results

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

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

Partially offset by:

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

Adjustments

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

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

Average Exchange Rates

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

Twelve months ended December 31	2021	2020	Change %
Euro/CAD	1.483	1.530	(3.1)
SF/CAD	1.371	1.429	(4.1)

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

ALTERNATIVE AND OTHER INVESTMENTS

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

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

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

Contribution to Power Corporation

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

Twelve months ended December 31	2021	2020
Contribution to Power Corporation's:		
Adjusted net earnings (loss)		
Asset management activities		
Sagard	72	(3)
Power Sustainable	(31)	(22)
Investing activities (proprietary capital)		
Sagard	122	50
Power Sustainable	259	39
Standalone businesses	225	31
Investment and hedge funds and Other	38	17
	685	112
Adjustments		
Sagard	(100)	(22)
Power Sustainable	(15)	-
Standalone businesses	-	27
Net earnings	570	117

ASSET MANAGEMENT ACTIVITIES

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

Twelve months ended December 31	2021	2020
Sagard		
Management fees ^[1]	100	62
Investment platform expenses	(106)	(80)
	(6)	(18)
Net carried interest ^{[2][3]}	96	17
Share-based compensation ^[4]	(4)	-
Income taxes ^[4]	(5)	-
	81	(1)
Loss from Private Wealth platform ^[5]	(5)	(2)
Non-controlling interests ^[6]	(4)	-
	72	(3)
Power Sustainable		
Management and other fees ^[1]	28	9
Investment platform expenses	(60)	(31)
	(32)	(22)
Net performance fees and carried interest ^[2]	1	-
Income taxes ^[4]	-	-
	(31)	(22)
Net earnings (loss)	41	(25)

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

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

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

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

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

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

INVESTING ACTIVITIES

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

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

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

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

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

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

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

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

Impairment Charges

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

SAGARD

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

POWER SUSTAINABLE

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

STANDALONE BUSINESSES AND OTHER

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

Adjustments

SAGARD

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

POWER SUSTAINABLE

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

STANDALONE BUSINESSES

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

CHINAAMC

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

CORPORATE OPERATIONS

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

Operating and other expenses

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

Twelve months ended December 31	2021	2020
Operating expenses ^[1]	145	145
Financing charges ^[2]	54	55
Depreciation ^[3]	8	16
Income taxes	26	(52)
	233	164

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

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

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

INCOME TAXES

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

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

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

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

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

ADJUSTMENTS (excluded from adjusted net earnings)

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

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

[1] As reported by Lifeco and IGM.

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

[3] As previously reported by Pargesa.

Effect of consolidation

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

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

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

Corporate operations

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

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

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

Financial Position

CONSOLIDATED BALANCE SHEETS (condensed)

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

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

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

[2] Indirectly held through Parjointco.

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

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

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

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

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

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

[2] Indirectly held through Parjointco.

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

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

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

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

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

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

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

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

HOLDING COMPANY BALANCE SHEETS

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

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

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

[2] Indirectly held through Parjointco.

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

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

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

[6] Perpetual preferred shares issued by Power Financial.

Cash and cash equivalents

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

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

Investments

Investments in Lifeco, IGM and GBL (at equity)

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

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

[1] Indirectly held through Parjointco.

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

Alternative and other investments

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

Alternative and other investments are comprised of the following investments:

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

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

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

Investment in CHINAAMC

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

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

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

EQUITY

Non-participating shares

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

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

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

Participating shareholders' equity

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

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

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

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

Outstanding number of participating shares

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

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

Reorganization

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

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

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

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

Normal Course Issuer Bids

The Corporation's Normal Course Issuer Bid (NCIB) that commenced on February 20, 2020 expired on February 19, 2021. The Corporation did not make any purchases under this NCIB in the first quarter of 2021. The Corporation commenced a new NCIB on February 25, 2021 which was effective until the earlier of February 24, 2022 and the date on which the Corporation had purchased the maximum permitted number of Subordinate Voting

Shares. Pursuant to this bid, the Corporation was authorized to purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 17, 2021 (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding) at market prices.

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

Subsequent event

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

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

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

Adjusted Net Asset Value

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (condensed)

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

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

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

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

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

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

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

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

securitization entities by IGM, represented a net outflow of \$962 million in the twelve-month period ended December 31, 2021, compared with a net inflow of \$1,638 million in the corresponding period in 2020.

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

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

HOLDING COMPANY STATEMENTS OF CASH FLOWS

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

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

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

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

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

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

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

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

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

- Dividends paid on non-participating and participating shares by the Corporation of \$1,263 million, compared with \$1,133 million in the corresponding period in 2020. In the twelve-month period ended December 31, 2021, dividends paid on the Corporation's participating shares were \$1.790 per share, compared with \$1.7475 per share in the corresponding period in 2020.
- Dividends paid on preferred and common shares by Power Financial, net of those received by the Corporation, of \$137 million, compared with \$246 million in the corresponding period in 2020.
- No issuance of participating preferred shares, compared with issuance for an amount of \$206 million as part of the Reorganization in the corresponding period in 2020.
- Repurchase of \$153 million of subordinate voting shares, as part of the NCIB, compared with repurchase for an amount of \$193 million in the corresponding period in 2020.

- Issuance of \$200 million of perpetual preferred shares, compared with no issuance in 2020.

- Repurchase of \$200 million of perpetual preferred shares, compared with no repurchase in 2020.

- Decrease in other debt instruments of \$106 million, compared with an increase of \$63 million in the corresponding period in 2020.

- Issuance of subordinate voting shares of the Corporation for \$96 million pursuant to the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan, compared with issuance for an amount of \$42 million in the corresponding period in 2020.

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

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

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

Capital Management

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

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

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

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

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

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

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

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

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

POWER CORPORATION

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

Subsequent events

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

POWER FINANCIAL

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

LIFECO

- During 2021, Lifeco made payments of US\$500 million on its committed line of credit related to its acquisition of MassMutual's retirement services business (December 31, 2020), reducing the balance drawn on this line to nil.
- As part of Lifeco's announcement on July 21, 2021 that its U.S. subsidiary, Empower, had reached a definitive agreement to acquire Prudential's full-service retirement business, Lifeco announced that the transaction was expected to be funded with approximately US\$1.19 billion of LRCN Series 1, up to US\$1.0 billion of short-term debt, and existing internal resources.
- On August 16, 2021, Lifeco issued \$1.5 billion aggregate principal amount 3.60% LRCN Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081. The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum, payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026, and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield as defined in the trust indenture governing the LRCN Series 1, plus 2.641%.
- On October 8, 2021, Lifeco issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series Y at \$25.00 per share for gross proceeds of \$200 million.
- On December 31, 2021, Lifeco redeemed all of its outstanding 5.90% Non-Cumulative First Preferred Shares, Series F for a total of \$194 million.

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

RATINGS

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

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

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

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

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

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

Risk Management

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

RISK OVERSIGHT

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

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

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

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

The following section discusses the risks specific to the Corporation including the liquidity risk, credit risk and market risk of the Corporation including Power Financial and the investment platforms.

For additional information on risk management at Lifeco and IGM, refer to their annual MD&As.

COVID-19

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

For additional information on the risks and processes in place at Lifeco and IGM, refer to their annual MD&As.

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

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

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

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

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

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

STRATEGIC RISK

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

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

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

LIQUIDITY RISK

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

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

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

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

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

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

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

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

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

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

CREDIT RISK AND MARKET RISK

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

Credit risk

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

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

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

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

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

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

Market risk

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

Foreign Exchange Risk

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

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

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

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

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

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

Interest Rate Risk

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

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

Equity Risk

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

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

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

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

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

Power Corporation's management of financial instruments risk has not changed materially since December 31, 2020. For a further discussion of Power Corporation's risk management, please refer to Note 22 to the Corporation's 2021 Consolidated Financial Statements. Lifeco's and IGM's annual MD&As further describe their management of financial instruments risk.

OPERATIONAL RISK

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

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

Cybersecurity risk

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

Regulatory compliance risk

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

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

REPUTATION RISK

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

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

SUSTAINABILITY RISK

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

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

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

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

OTHER RISKS

Tax Risk

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

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

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

Geopolitical Risk

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

Emerging Risks

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

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

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

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

During the twelve-month period ended December 31, 2021, there was an increase of \$7.2 billion in the notional amount of derivatives outstanding, primarily due to regular hedging activities and increases to net investment hedges by Lifeco. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to \$1,049 million at December 31, 2021 from \$973 million at December 31, 2020. The increase was primarily due to the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency

swaps that pay British pounds and euros and receive U.S. dollars, offset by a decrease in value of the call rights held by Power Sustainable to purchase additional shares of Lion, as a portion of the call rights were exercised during the second quarter of 2021, as well as related fair value decreases.

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

Off-Balance Sheet Arrangements

GUARANTEES

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

LETTERS OF CREDIT

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

Contingent Liabilities

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

Commitments and Contractual Obligations

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

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

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

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

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

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

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

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

Income Taxes

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

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

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

Transactions with Related Parties

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

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

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

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

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

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

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

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

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

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

Summary of Critical Accounting Estimates and Judgments

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

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

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

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

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

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

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

CONSOLIDATION

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

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

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

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

INSURANCE AND INVESTMENT CONTRACT LIABILITIES Measurement

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

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

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

Additional details regarding these estimates can be found in Note 12 to the Corporation's 2021 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

Equity-release mortgages at fair value through profit or loss

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

Bonds and mortgage and other loans classified as loans and receivables

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

Investment properties

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

IMPAIRMENT OF INVESTMENTS

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

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

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

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

GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS IMPAIRMENT TESTING

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

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

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

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

INCOME TAXES

Current income tax

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

Deferred income tax

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

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

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

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

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

Changes in Accounting Policies

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

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

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

Future Accounting Changes

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

Standard	Summary of future changes
IFRS 17 – <i>Insurance Contracts</i>	<p>In May 2017, the IASB issued IFRS 17, <i>Insurance Contracts</i>, which will replace IFRS 4, <i>Insurance Contracts</i>. In June 2020 the IASB issued amendments to IFRS 17. The amended confirmed effective date for the standard is January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, <i>Financial Instruments</i>, keeping the alignment of the effective dates for IFRS 9 and IFRS 17.</p> <p>The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that Lifeco has representation on. Lifeco continues to make progress in implementing its project plan, with key policy decisions near final as well as significant progression on the technology solution.</p> <p>IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of:</p> <ul style="list-style-type: none"> (a) the fulfilment cash flows: the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin: the future profit for providing insurance coverage. <p>Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the CALM, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to the Corporation's significant accounting policies in Note 2 of the 2021 Consolidated Financial Statements).</p> <p>The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires Lifeco to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. Lifeco is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption. Specifically, the recognition of the contractual service margin liabilities will also have the effect of reducing retained earnings.</p> <p>IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimize potential industry-wide capital impacts. Lifeco continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or Lifeco's business model.</p>

Standard	Summary of future changes
Current implication of IFRS 9 – <i>Financial Instruments</i>	<p>In July 2014, the IASB issued a final version of IFRS 9, <i>Financial Instruments</i> to replace IAS 39, <i>Financial Instruments: Recognition and Measurement</i>. The standard provides changes to financial instruments accounting for the following:</p> <ul style="list-style-type: none"> ■ Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. ■ Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model. ■ Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities. <p>In September 2016, the IASB issued an amendment to IFRS 4, <i>Insurance Contracts</i>. The amendment "Applying IFRS 9, <i>Financial Instruments</i> with IFRS 4, <i>Insurance Contracts</i>" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows:</p> <ul style="list-style-type: none"> ■ <i>Deferral Approach</i>: provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or ■ <i>Overlay Approach</i>: provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. <p>The Corporation qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17, simultaneously.</p> <p>The disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Corporation and Lifeco do not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Corporation and Lifeco continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.</p> <p>In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17. The Amendment, <i>Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)</i>, provides entities that first apply IFRS 17 and IFRS 9 at the same time with the option to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying this option, an entity is not required to apply the impairment requirements of IFRS 9.</p> <p>GBL (held through Parjointco), a jointly controlled corporation, does not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted although not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation has decided to continue applying IAS 39 to GBL's results.</p>
IAS 1 – <i>Presentation of Financial Statements</i>	<p>In February 2021, the IASB published <i>Disclosure of Accounting Policies</i>, amendments to IAS 1, <i>Presentation of Financial Statements</i>. The amendments clarify how an entity determines whether accounting policy information is material.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p>In February 2021, the IASB published <i>Definition of Accounting Estimates</i>, amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments clarify the difference between an accounting policy and an accounting estimate.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IAS 12 – <i>Income Taxes</i>	<p>In May 2021, the IASB published <i>Deferred Tax Related to Assets and Liabilities from a Single Transaction</i>, amendments to IAS 12, <i>Income Taxes</i>. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IAS 37 – <i>Provisions, Contingent Liabilities, and Contingent Assets</i>	<p>In May 2020, the IASB issued amendments to IAS 37, <i>Provisions, Contingent Liabilities, and Contingent Assets</i>. The amendments specify which costs should be included when assessing whether a contract will be loss-making.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of this amendment.</p>

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

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

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

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

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

Power Financial Corporation

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

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

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

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

OTHER SUPPLEMENTAL INFORMATION OF POWER FINANCIAL

First Preferred Shares Issued and Outstanding

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

First Preferred Shares

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

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

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

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

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

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

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

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

Non-IFRS Financial Measures

NON-IFRS FINANCIAL MEASURES

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

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

Non-IFRS financial measure (continued)	Definition	Purpose
Consolidated assets and assets under management and Consolidated assets and assets under administration	<p>Consolidated assets and assets under management includes total assets per the financial statements as well as assets managed on behalf of clients which are beneficially owned by clients and are not recognized in the consolidated financial statements including:</p> <ul style="list-style-type: none"> Internally and externally managed funds, including proprietary mutual funds, where the Corporation's publicly traded operating subsidiaries and alternative asset investment platforms have oversight of the investment policies; and The fair value of assets managed on behalf of the clients by asset managers controlled within the investment platforms, including assets managed through a separately managed agreement. <p>Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.</p> <p>Consolidated assets and assets under administration includes consolidated assets under management and other assets under administration. Other assets under administration includes assets where the Corporation's consolidated publicly traded operating subsidiaries and investment management services businesses only provide administration services for which they earn fees and other income. These assets are beneficially owned by the clients and the Corporation's operating subsidiaries do not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services.</p>	<p>Consolidated assets and assets under management and Consolidated assets and assets under administration provide an indicator of the size and volume of the Corporation's consolidated businesses, including the publicly traded operating companies and alternative asset investment platforms.</p> <p>Consolidated assets and assets under administration includes assets in which the Corporation's consolidated publicly traded operating subsidiaries and investment management services businesses only provide administration services, which are an important aspect of the overall business and should be considered when comparing volumes, size and trends.</p>
Non-IFRS ratio	Definition	Purpose
Adjusted net earnings per share	<p>Earnings per share calculated using adjusted net earnings.</p> <p>Adjusted net earnings divided by the weighted average number of participating shares outstanding.</p>	Assists in comparing adjusted net earnings on a per share basis, refer to "Adjusted net earnings" definition above.
Adjusted net asset value per share	<p>Adjusted net asset value calculated on a per share basis.</p> <p>Adjusted net asset value divided by the number of participating shares outstanding.</p>	Assists the reader in comparing the adjusted net asset value on a per share basis, refer to "Adjusted net asset value" definition above.

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

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

Adjusted Net Earnings

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

Twelve months ended December 31	2021	2020
Adjusted net earnings – Non-IFRS financial measure ^{[1][4]}	3,230	1,988
Share of Adjustments ^[2] , net of tax		
Lifeco	(89)	74
IGM	(96)	(55)
GBL ^[3]	–	(6)
Alternative and other investments	(115)	5
Corporate operations	(13)	(8)
Attributable to non-controlling interests of Power Financial	–	(4)
	(313)	6
Net earnings – IFRS financial measure ^[1]	2,917	1,994

[1] Attributable to participating shareholders of Power Corporation.

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

[3] Previously reported by Pargesa.

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

Comparative Figures

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

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

Adjustments (Excluded from Adjusted Net Earnings)

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

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

[1] As reported by Lifeco and IGM.

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

[3] As previously reported by Pargesa.

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

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

OTHER MEASURES

This review of financial performance also includes other measures, which include:

Term	Definition
Assets under management and administration	Operating asset management and investment management services businesses within the Power Group, including IGM, alternative asset managers and Wealthsimple, present the total value of assets managed or administered which are beneficially owned by clients and are not recognized in the consolidated financial statements. The composition of the assets under management and administration is relative to the activities of the asset managers and are further defined as follows:
Assets under management and advisement of IGM	Assets under management are client assets where IGM provides investment management services, and include investment funds where IGM is the fund manager, investment advisory mandates to institutions, and other client accounts where IGM has discretionary portfolio management responsibilities. Assets under advisement represents savings and investment products, including assets under management where IGM provides investment management services, held within client accounts of IGM's Wealth Management segment's operating companies.
Assets under management of alternative asset investment platforms	Assets under management of investment platforms include: <ul style="list-style-type: none"> ■ Net asset value of the investment funds and co-investment vehicles managed, including unfunded commitments and unused permanent leverage; ■ Gross asset value of investment funds managed within the real estate platform; ■ Fair value of assets managed on behalf of the Corporation and clients by asset managers controlled within the investment platforms, including assets managed through a separately managed agreement; and ■ Fair value of equity interests in standalone businesses.
Assets under administration of Wealthsimple	Assets under administration includes the total value of assets held on behalf of clients and includes client assets in which investment management services are provided.
Book value per participating share	Represents Power Corporation's participating shareholders' equity divided by the number of participating shares outstanding at the end of the reporting period.
Carried interest	Carried interest is earned through a contractual arrangement between alternative asset managers and the funds managed in which the asset manager earns a fixed percentage of investment returns over a predetermined hurdle return.
Market capitalization	Represents the aggregate market value of a company. Market capitalization is determined at a point in time and represents the number of outstanding shares multiplied by the closing share price.
Net asset value reported by GBL	On a quarterly basis, GBL reports its net asset value as it represents an important criterion used in assessing its performance. GBL's net asset value represents the fair value of its investment portfolio, its gross cash and treasury shares, less its gross debt. GBL's investments held in listed entities are measured at their market value and its investments in private entities are measured using the recommendations of the International Private Equity and Venture Capital Valuation Guidelines, which represents GBL's management best estimate. Sienna Investment Managers' portfolio of investments is measured by adding all investments at fair value provided by the fund managers with Sienna investment Managers' net cash, less its net debt. For more information on GBL's net asset value and valuation principles, refer to its website (www.gbl.be).
Net asset value of investment funds	Net asset value of investment funds represents the fair value of the investments held within the fund, net of any liabilities.
Net carried interest	Represents carried interests earned, net of direct employee costs which are usually recognized over the vesting period.
Unfunded commitments	Represents the capital that has been committed by limited partners, but not called by the fund. In some cases, unfunded commitments include distributions, which are recallable by the fund.

Selected Annual Information

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

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

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

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

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

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

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

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

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

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

Consolidated Financial Statements

Consolidated Balance Sheets

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

Approved by the Board of Directors

Signed,

Siim A. Vanaselja
Director

Signed,

R. Jeffrey Orr
Director

Consolidated Statements of Earnings

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

Consolidated Statements of Comprehensive Income

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

Consolidated Statements of Changes in Equity

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

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

Consolidated Statements of Cash Flows

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

Notes to the Consolidated Financial Statements

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

NOTE 1 Corporate Information

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

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

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

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

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

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

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

Subsidiaries

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

Jointly Controlled Corporations and Associates

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

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**Principal subsidiaries, jointly controlled corporations and associates**

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

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

[1] Power Corporation and Mackenzie Investments each hold an equity interest of 13.9% in ChinaAMC.

[2] Power Financial holds a 66.7% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco (66.8% and 4.0%, respectively, at December 31, 2020).

[3] Lifeco holds 100% of the voting shares and 96.2% of the total outstanding shares (96.3% at December 31, 2020).

[4] Power Financial holds a 61.7% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (62.1% and 3.9%, respectively, at December 31, 2020).

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

[6] Parjointco has a 44.2% voting interest in GBL (43.2% at December 31, 2020).

[7] Power Corporation holds a 40% equity interest and Lifeco holds a 15% equity interest in Power Sustainable Energy Infrastructure Partnership.

[8] On March 26, 2021, the asset management activities of Sagard were transferred into Sagard Holdings Management Inc., a newly formed subsidiary of Sagard. Power Corporation and Lifeco hold an equity interest of 86.3% and 6.6%, respectively, in Sagard Holdings Management Inc.

[9] Power Financial, Portage I and IGM Financial hold an equity interest of 13.7%, 10.9% and 30.2%, respectively, in Wealthsimple (18.7%, 14.8% and 41.4%, respectively, at December 31, 2020).

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

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

[12] Sagard, Lifeco and IGM Financial hold an equity interest of 2.8%, 10.2% and 4.6%, respectively, in Portage III.

[13] Sagard and Lifeco hold an equity interest of 7.5% and 25.0%, respectively, in Sagard Private Equity Canada.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**REORGANIZATION AND ACQUISITION OF COMMON SHARES IN POWER FINANCIAL**

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

CHANGE IN ACCOUNTING POLICIES

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

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

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

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

The provision for future credit losses within Lifeco's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, Lifeco's practice is to use third-party independent credit ratings

where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating. Given rapid market changes, third-party credit rating changes may lag developments in the current environment.

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

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

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Evaluation of control	Management of the Corporation and of its subsidiaries	Determining if the Corporation has the ability to direct the relevant activities of the subsidiaries, including investment funds or other structured entities, in order to derive variable returns. Judgment is exercised in evaluating the variable returns and in determining the extent to which the Corporation has the ability to exercise power to affect variable returns.	2
Fair value of assets acquired and liabilities assumed	Management of the Corporation and of its subsidiaries	Determining the fair value of assets acquired and liabilities assumed in a business combination requires judgment.	3
Evaluation of significant influence and joint control	Management of the Corporation and of its subsidiaries	Determining if the Corporation exercises significant influence over the entity's operating and financing policies, or if unanimous consent is required for decisions relating to relevant activities.	2
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.	12
Valuation of insurance and certain investment contract liabilities in accordance with CALM	Management of Lifeco	Determining the actuarial assumptions, including interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders.	12

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Provision for future credit losses within certain insurance contract liabilities	Management of Lifeco	The provision for future credit losses within insurance contract liabilities is based on investment credit ratings. Lifeco's practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.	12
Fair value of financial instruments	Management of the Corporation and of its subsidiaries	Determining fair value inputs to establish the fair value of financial instruments, particularly those items categorized within Level 3 of the fair value hierarchy.	27
Fair value of equity-release mortgages	Management of Lifeco	Internal valuation models are used to determine the fair value of equity-release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows and discount rates.	5
Fair value of investment properties	Management of Lifeco	Independent qualified appraisal services are used to determine the fair value of investment properties, which use assumptions that include judgments and estimates. These appraisals are adjusted by applying management's judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions.	5
Initial recognition and measurement of goodwill and intangible assets, as well as subsequent measurement	Management of the Corporation and of its subsidiaries	Evaluating the synergies and future benefits in business combinations for initial recognition and measurement of goodwill and intangible assets as well as determining the recoverable amount. The determination of the recoverable amount of the cash generating units (to which goodwill and intangible assets are assigned) relies upon valuation methodologies that require the use of estimates.	3, 10
Determination of cash generating unit groupings	Management of the Corporation and of its subsidiaries	Determining the cash generating unit groupings as the lowest level at which the assets are monitored for internal reporting purposes.	10
Measurement of the pension plans and other post-employment benefit obligations	Management of the Corporation and of its subsidiaries	Determining the actuarial assumptions used to determine the expense for the current year and defined benefit obligations for pension plans and other post-employment benefits. In evaluating the assumptions to be used, management reviews the previous experience of related plan members and market conditions, including interest rates and inflation rates.	25
Recognition and measurement of tax provisions and tax assets and liabilities	Management of the Corporation and of its subsidiaries	Interpreting the relevant tax laws, regulations and legislation where the Corporation and its subsidiaries operate to determine the tax provisions and the carrying amounts of the tax assets and liabilities.	17
Recoverability of deferred tax asset carrying values	Management of the Corporation and of its subsidiaries	Assessing the recoverability of the deferred tax asset carrying values based on future years' taxable income projections.	17
Recognition and measurement of legal and other provisions	Management of the Corporation and of its subsidiaries	Assessing whether a past event will result in a probable outflow of economic resources to settle the obligation. Judgment is used in evaluating the possible outcomes and risks to determine the best estimate of the provision at the balance sheet date.	31
Derecognition of securitization mortgages	Management of IGM	Determining whether securitized mortgages are derecognized requires judgment with respect to the extent to which the risks and rewards of ownership are transferred.	13

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Classification of purchases and sales of portfolio investments in the statements of cash flows	Management of the Corporation and of its subsidiaries	Determining if purchases and sales of portfolio investments are long term in nature, which would result in recording them within investment activities in the consolidated statements of cash flows.	n/a
Classification of revenues and expenses in sub-advisor arrangements	Management of Lifeco	Determining whether Lifeco retains the primary obligation with a client in sub-advisor arrangements. Where Lifeco retains the primary obligation to the client, revenues and expenses are recorded on a gross basis.	n/a
Deferred selling commissions	Management of IGM	Determining whether the client or the fund is the customer, as well as the assessment of the recoverability of the deferred selling commissions.	9
Deferred acquisition costs	Management of Lifeco	Determining whether deferred acquisition costs can be recognized on the consolidated balance sheets. Deferred acquisition costs are recognized if Lifeco's management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract.	9
Classification of non-controlling interests in limited-life fund units and redeemable fund units	Management of the Corporation and of its subsidiaries	Determining if non-controlling interests in funds are classified as liabilities or equity depends on whether an obligation exists to distribute residual net assets to non-controlling interests on liquidation in the form of cash or another financial asset or assets delivered in kind. Judgment is used to determine what the governing documents of each entity require or permit in this regard.	16

SIGNIFICANT ACCOUNTING POLICIES**REVENUE RECOGNITION**

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

Lifeco

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

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

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

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

IGM Financial

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

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

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

Other subsidiaries

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

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

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

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

Fair value through profit or loss investments are recorded at fair value on the balance sheets with realized and unrealized gains and losses reported in the statements of earnings. Available-for-sale investments are recorded at fair value on the balance sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses are reclassified from other comprehensive income and recorded in net investment income in the statements of earnings when the available-for-sale investment is sold or impaired.

Investments in mortgage and other loans and bonds not actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned, impairments and realized gains and losses on the sale of investments classified as loans and receivables are recorded in net investment income in the statements of earnings.

Investment properties consist of real estate held to earn rental income or for capital appreciation that have an insignificant portion that is owner-occupied or where there is no intent to occupy on a long-term basis. Properties that do not meet these criteria are classified as owner-occupied properties. Investment properties are initially measured at cost and subsequently carried at fair value on the balance sheets. Changes in fair value are recorded as net investment income in the statements of earnings.

Loans to policyholders of Lifeco are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. The carrying value of loans to policyholders approximates fair value.

Fair value measurement

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

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

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

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

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

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

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

Fair values of publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values of shares for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis,

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

review of price movements relative to the market and utilization of information provided by the underlying investment manager. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure shares at fair value.

Equity-release mortgages at fair value through profit or loss

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

Bonds and mortgage and other loans classified as loans and receivables

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

Investment properties

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

Impairment

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

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

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

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

Securities lending

Lifeco engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within investments, as Lifeco retains substantial risks and rewards and economic benefits related to the loaned securities.

TRANSACTION COSTS

Transaction costs related to financial instruments classified or designated as fair value through profit or loss are expensed as incurred. Transaction costs related to financial assets classified as available for sale or loans and receivables are included in the value of the instrument at acquisition, and recorded in net earnings using the effective interest method. Transaction costs related to financial liabilities classified as other than fair value through profit or loss are deducted from the value of the instrument issued and recorded in net earnings using the effective interest method.

OWNER-OCCUPIED PROPERTIES AND CAPITAL ASSETS

Owner-occupied properties and capital assets include right-of-use assets.

Owner-occupied properties and capital assets are carried at cost less accumulated depreciation, disposals and impairments. Capital assets include equipment, renewable power generating assets, furniture and fixtures. Owner-occupied properties and capital assets are depreciated using the straight-line method, over their estimated useful lives, as follows: i) owner-occupied properties (10 to 50 years); and ii) capital assets (3 to 25 years).

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

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

LEASES

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's or its subsidiaries' incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within financing charges.

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

The Corporation and its subsidiaries do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within operating and administrative expenses.

Where the Corporation and its subsidiaries are the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the balance sheets. Income from these leases is recognized in the statements of earnings on a straight-line basis over the lease term.

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Where the Corporation and its subsidiaries are the lessor under a finance lease, the investment is recognized as a receivable at an amount equal to the net investment in the lease which is the present value of the minimum lease payments due from the lessee presented within the balance sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the statements of earnings at a constant periodic rate of return on net investment in the finance lease.

OTHER ASSETS

Other assets include premiums in course of collection, accounts receivable and interest receivable, trading account assets, client funds on deposit, prepaid expenses, deferred acquisition costs, deferred selling commissions and miscellaneous other assets which are measured at amortized cost.

Trading account assets consist of investments in sponsored funds, open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds.

Client funds on deposit represent cash balances held in client accounts deposited at Canadian financial institutions.

Deferred acquisition costs

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

Deferred selling commissions

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

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

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

BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of purchase consideration over the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets comprise finite life and indefinite life intangible assets. Finite life intangible assets include the value of technology and software, certain customer contracts and power purchase agreements. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives as follows: i) technology and software (3 to 10 years); ii) customer contract-related (7 to 30 years); and iii) power purchase agreements (20 years).

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

Impairment testing

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

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

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

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

SEGREGATED FUNDS

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the balance sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and change in fair value of the segregated fund assets are offset by corresponding changes in the segregated fund liabilities.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**INSURANCE AND INVESTMENT CONTRACT LIABILITIES****Contract classification**

When significant insurance risk exists, Lifeco's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Significant insurance risk exists when Lifeco agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to Note 12 for a discussion on Lifeco's insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Lifeco has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to Note 22 for a discussion on Lifeco's risk management.

Measurement

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

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

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

REINSURANCE CONTRACTS

Lifeco, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by Lifeco underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, Lifeco remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. Lifeco considers various factors in the impairment evaluation process, including, but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the statements of earnings.

Any gains or losses on buying reinsurance are recognized in the statement of earnings immediately at the date of purchase in accordance with the CALM.

Assets and liabilities related to reinsurance are reported on a gross basis in the balance sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

FUNDS HELD BY CEDING INSURERS / FUNDS HELD UNDER REINSURANCE CONTRACTS

On the asset side, funds held by ceding insurers are assets that would normally be paid to Lifeco but are retained by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds-withheld basis supporting the insurance or investment contract liabilities ceded. For the funds-withheld assets where the underlying asset portfolio is managed by Lifeco, the credit risk is retained by Lifeco. The funds-withheld balance where Lifeco assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See Note 6 for funds held by ceding insurers that are managed by Lifeco. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds-withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by Lifeco from ceded business written on a funds-withheld basis. Lifeco withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

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

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

DERECOGNITION OF SECURITIZED MORTGAGES

IGM enters into transactions where it transfers financial assets recognized on its balance sheets. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred.

If substantially all of the risks and rewards of a financial asset are not retained, IGM derecognizes the financial asset. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in net investment income in the statements of earnings.

If all or substantially all risks and rewards are retained, the financial assets are not derecognized and the transactions are accounted for as secured financing transactions.

DEBENTURES AND OTHER DEBT INSTRUMENTS

Debentures and other debt instruments, including capital trust debentures, are initially recorded on the balance sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing charges in the statements of earnings. These liabilities are derecognized when the obligation is expired, cancelled or redeemed.

OTHER LIABILITIES

Other liabilities include accounts payable, bank overdraft, dividends and interest payable, lease liabilities, deferred income reserves, deposits and certificates and other miscellaneous liabilities which are measured at amortized cost. Deferred income reserves related to investment contracts are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not exceeding 20 years.

Provisions are recognized within other liabilities when the Corporation or its subsidiaries have a present obligation, either legal or constructive, as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount. Provisions are measured based on management of the Corporation and of its subsidiaries' best estimate at the balance sheet date. The Corporation recognizes a provision for restructuring when a detailed formal plan for the restructuring has been established and the plan has raised a valid expectation in those affected that the restructuring will occur.

Limited-life fund units represent the interest held by third parties in funds consolidated by the Corporation. These fund units have a defined maximum fixed life where the Corporation has an obligation to distribute the residual interests of the fund to fund partners based on their proportionate share of the fund's equity in the form of cash or other financial assets at the end of the fund's life. Redeemable fund units represent interests held by third parties in funds consolidated by the Corporation that have a redemption feature that requires the fund to deliver cash or other financial assets to the holders of the units upon receiving a redemption notice. Limited-life funds and redeemable fund units are classified as financial liabilities and recorded at fair value. Changes in the value are recorded in operating and administrative expenses in the statements of earnings in the period of the change.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are included in operating and administrative expenses.

Remeasurements represent actuarial gains and losses and the actual return on plan assets, less interest calculated at the discount rate, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.

The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).

Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or recovery in the statements of earnings, except to the extent that it relates to items that are not recognized in the statements of earnings (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income tax

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

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**Deferred income tax**

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage revenues and asset, liability and capital positions. The Corporation and its subsidiaries' policies prohibit the use of derivative instruments for speculative trading purposes.

Derivatives are measured at fair value and recorded on the balance sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income in the statements of earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information

in the market. The Corporation and its subsidiaries generally use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently, as if there was no hedging relationship.

Where a hedging relationship exists, the Corporation and its subsidiaries document all relationships between hedging instruments and hedged items, as well as their risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheets or to specific firm commitments or forecasted transactions. The Corporation and its subsidiaries also assess, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting change in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing. Hedge accounting is discontinued when the hedge no longer qualifies for hedge accounting.

Fair value hedges

Fair value hedges are used to manage the exposure to change in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, change in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

Cash flow hedges

Cash flow hedges are used to manage the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. For cash flow hedges, the effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income, while the ineffective portion is recognized immediately in net investment income. Gains and losses on cash flow hedges that accumulate in other comprehensive income are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when a forecasted transaction is no longer expected to occur.

Net investment hedges

Net investment hedges are used to manage the exposure to changes in the reporting entity's share in the net share of a foreign operation. For net investment hedges, the effective portion of changes in the fair value of the hedging instrument is recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within other comprehensive income and will be reclassified into net earnings when the investments are derecognized.

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

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the statement of earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

EQUITY

Preferred shares are classified as equity if they are non-redeemable or if they are retractable only at the Corporation's option and if any dividends are discretionary. Costs that are directly attributable to the issue of share capital are recognized as a reduction from retained earnings, net of income tax.

Reserves are composed of share-based compensation and other comprehensive income. Share-based compensation reserve represents the vesting of options less options exercised. Other comprehensive income represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the actuarial gains (losses) on defined benefit pension plans, the unrealized gains (losses) on available-for-sale investments, the unrealized gains (losses) on cash flow hedges, the re-evaluation surplus on transfer to investment properties and the share of other comprehensive income of jointly controlled corporations and associates.

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

Limited recourse capital notes

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

SHARE-BASED PAYMENTS

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

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

FOREIGN CURRENCY TRANSLATION

The Corporation and its subsidiaries operate with multiple functional currencies. The Corporation's financial statements are prepared in Canadian dollars, which is the functional and presentation currency of the Corporation.

Assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at exchange rates prevailing at the balance sheet dates for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses denominated in foreign currencies are translated into each entity's functional currency at an average of daily rates. Realized and unrealized exchange gains and losses are included in net investment income.

Translation of net investment in foreign operations

Foreign operations are subsidiaries, jointly controlled corporations, associates and/or business units with functional currencies other than the Canadian dollar. Assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all revenues and expenses are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Corporation's net investment in its foreign operations are presented as a component of other comprehensive income. Unrealized foreign currency translation gains and losses are recognized proportionately in net earnings when there has been a disposal of a foreign operation.

EARNINGS PER PARTICIPATING SHARE

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

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**FUTURE ACCOUNTING CHANGES**

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

Standard	Summary of future changes
IFRS 17 – <i>Insurance Contracts</i>	<p>In May 2017, the IASB issued IFRS 17, <i>Insurance Contracts</i>, which will replace IFRS 4, <i>Insurance Contracts</i>. In June 2020 the IASB issued amendments to IFRS 17. The amended confirmed effective date for the standard is January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, <i>Financial Instruments</i>, keeping the alignment of the effective dates for IFRS 9 and IFRS 17.</p> <p>The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that Lifeco has representation on. Lifeco continues to make progress in implementing its project plan, with key policy decisions near final as well as significant progression on the technology solution.</p> <p>IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of:</p> <ul style="list-style-type: none"> (a) the fulfilment cash flows: the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin: the future profit for providing insurance coverage. <p>Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the CALM, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to Note 2).</p> <p>The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires Lifeco to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. Lifeco is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption. Specifically, the recognition of the contractual service margin liabilities will also have the effect of reducing retained earnings.</p> <p>IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimize potential industry-wide capital impacts. Lifeco continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or Lifeco's business model.</p>

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

Standard	Summary of future changes
Current implication of IFRS 9 – <i>Financial Instruments</i>	<p>In July 2014, the IASB issued a final version of IFRS 9, <i>Financial Instruments</i> to replace IAS 39, <i>Financial Instruments: Recognition and Measurement</i>. The standard provides changes to financial instruments accounting for the following:</p> <ul style="list-style-type: none"> ■ Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. ■ Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model. ■ Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities. <p>In September 2016, the IASB issued an amendment to IFRS 4, <i>Insurance Contracts</i>. The amendment "Applying IFRS 9, <i>Financial Instruments</i> with IFRS 4, <i>Insurance Contracts</i>" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows:</p> <ul style="list-style-type: none"> ■ <i>Deferral Approach</i>: provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or ■ <i>Overlay Approach</i>: provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. <p>The Corporation qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17, simultaneously.</p> <p>The disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Corporation and Lifeco do not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Corporation and Lifeco continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.</p> <p>In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17. The Amendment, <i>Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)</i>, provides entities that first apply IFRS 17 and IFRS 9 at the same time with the option to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying this option, an entity is not required to apply the impairment requirements of IFRS 9.</p> <p>GBL (held through Parjointco), a jointly controlled corporation, does not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted although not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation has decided to continue applying IAS 39 to GBL's results.</p>
IAS 1 – <i>Presentation of Financial Statements</i>	<p>In February 2021, the IASB published <i>Disclosure of Accounting Policies</i>, amendments to IAS 1, <i>Presentation of Financial Statements</i>. The amendments clarify how an entity determines whether accounting policy information is material.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p>In February 2021, the IASB published <i>Definition of Accounting Estimates</i>, amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments clarify the difference between an accounting policy and an accounting estimate.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IAS 12 – <i>Income Taxes</i>	<p>In May 2021, the IASB published <i>Deferred Tax Related to Assets and Liabilities from a Single Transaction</i>, amendments to IAS 12, <i>Income Taxes</i>. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IAS 37 – <i>Provisions, Contingent Liabilities, and Contingent Assets</i>	<p>In May 2020, the IASB issued amendments to IAS 37, <i>Provisions, Contingent Liabilities, and Contingent Assets</i>. The amendments specify which costs should be included when assessing whether a contract will be loss-making.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of this amendment.</p>

NOTE 3 Business Acquisitions and Other Transactions

LIFECO

Acquisition of MassMutual retirement services business

On December 31, 2020 Great-West Life & Annuity completed the purchase, via indemnity reinsurance, of the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual). Lifeco assumed the economics and risks associated with the reinsured business. The acquisition strengthens Lifeco's position as a leader in the U.S. retirement market.

Lifeco paid a ceding commission of \$2,937 million (US\$2,312 million) net of working capital adjustments to MassMutual, and funded the transaction with existing cash, short-term debt and \$1,973 million (US\$1,500 million) in long-term debt issued on September 17, 2020.

During the fourth quarter of 2021, Lifeco completed its comprehensive valuation of the fair value of the net assets acquired from MassMutual, and the purchase price allocation.

The ceding commission net of working capital adjustments was adjusted from \$2,937 million to \$2,738 million (US\$2,312 million to US\$2,156 million).

The initial goodwill presented in the Corporation's December 31, 2020 financial statements of \$2,827 million (US\$2,226 million) was adjusted to \$1,807 million (US\$1,423 million). Adjustments were made to the provisional amounts

disclosed in the Corporation's December 31, 2020 financial statements for the recognition and measurement of intangible assets, assets acquired and liabilities assumed. Intangible assets recognized include customer contracts of \$844 million (US\$665 million) and proprietary mutual fund contracts of \$337 million (US\$265 million), which are net of \$73 million (US\$58 million) of amortization at December 31, 2021.

Comparative information in the Corporation's financial statements has not been restated.

Lifeco determined the fair value of the intangible assets and insurance contract liabilities acquired, using valuation techniques that incorporate projections of cash flows and discount rates. The valuation of intangible assets acquired is determined by applying judgments and estimates for forecasted revenues and earnings, and discount rates. Further, the valuation of the actuarial liabilities assumed are determined by applying judgments and assumptions to determine appropriate valuation models, and projections of cash inflows and outflows using the best estimate of future experience, specifically policyholder behaviour, together with the discount rates.

The amounts assigned to the assets acquired, goodwill, and liabilities assumed on December 31, 2020, and reported as at December 31, 2021 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	2,669
Bonds	12,084
Mortgage loans	2,287
Funds held by ceding insurers	9,981
Goodwill	1,807
Intangible assets	1,181
Other assets	124
Deferred tax assets	300
Investments on account of segregated fund policyholders	84,785
	115,218
Liabilities assumed	
Insurance contract liabilities	22,317
Investment contract liabilities	5,001
Other liabilities	377
Insurance and investment contracts on account of segregated fund policyholders	84,785
	112,480
Net assets acquired	2,738

The following provides the change in the carrying value from December 31, 2020 to December 31, 2021 of the goodwill on acquisition:

Goodwill previously reported at December 31, 2020	2,827
Recognition and measurement of intangible assets	(1,181)
Other measurement period adjustments	161
Goodwill reported at December 31, 2021	1,807

NOTE 3 Business Acquisitions and Other Transactions (continued)

The goodwill represents the excess of the purchase price over the fair value of net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of the MassMutual retirement services business. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings; \$533 million (US\$420 million) of the goodwill is deductible for tax purposes.

During the year ended December 31, 2021, MassMutual contributed revenue of \$2,861 million (US\$2,262 million) and net earnings of \$199 million (US\$158 million). These amounts are included in the statements of earnings and comprehensive income for the year ended December 31, 2021.

Acquisition of Personal Capital Corporation

On August 17, 2020, Great-West Life & Annuity completed the acquisition of 100% of the equity of Personal Capital, including the 24.8% interest held by IGM prior to the completion of the transaction (approximately 21.7% after giving effect to the dilution). Upon completion of the purchase price allocation in the fourth quarter of 2020, a contingent consideration earn-out provision of \$22 million was recognized, representing Lifeco's best estimate of growth in assets under management metrics defined in the Merger Agreement. The contingent consideration provision was increased by \$87 million in 2021 for a total contingent consideration provision of \$109 million at December 31, 2021. The increases in 2021 were due to growth in net new assets above the amount assumed at the date of acquisition.

Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of \$332 million (€230 million). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021, and reported as at December 31, 2021 are as follows:

Assets acquired and goodwill

Cash and cash equivalents	17
Bonds	333
Reinsurance assets	1,238
Other assets	89
Goodwill	21
Investments on account of segregated fund policyholders	2,844
	4,542

Liabilities assumed

Insurance contract liabilities	1,257
Investment contract liabilities	43
Other liabilities	66
Investment and insurance contracts on account of segregated fund policyholders	2,844
	4,210

Net assets acquired	332
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The Merger Agreement allows for contingent consideration of up to \$222 million (US\$175 million) based on the achievement of growth in assets under management metrics, payable following measurements through December 31, 2021 and December 31, 2022. Changes in the fair value of the contingent consideration measured in accordance with the Merger Agreement subsequent to the completion of the purchase price allocation are recognized in operating and administrative expenses in the statements of earnings.

Acquisition of Prudential retirement services business

On July 21, 2021, Great-West Life & Annuity announced that it had entered into an agreement to purchase, through a share purchase and a reinsurance transaction, the full-service retirement business of Prudential Financial, Inc. The acquisition further solidifies Lifeco's position as a leader in the U.S. retirement market. Lifeco will assume the economics and risks associated with the business, while Prudential will continue to retain the obligation to the contract holders of the reinsured portion. Lifeco will pay a total transaction value of approximately US\$3,550 million and will fund the transaction with \$1,500 million (US\$1,193 million) of limited recourse capital notes (Note 20) and up to US\$1,000 million of short-term debt, in addition to its existing resources. The transaction is expected to close in the first half of 2022, subject to regulatory and customary closing conditions. During the year ended December 31, 2021, Lifeco incurred transaction expenses of \$9 million (US\$7 million) which are included within operating and administrative expenses in the statements of earnings.

NOTE 3 Business Acquisitions and Other Transactions (continued)

As at December 31, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at December 31, 2021 reflect Lifeco's current best estimate of the purchase price allocation. Lifeco expects the final valuation of these assets acquired and liabilities assumed and the completion of the purchase price allocation to occur during the second half of 2022. As at December 31, 2021, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise by Lifeco.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$21 million (€15 million) on the date of acquisition, will be adjusted in future periods.

The goodwill represents the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

Revenue and net earnings of Ark Life were not significant to the 2021 results of the Corporation.

Acquisition of ClaimSecure Inc.

On September 1, 2021, Canada Life completed the acquisition of 100% of the equity of ClaimSecure Inc., a healthcare management firm that provides health and dental claim management services to private and public businesses in Canada.

During the fourth quarter of 2021, Lifeco substantially completed the comprehensive valuation of the fair value of the net assets acquired including intangible assets and the final purchase price allocation. As a result, initial goodwill presented in the September 30, 2021 interim unaudited financial statements of \$93 million recognized upon the acquisition was adjusted to \$52 million, due to the recognition and measurement of intangible assets. Revenue and net earnings of ClaimSecure Inc. were not significant to the 2021 results of the Corporation.

**POWER SUSTAINABLE ENERGY
INFRASTRUCTURE PARTNERSHIP**

In January 2021, Power Sustainable, a wholly owned subsidiary of the Corporation, launched Power Sustainable Energy Infrastructure, a fund with committed capital of \$1 billion dedicated to the renewable energy sector, including a commitment of \$400 million from Power Sustainable and \$150 million from Lifeco. On January 1, 2021, certain existing operating assets and projects under development, and the related project debt, in the amount of \$255 million, were transferred to the partnership from Potentia and Nautilus Solar in exchange for consideration in cash of \$154 million (including \$38 million received from Lifeco) and a 55% interest in the fund, of which 15% is held by Lifeco. The Corporation controls and consolidates the activities of the fund. Equity interests held by third parties having redemption features, subject to certain restrictions, have been classified as a financial liability within other liabilities on the balance sheets. In the first quarter of 2021, as a result of the investment by third parties in equity interests of the fund, the Corporation recognized a reduction of retained earnings of \$45 million in the statements of changes in equity, primarily related to the initial measurement of non-controlling interests.

INVESTMENT FUNDS

The Corporation continuously reassesses control over its internally managed investment funds. During the year, some investment funds managed by Sagard, that were previously controlled, have been reassessed and are no longer controlled due to certain circumstances, including increases in new capital from third parties resulting in reductions in economic interests and exposure to variable returns, amendments to limited partner agreements, and other factors that support that Sagard is acting as an agent. The Corporation now accounts for its interests in these funds as investments designated at fair value through profit or loss or as available for sale and has derecognized the assets and liabilities of these funds and their subsidiaries.

NOTE 4 Cash and Cash Equivalents

December 31	2021	2020
Cash	4,891	4,033
Cash equivalents	4,618	6,007
Cash and cash equivalents	9,509	10,040

At December 31, 2021, cash and cash equivalents amounting to \$1,344 million were restricted for use by subsidiaries (\$2,940 million at December 31, 2020) primarily in respect of cash held in trust for reinsurance agreements or with regulatory authorities, under certain indemnity arrangements and in escrow.

NOTE 5 Investments**CARRYING VALUES AND FAIR VALUES**

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

December 31	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss ^[1]	103,540	103,540	100,729	100,729
Classified as fair value through profit or loss ^[1]	168	168	2,053	2,053
Available for sale	12,603	12,603	11,897	11,897
Loans and receivables	24,676	26,717	23,348	26,545
	140,987	143,028	138,027	141,224
Mortgage and other loans				
Loans and receivables	31,542	32,406	32,546	34,607
Designated as fair value through profit or loss ^[1]	2,667	2,667	2,092	2,092
Classified as fair value through profit or loss ^[1]	57	57	3	3
	34,266	35,130	34,641	36,702
Shares				
Designated as fair value through profit or loss ^[1]	13,339	13,339	10,498	10,498
Classified as fair value through profit or loss ^[1]	636	636	199	199
Available for sale	1,343	1,343	1,963	1,963
	15,318	15,318	12,660	12,660
Investment properties	7,763	7,763	6,270	6,270
Loans to policyholders	8,319	8,319	8,387	8,387
	206,653	209,558	199,985	205,243

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

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

BONDS AND MORTGAGE AND OTHER LOANS

Carrying value of bonds and mortgage and other loans due over the current and non-current term is as follows:

December 31, 2021	Carrying value		
	Term to maturity		
	1 year or less	1-5 years	Over 5 years
Bonds	11,409	28,396	101,164
Mortgage and other loans	2,971	15,417	15,805
	14,380	43,813	116,969

December 31, 2020	Carrying value		
	Term to maturity		
	1 year or less	1-5 years	Over 5 years
Bonds	11,188	28,359	98,445
Mortgage and other loans	3,224	14,778	16,611
	14,412	43,137	115,056

The tables shown above exclude the carrying value of impaired bonds and mortgage and other loans, as the ultimate timing of collectability is uncertain. Mortgage and other loans include equity-release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on redemption experience.

NOTE 5 Investments (continued)**IMPAIRED INVESTMENTS AND ALLOWANCE FOR CREDIT LOSSES**

Carrying amount of impaired investments is as follows:

December 31	2021	2020
Impaired amounts by classification		
Fair value through profit or loss	14	20
Available for sale	10	89
Loans and receivables	73	28
Total	97	137

The carrying amount of impaired investments includes bonds, mortgage and other loans and shares. The carrying values for loans and receivables are net of allowances for credit losses of \$29 million as at December 31, 2021 (\$62 million as at December 31, 2020). The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

NET INVESTMENT INCOME

Year ended December 31, 2021	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	4,265	1,004	386	422	617	6,694
Net realized gains						
Available-for-sale	13	-	497	-	-	510
Other classifications	12	63	7	-	54	136
Net allowances for credit losses on loans and receivables	-	(30)	-	-	-	(30)
Other income (expenses)	-	12	14	(146)	(89)	(209)
	4,290	1,049	904	276	582	7,101
Change in fair value through profit or loss	(4,797)	(130)	2,387	615	70	(1,855)
Net investment income	(507)	919	3,291	891	652	5,246
Year ended December 31, 2020	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	3,598	986	365	397	565	5,911
Net realized gains						
Available-for-sale	146	-	186	-	-	332
Other classifications	33	57	86	-	-	176
Net allowances for credit losses on loans and receivables	-	(16)	-	-	-	(16)
Other income (expenses)	-	6	(2)	(127)	74	(49)
	3,777	1,033	635	270	639	6,354
Change in fair value through profit or loss	5,232	167	160	(74)	307	5,792
Net investment income	9,009	1,200	795	196	946	12,146

Net investment income comprises income from investments that are classified as available for sale, loans and receivables, both net of impairment charges, investments classified or designated as fair value through profit or loss and gains realized on deconsolidation of subsidiaries and investment funds. Investment income from bonds and mortgage and other loans includes interest income and premium and discount amortization. Income from shares includes dividends and distributions from equity investment funds. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and subleased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

TRANSFERRED FINANCIAL ASSETS

Lifeco engages in securities lending to generate additional income. Lifeco's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with Lifeco's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent, which obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Included in the collateral deposited with Lifeco's lending agent is cash collateral of \$169 million at December 31, 2021 (\$267 million at December 31, 2020). In addition, the securities lending agent indemnifies Lifeco against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2021, Lifeco had loaned securities (which are included in investments) with a fair value of \$10,525 million (\$8,921 million at December 31, 2020).

NOTE 6 Funds Held by Ceding Insurers

At December 31, 2021, Lifeco had amounts on deposit of \$17,194 million (\$18,383 million at December 31, 2020) for funds held by ceding insurers on the balance sheets. Income and expenses arising from the agreements are included in net investment income on the statements of earnings.

The details of the funds on deposit for certain agreements where Lifeco has credit risk are as follows:

CARRYING VALUES AND ESTIMATED FAIR VALUES

December 31	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	336	336	245	245
Bonds	14,105	14,105	15,365	15,365
Mortgages	558	558	578	578
Other assets	126	126	137	137
	15,125	15,125	16,325	16,325
Supporting:				
Reinsurance liabilities	14,907	14,907	16,094	16,094
Surplus	218	218	231	231
	15,125	15,125	16,325	16,325

ASSET QUALITY

The following table provides details of the carrying value of the bond portfolio by credit rating:

December 31	2021	2020
AAA	1,251	1,508
AA	3,721	3,848
A	5,222	5,597
BBB	3,749	4,165
BB and lower	162	247
Total bonds	14,105	15,365

NOTE 7 Investments in Jointly Controlled Corporations and Associates

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

December 31, 2021	Jointly controlled corporations		Associates				Total
	Parjointco	Other ^[1]	ChinaAMC	Lion	Northleaf	Other ^[1]	
Carrying value, beginning of year	4,216	272	1,436	-	248	357	6,529
Acquisition and investments	-	69	-	242	1	209	521
Disposal	-	-	-	-	-	(96)	(96)
Share of earnings	172	82	123	95	10	247	729
Share of other comprehensive income (loss)	(69)	-	30	(3)	-	(4)	(46)
Dividends and distributions	(81)	(32)	(54)	-	-	-	(167)
Effects of changes in ownership and other	40	-	-	-	-	(86)	(46)
Carrying value, end of year	4,278	391	1,535	334	259	627	7,424

[1] Includes investments in jointly controlled corporations and associates held by entities that meet the definition of venture capital organization, which are measured at fair value through profit or loss.

NOTE 7 Investments in Jointly Controlled Corporations and Associates (continued)

	Jointly controlled corporations					Associates	
	Parjointco	Other ^[1]	ChinaAMC	Lion	Northleaf	Personal Capital and Other ^{[1][2]}	Total
December 31, 2020							
Carrying value, beginning of year	3,954	224	1,321	45	–	349	5,893
Acquisition and investments	–	17	–	–	247	174	438
Disposal	–	(16)	–	–	–	(13)	(29)
Derecognition	–	–	–	–	–	(10)	(10)
Share of earnings (losses)	27	57	84	(45)	1	46	170
Share of other comprehensive income (loss)	320	(4)	59	–	–	10	385
Dividends and distributions	(88)	(6)	(28)	–	–	(2)	(124)
Effects of changes in ownership and other	3	–	–	–	–	(197)	(194)
Carrying value, end of year	4,216	272	1,436	–	248	357	6,529

[1] Includes investments in jointly controlled corporations and associates held by entities that meet the definition of venture capital organization, which are measured at fair value through profit or loss.

[2] On December 1, 2020, the Corporation determined that it no longer controls Koho Financial Inc. but has significant influence and now accounts for its investment as an associate at fair value through profit or loss.

LION ELECTRIC CO.

On May 6, 2021, a wholly owned subsidiary of Lion merged with Northern Genesis Acquisition Corp. (Northern Genesis), a publicly traded special-purpose acquisition company and as a result Lion became publicly listed on the TSX and the New York Stock Exchange. A US\$200 million committed private placement of common shares of Lion was also completed, in which Power Sustainable invested US\$17 million (\$20 million). At the close of the transaction, Power Sustainable held an equity interest in Lion of 31% (44.1% at December 31, 2020) and retained significant influence over the investment. The effect of the change in ownership resulted in a gain of \$62 million, net of accumulated losses which had not been recognized by the Corporation. The net impact is recorded in share of earnings of investments in jointly controlled corporations and associates on the statement of earnings of 2021.

Power Sustainable also held call rights to acquire up to 13,212,480 additional shares from certain existing shareholders of Lion. On June 5, 2021, Power Sustainable exercised a portion of its outstanding call rights and acquired an additional 8,891,812 shares, on a cashless net settlement basis, increasing Power Sustainable's interest to 35.7% and resulting in an increase in the carrying value of the investment in Lion of \$222 million. The fair value of the remaining call rights was estimated to be \$8 million at December 31, 2021 (\$102 million at December 31, 2020) and is included in derivative financial assets on the balance sheets. During the year ended December 31, 2021, a net gain on the revaluation of the call rights of \$128 million (\$102 million for the year ended December 31, 2020) was recorded in net investment income in the statements of earnings. The Corporation held a 35.4% equity interest in Lion at December 31, 2021.

At December 31, 2021, the fair value of the Corporation's interest in Lion was \$848 million based on the quoted market price.

PARJOINTCO

On March 11, 2020, Parjointco and Pargesa announced an agreement for a transaction to simplify the group structure. A public exchange offer was initiated by Parjointco for all Pargesa shares not already owned by Parjointco, under which Pargesa shareholders received 0.93 shares of GBL for each Pargesa bearer share they held. Following the transaction, Pargesa was delisted from the Swiss Stock Exchange. GBL shareholders approved the implementation of double-voting rights, a condition of the transaction, at GBL's extraordinary shareholders meeting held on April 28, 2020; as a result, Parjointco retained de facto control of GBL.

Parjointco's interest in Pargesa increased from 55.5% (75.4% of the voting rights) at December 31, 2019 to 100.0% (100.0% of the voting rights) at December 31, 2020. Pargesa's interest in GBL decreased from 50.0% at December 31, 2019 to 28.2% (43.2% of the voting rights) at December 31, 2020. The transaction resulted in an increase in retained earnings of \$19 million at December 31, 2020. The Corporation's share of costs related to the transaction of \$23 million was charged to retained earnings on the statements of changes in equity at December 31, 2020.

Parjointco held a 100% equity interest (100% of the voting rights) in Pargesa at December 31, 2021 (unchanged from December 31, 2020). Pargesa held a 29.1% equity interest (44.2% of the voting rights) in GBL at December 31, 2021 (28.2% equity interest and 43.2% of the voting rights at December 31, 2020).

At December 31, 2021, the net asset value of the Corporation's indirect interest in GBL is approximately \$4,654 million. The carrying value of the indirect investment in GBL is \$4,278 million. For the year ended December 31, 2021, revenue of GBL was €7,574 million (C\$11,230 million) (€6,229 million or C\$9,259 million for the year ended December 31, 2020) and net earnings attributable to GBL's common shareholders was €279 million (C\$413 million) (€391 million or C\$598 million for the year ended December 31, 2020). Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings in Parjointco includes an adjustment to account for GBL's earnings under IAS 39. Other financial information for GBL can be obtained from its publicly available information.

NOTE 7 Investments in Jointly Controlled Corporations and Associates (continued)**CHINAAMC**

At December 31, 2021, Power Corporation and IGM Financial each held an equity interest of 13.9% in ChinaAMC (same at December 31, 2020). ChinaAMC is an asset management company established in Beijing, China. The Corporation and IGM account for their interests in ChinaAMC as an associate using the equity method.

Summarized financial information for ChinaAMC is as follows:

[in millions]	2021		2020	
	Canadian dollars	Chinese renminbi	Canadian dollars	Chinese renminbi
Balance sheet at December 31 ^[1]				
Assets	3,241	16,295	2,672	13,695
Liabilities	996	5,007	720	3,688
Comprehensive income for the years ended December 31				
Revenue	1,560	8,015	1,078	5,539
Net earnings attributable to common shareholders	449	2,312	311	1,598
Total comprehensive income	444	2,287	300	1,542

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

Subsequent event

On January 5, 2022, the Corporation announced that it had entered into an agreement to sell its 13.9% equity interest in ChinaAMC to Mackenzie, a wholly owned subsidiary of IGM, for aggregate consideration of \$1.15 billion in cash. After the transaction, the Corporation will continue to hold a 27.8% equity interest in ChinaAMC.

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

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

NORTHLEAF CAPITAL GROUP LTD.

On October 29, 2020, IGM's subsidiary, Mackenzie, and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager, through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco. The interest was acquired for cash consideration of \$247 million, including transaction costs of \$6 million,

and up to an additional \$245 million in consideration at the end of five years, subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as an expense over the five-year period based on the fair value of the expected payment, which will be revalued at each reporting period date. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years and extending into future periods. Lifeco and IGM together have committed as part of the transaction to make a minimum investment through 2022 in Northleaf's product offerings. The equity method is used to account for the investment in Northleaf as Mackenzie and Lifeco exercise significant influence, through the acquisition vehicle. Significant influence arises from board representation, participation in the policy-making process and shared strategic initiatives. The net earnings of Northleaf are not significant to the results of the Corporation.

PERSONAL CAPITAL

On August 17, 2020 Great-West Life & Annuity acquired 100% of the equity of Personal Capital. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to the dilution). The investment was previously accounted for by IGM using the equity method. Upon completion of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital and the Corporation is required to consolidate Personal Capital. A gain of \$37 million was recorded in share of earnings of investments in jointly controlled corporations and associates in 2020, as a result of the remeasurement of IGM's previous investment in Personal Capital at fair value on the date control was attained.

NOTE 8 Owner-Occupied Properties and Capital Assets

The carrying value and the changes in the carrying value of owner-occupied properties and capital assets are as follows:

	Right-of-use assets ^[1]	Owner-occupied properties	Capital assets		Total
			Power generating assets	Other	
December 31, 2021					
Cost, beginning of year	965	1,059	1,133	1,951	5,108
Business acquisitions	11	-	30	-	41
Additions	119	23	459	138	739
Modifications	(11)	-	-	-	(11)
Disposal/retirements	(6)	(10)	(13)	(90)	(119)
Derecognition	-	(52)	-	-	(52)
Changes in foreign exchange rates and other	-	(9)	93	(9)	75
Cost, end of year	1,078	1,011	1,702	1,990	5,781
Accumulated amortization, beginning of year	(215)	(218)	(129)	(1,329)	(1,891)
Amortization and impairment	(113)	(19)	(48)	(138)	(318)
Modifications	7	-	-	-	7
Disposal/retirements	4	3	6	49	62
Derecognition	-	20	-	2	22
Changes in foreign exchange rates and other	-	-	-	23	23
Accumulated amortization, end of year	(317)	(214)	(171)	(1,393)	(2,095)
Carrying value, end of year	761	797	1,531	597	3,686

	Right-of-use assets ^[1]	Owner-occupied properties	Capital assets		Total
			Power generating assets	Other	
December 31, 2020					
Cost, beginning of year	1,046	1,030	718	2,012	4,806
Business acquisitions	1	-	84	-	85
Additions	100	44	397	131	672
Modifications	(9)	-	-	-	(9)
Disposal/retirements	-	(2)	(5)	(51)	(58)
Derecognition	(176)	-	-	(132)	(308)
Transferred to investment properties ^[2]	-	(17)	-	-	(17)
Changes in foreign exchange rates and other	3	4	(61)	(9)	(63)
Cost, end of year	965	1,059	1,133	1,951	5,108
Accumulated amortization, beginning of year	(137)	(202)	(96)	(1,308)	(1,743)
Amortization and impairment	(122)	(19)	(36)	(166)	(343)
Disposal/retirements	-	2	2	46	50
Derecognition	39	-	-	82	121
Changes in foreign exchange rates and other	5	1	1	17	24
Accumulated amortization, end of year	(215)	(218)	(129)	(1,329)	(1,891)
Carrying value, end of year	750	841	1,004	622	3,217

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

[2] As a result of the sale of Irish Progressive Services International Limited a property with a carrying value of \$17 million was reclassified from owner-occupied properties to investment properties.

NOTE 8 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	2021	2020
Canada	2,233	1,993
United States	1,139	940
Europe	314	284
	3,686	3,217

NOTE 9 Other Assets

December 31	2021	2020
Premiums in course of collection, accounts receivable and interest receivable	6,845	6,711
Client funds on deposit	3,990	2,280
Trading account assets	1,671	713
Deferred acquisition costs and deferred selling commissions	945	853
Pension benefits [Note 25]	363	240
Income taxes receivable	287	177
Finance leases receivable	433	404
Prepaid expenses	196	189
Other	1,125	933
	15,855	12,500

Other assets of \$13,998 million as at December 31, 2021 (\$10,897 million as at December 31, 2020) are to be realized within 12 months. This amount excludes deferred acquisition costs and deferred selling commissions, the changes in which are presented below.

DEFERRED ACQUISITION COSTS AND DEFERRED SELLING COMMISSIONS

The changes in the carrying value of the deferred acquisition costs and deferred selling commissions are as follows:

December 31	2021	2020
Balance, beginning of year	853	750
Additions	266	211
Disposals	(27)	(41)
Amortization	(113)	(93)
Changes in foreign exchange rates and other	(34)	26
Balance, end of year	945	853

NOTE 10 Goodwill and Intangible Assets**GOODWILL**

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

December 31	2021			2020		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Balance, beginning of year	15,124	(1,161)	13,963	11,645	(1,321)	10,324
Business acquisitions and dispositions	104	-	104	3,646	-	3,646
Purchase price allocation adjustments [Note 3]	161	-	161	-	-	-
Allocated to intangible assets [Note 3]	(1,181)	-	(1,181)	-	-	-
Derecognition	-	-	-	(133)	133	-
Changes in foreign exchange rates and other	(79)	-	(79)	(34)	27	(7)
Balance, end of year	14,129	(1,161)	12,968	15,124	(1,161)	13,963

INTANGIBLE ASSETS

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

Indefinite life intangible assets

December 31, 2021	Brands trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,387	2,542	741	354	5,024
Changes in foreign exchange rates and other	(15)	-	-	-	(15)
Cost, end of year	1,372	2,542	741	354	5,009
Accumulated impairment, beginning of year	(133)	(1,028)	-	-	(1,161)
Changes in foreign exchange rates and other	3	-	-	-	3
Accumulated impairment, end of year	(130)	(1,028)	-	-	(1,158)
Carrying value, end of year	1,242	1,514	741	354	3,851

December 31, 2020	Brands trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,297	2,562	741	354	4,954
Additions	92	30	-	-	122
Changes in foreign exchange rates and other	(2)	(50)	-	-	(52)
Cost, end of year	1,387	2,542	741	354	5,024
Accumulated impairment, beginning of year	(133)	(1,051)	-	-	(1,184)
Changes in foreign exchange rates and other	-	23	-	-	23
Accumulated impairment, end of year	(133)	(1,028)	-	-	(1,161)
Carrying value, end of year	1,254	1,514	741	354	3,863

NOTE 10 Goodwill and Intangible Assets (continued)**Finite life intangible assets**

	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
December 31, 2021					
Cost, beginning of year	2,500	1,401	511	464	4,876
Additions	380	1,266	86	174	1,906
Disposal	(17)	-	-	(2)	(19)
Changes in foreign exchange rates and other	(28)	(9)	-	(91)	(128)
Cost, end of year	2,835	2,658	597	545	6,635
Accumulated amortization, beginning of year	(1,451)	(738)	(73)	(198)	(2,460)
Amortization and impairment	(231)	(154)	(32)	(43)	(460)
Disposal	15	-	-	1	16
Changes in foreign exchange rates and other	18	4	-	3	25
Accumulated amortization, end of year	(1,649)	(888)	(105)	(237)	(2,879)
Carrying value, end of year	1,186	1,770	492	308	3,756
December 31, 2020					
Cost, beginning of year	2,200	1,210	344	553	4,307
Additions	386	189	167	32	774
Disposal	(42)	-	-	(3)	(45)
Derecognition	(41)	-	-	(129)	(170)
Changes in foreign exchange rates and other	(3)	2	-	11	10
Cost, end of year	2,500	1,401	511	464	4,876
Accumulated amortization, beginning of year	(1,305)	(665)	(50)	(214)	(2,234)
Amortization and impairment	(208)	(70)	(23)	(31)	(332)
Disposal	35	-	-	2	37
Derecognition	23	-	-	52	75
Changes in foreign exchange rates and other	4	(3)	-	(7)	(6)
Accumulated amortization, end of year	(1,451)	(738)	(73)	(198)	(2,460)
Carrying value, end of year	1,049	663	438	266	2,416

NOTE 10 Goodwill and Intangible Assets (continued)**ALLOCATION TO CASH GENERATING UNITS**

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

December 31	2021			2020		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Lifeco						
Canada						
Group Customer	1,630	354	1,984	1,615	354	1,969
Individual Customer	2,795	649	3,444	2,799	649	3,448
Europe	2,442	221	2,663	2,458	233	2,691
United States						
Financial Services	2,674	89	2,763	3,694	89	3,783
Asset Management	-	1,473	1,473	-	1,473	1,473
IGM						
Wealth Management	1,586	23	1,609	1,586	23	1,609
Asset Management	1,274	1,003	2,277	1,275	1,003	2,278
Other	567	39	606	536	39	575
	12,968	3,851	16,819	13,963	3,863	17,826

RECOVERABLE AMOUNT**Lifeco**

For purposes of annual impairment testing, Lifeco allocates goodwill and indefinite life intangible assets to its CGUs. Any potential impairment of goodwill or indefinite life intangible assets is identified by comparing the recoverable amount to its carrying value.

Fair value is initially assessed with reference to valuation multiples of comparable publicly traded financial institutions and previous business acquisition transactions. The calculations utilize earnings and cash flow projections based on financial budgets approved by Lifeco's management. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2021, Lifeco conducted its annual impairment testing of goodwill and indefinite life intangible assets based on the September 30, 2021 asset balances. It was determined that the recoverable amounts of CGUs were in excess of their carrying values and there was no evidence of impairment.

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

IGM Financial

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

In assessing recoverable amounts, valuation approaches are used that may include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed in discounted cash flows include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes and discount rates, which represent Level 3 fair value inputs. Valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value are Level 2 inputs.

The fair value less cost of disposal of IGM's CGUs was compared with the carrying amount and it was determined there was no impairment. Changes in assumptions and estimates used in determining the recoverable amounts of the CGUs can result in significant adjustments to the valuation of the CGUs.

NOTE 11 Segregated Funds and Other Structured Entities

Lifeco offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective markets. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While Lifeco has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and Lifeco segregates these investments from those of the corporation itself.

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of Lifeco under the terms of the policyholder agreement and cannot be used to settle obligations of Lifeco. In Europe, the assets of the funds are functionally and constructively segregated from those of Lifeco. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as investments on account of segregated fund policyholders and with an equal liability titled insurance and investment contracts on account of segregated fund policyholders on the balance sheets.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are \$3,125 million at December 31, 2021 (\$1,490 million at December 31, 2020).

Within the statements of earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the balance sheets. As these amounts do not directly impact the revenues and expenses of Lifeco, these amounts are not included separately in the statements of earnings.

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

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

December 31	2021 ^[1]	2020 ^[1]
Cash and cash equivalents	12,500	15,558
Bonds	60,647	65,338
Mortgage loans	2,377	2,686
Shares and units in unit trusts	134,568	112,675
Mutual funds	133,916	127,577
Investment properties	12,776	12,430
	356,784	336,264
Accrued income	442	463
Other liabilities	(2,932)	(4,185)
Non-controlling mutual fund interest	3,125	1,490
	357,419	334,032

[1] At December 31, 2021, \$83,754 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis (\$84,785 million at December 31, 2020). Included in this amount are \$301 million of cash and cash equivalents, \$13,557 million of bonds, \$26 million of shares and units in unit trusts, \$69,852 million of mutual funds, \$78 million of accrued income and \$60 million of other liabilities.

SEGREGATED FUNDS AND GUARANTEE EXPOSURE

Lifeco offers retail segregated fund products, unitized with profits products and variable annuity products that provide for certain guarantees that are tied to the fair values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are Lifeco's primary exposure on these funds. Lifeco accounts for these guarantees within insurance and investment contract liabilities in the financial statements. In addition to Lifeco's exposure on the guarantees, the fees earned by Lifeco on these products are impacted by the fair value of these funds.

In Canada, Lifeco offers retail segregated fund products through Canada Life. These products provide guaranteed minimum death benefits and guaranteed minimum accumulation on maturity benefits.

In the U.S., Lifeco offers group variable annuities with guaranteed minimum withdrawal benefits and group standalone guaranteed minimum death benefits products which mainly provide return of premium on death.

In Europe, Lifeco offers unitized with profits products in Germany and unit-linked products with investment guarantees in Ireland. These products are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds.

Lifeco also offers guaranteed minimum withdrawal benefits products in the U.S. and Germany, and previously offered guaranteed minimum withdrawal benefits products in Canada and Ireland. Certain guaranteed minimum withdrawal benefits products offered by Lifeco offer levels of death and maturity guarantees. At December 31, 2021, the amount of guaranteed minimum withdrawal benefits products in force in Canada, the U.S., Ireland and Germany was \$3,316 million (\$3,375 million at December 31, 2020).

NOTE 11 Segregated Funds and Other Structured Entities (continued)**INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

Years ended December 31	2021	2020
Balance, beginning of year	334,032	231,022
Additions (deductions):		
Policyholder deposits	29,657	21,916
Net investment income	9,442	2,695
Net realized capital gains on investments	15,799	8,954
Net unrealized capital gains on investments	11,473	474
Unrealized gains (losses) due to changes in foreign exchange rates	(7,109)	3,920
Policyholder withdrawals	(40,324)	(20,371)
Business acquisitions ^[1]	2,844	84,785
Change in segregated fund investment in General Fund	(30)	51
Change in General Fund investment in segregated fund	(22)	234
Net transfer from General Fund	22	9
Non-controlling mutual fund interest	1,635	343
	23,387	103,010
Balance, end of year	357,419	334,032

[1] Insurance and investment contracts on account of segregated fund policyholders acquired through the acquisition of Ark Life in 2021 and the MassMutual acquisition in 2020 (Note 3).

INVESTMENT INCOME ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

Years ended December 31	2021	2020
Net investment income	9,442	2,695
Net realized capital gains on investments	15,799	8,954
Net unrealized capital gains on investments	11,473	474
Unrealized gains (losses) due to changes in foreign exchange rates	(7,109)	3,920
Total	29,605	16,043
Change in insurance and investment contract liabilities on account of segregated fund policyholders	29,605	16,043
Net	-	-

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

December 31, 2021	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	249,543	96,575	13,822	359,940

[1] Excludes other liabilities, net of other assets, of \$2,521 million.

December 31, 2020	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	224,831	98,424	13,556	336,811

[1] Excludes other liabilities, net of other assets, of \$2,779 million.

NOTE 11 Segregated Funds and Other Structured Entities (continued)

In 2021 certain foreign equity holdings valued at \$2,137 million were transferred from Level 2 to Level 1 (\$3,190 million were transferred from Level 1 to Level 2 at December 31, 2020), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings at year-end. Level 2 assets include the assets where fair value

is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have access to the underlying asset details within an investment fund.

As at December 31, 2021, \$5,394 million (\$9,770 million at December 31, 2020) of the segregated funds were invested in funds managed by IG Wealth Management and Mackenzie Investments, subsidiaries of IGM and related parties.

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

December 31	2021	2020
Balance, beginning of year	13,556	13,988
Total gains included in segregated fund investment income	415	78
Purchases	333	167
Sales	(482)	(712)
Transfers into Level 3	5	35
Transfers out of Level 3	(5)	-
Balance, end of year	13,822	13,556

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

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

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

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

Fee income earned by Lifeco resulting from Lifeco's interests in segregated funds and other structured entities was \$6,194 million for the year ended December 31, 2021 (\$5,034 million in 2020).

Included within other assets (Note 9) at December 31, 2021 is \$1,525 million (\$557 million at December 31, 2020) of investments by Lifeco in bonds and shares of Putnam-sponsored funds and \$146 million (\$156 million at December 31, 2020) of investments in shares of sponsored unit trusts in Europe.

NOTE 12 Insurance and Investment Contract Liabilities**INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

	2021			2020		
December 31	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	208,378	21,032	187,346	208,902	21,991	186,911
Investment contract liabilities	12,455	106	12,349	9,145	130	9,015
	220,833	21,138	199,695	218,047	22,121	195,926

COMPOSITION OF INSURANCE AND INVESTMENT CONTRACT LIABILITIES AND RELATED SUPPORTING ASSETS

The composition of insurance and investment contract liabilities of Lifeco is as follows:

	2021			2020		
December 31	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Participating						
Canada	50,049	(115)	50,164	46,107	(199)	46,306
United States	10,694	13	10,681	11,090	13	11,077
Europe	141	-	141	155	-	155
Capital and Risk Solutions	886	-	886	912	-	912
Non-participating						
Canada	34,780	207	34,573	35,449	638	34,811
United States	63,938	14,708	49,230	65,703	15,908	49,795
Europe	47,215	6,197	41,018	48,088	5,622	42,466
Capital and Risk Solutions	13,130	128	13,002	10,543	139	10,404
	220,833	21,138	199,695	218,047	22,121	195,926

NOTE 12 Insurance and Investment Contract Liabilities (continued)

The composition of the assets supporting liabilities and equity of Lifeco is as follows:

December 31, 2021	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	21,370	11,166	8,522	4,013	4,978	50,049
United States	4,876	607	76	–	5,135	10,694
Europe	66	–	67	8	–	141
Capital and Risk Solutions	666	8	–	–	212	886
Non-participating liabilities						
Canada	23,620	4,661	3,116	579	2,804	34,780
United States	32,302	4,641	211	–	26,784	63,938
Europe	33,208	5,891	391	2,743	4,982	47,215
Capital and Risk Solutions	6,394	80	–	–	6,656	13,130
Other	7,257	1,202	873	157	369,683	379,172
Total equity	10,853	596	927	263	17,844	30,483
Total carrying value	140,612	28,852	14,183	7,763	439,078	630,488
Fair value	142,653	29,658	14,235	7,763	439,078	633,387

December 31, 2020	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	21,803	10,545	6,152	2,983	4,624	46,107
United States	5,193	593	13	–	5,291	11,090
Europe	84	–	62	9	–	155
Capital and Risk Solutions	688	12	–	–	212	912
Non-participating liabilities						
Canada	23,898	4,498	2,789	360	3,904	35,449
United States	31,631	4,586	46	–	29,440	65,703
Europe	34,941	5,746	332	2,536	4,533	48,088
Capital and Risk Solutions	2,365	52	–	–	8,126	10,543
Other	5,367	1,135	754	141	348,031	355,428
Total equity	11,622	636	852	241	13,664	27,015
Total carrying value	137,592	27,803	11,000	6,270	417,825	600,490
Fair value	140,789	29,633	10,963	6,270	417,825	605,480

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

NOTE 12 Insurance and Investment Contract Liabilities (continued)**CHANGE IN INSURANCE CONTRACT LIABILITIES**

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	Participating			Non-participating			Total net
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	
December 31, 2021							
Balance, beginning of year	58,264	(186)	58,450	150,638	22,177	128,461	186,911
Impact of new business	(78)	–	(78)	10,559	84	10,475	10,397
Normal change in in-force business	3,819	27	3,792	(12,920)	(1,472)	(11,448)	(7,656)
Management actions and changes in assumptions	(223)	57	(280)	(673)	(540)	(133)	(413)
Business movement from/to external parties	–	–	–	(613)	(37)	(576)	(576)
Ark Life acquisition [Note 3]	–	–	–	1,257	1,238	19	19
Impact of foreign exchange rate changes	(12)	–	(12)	(1,640)	(316)	(1,324)	(1,336)
Balance, end of year	61,770	(102)	61,872	146,608	21,134	125,474	187,346

	Participating			Non-participating			Total net
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	
December 31, 2020							
Balance, beginning of year	54,619	(235)	54,854	119,902	20,815	99,087	153,941
Impact of new business	(7)	32	(39)	7,028	706	6,322	6,283
Normal change in in-force business	3,883	9	3,874	1,296	750	546	4,420
Management actions and changes in assumptions	55	8	47	161	109	52	99
Business movement from/to external parties	–	–	–	(48)	–	(48)	(48)
MassMutual acquisition [Note 3]	–	–	–	22,316	–	22,316	22,316
Impact of foreign exchange rate changes	(286)	–	(286)	(17)	(203)	186	(100)
Balance, end of year	58,264	(186)	58,450	150,638	22,177	128,461	186,911

Under IFRS, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in the in-force business above.

2021

Effective October 15, 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities. The revised standards include decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term.

In 2021, the major contributor to the increase in net insurance contract liabilities was the impact of new business of \$10,397 million. This was partially offset by decreases due to normal change in the in-force business of \$7,656 million and foreign exchange rate changes of \$1,336 million.

Net non-participating insurance contract liabilities decreased by \$133 million due to management actions and changes in assumptions including a \$219 million decrease in Europe and \$7 million decrease in the U.S., partially offset by increases of \$75 million in Canada and \$18 million in Capital and Risk Solutions.

The decrease in Europe was primarily due to updated economic and asset-related assumptions of \$165 million, updated longevity assumptions of \$29 million, and updated policyholder behaviour assumptions of \$22 million.

The decrease in the U.S. was primarily due to updated economic assumptions, which includes the net impact of the new standards, of \$5 million.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of \$172 million, mortality updates of \$44 million, and updated morbidity assumptions of \$37 million. This was partially offset by decreases due to updated economic and asset-related assumptions, which include the net impact of the new standards, of \$146 million, and modelling refinements of \$29 million.

The increase in Capital and Risk Solutions was primarily due to updated expense assumptions of \$11 million, and updated life mortality and longevity assumptions of \$6 million.

Net participating insurance contract liabilities decreased by \$280 million in 2021 due to management actions and changes in assumptions.

2020

In 2020, the major contributors to the increase in net insurance contract liabilities were the MassMutual acquisition of \$22,316 million, the impact of new business of \$6,283 million, and the normal change in the in-force business of \$4,420 million.

Net non-participating insurance contract liabilities increased by \$52 million due to management actions and changes in assumptions including a \$377 million increase in Canada, partially offset by decreases of \$212 million in Europe, \$59 million in Capital and Risk Solutions, and \$54 million in the U.S.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of \$269 million, updated morbidity assumptions of \$140 million, of which \$114 million is offset by an increase in other assets, and updated economic and asset-related assumptions of \$98 million. This was partially offset by decreases due to updated life mortality assumptions of \$129 million.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

The decrease in Europe was primarily due to updated longevity assumptions of \$138 million, modelling refinements of \$28 million, updated morbidity assumptions of \$24 million, updated policyholder behaviour assumptions of \$19 million, and updated economic and asset-related assumptions of \$10 million. This was partially offset by an increase due to updated expense and tax assumptions of \$6 million.

The decrease in Capital and Risk Solutions was primarily due to updated longevity assumptions of \$135 million, updated economic assumptions of \$41 million, and modelling refinements of \$37 million. This was partially offset by increases due to updated life mortality assumptions of \$107 million, updated expense and tax assumptions of \$28 million, and updated policyholder behaviour assumptions of \$14 million.

The decrease in the U.S. was primarily due to updated economic assumptions of \$50 million.

Net participating insurance contract liabilities increased by \$47 million in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated economic assumptions of \$2,358 million, and updated policyholder behaviour assumptions of \$34 million. This was partially offset by decreases due to provisions for future policyholder dividends of \$1,899 million, updated expense and tax assumptions of \$446 million, and modelling refinements of \$5 million.

CHANGE IN INVESTMENT CONTRACT LIABILITIES MEASURED AT FAIR VALUE

December 31	2021			2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Balance, beginning of year	9,145	130	9,015	1,656	127	1,529
Normal change in in-force business	3,497	38	3,459	2,489	(20)	2,509
Investment experience	(242)	(62)	(180)	147	26	121
Management actions and changes in assumptions	-	-	-	(4)	-	(4)
MassMutual acquisition [Note 3]	-	-	-	4,984	-	4,984
Ark Life acquisition [Note 3]	43	-	43	-	-	-
Impact of foreign exchange rate changes	12	-	12	(127)	(3)	(124)
Balance, end of year	12,455	106	12,349	9,145	130	9,015

The carrying value of investment contract liabilities approximates their fair value.

GROSS PREMIUM INCOME

December 31	2021	2020
Direct premiums	26,197	28,082
Assumed reinsurance premiums	31,178	19,652
Total	57,375	47,734

GROSS POLICYHOLDER BENEFITS

December 31	2021	2020
Direct	20,903	19,538
Assumed reinsurance	28,452	20,067
Total	49,355	39,605

ACTUARIAL ASSUMPTIONS

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation.

These margins are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

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

Actuarial assumptions	Methods
Mortality	<p>A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update Lifeco's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product-specific considerations, as well as professional guidance. In addition, appropriate provisions have been made for future mortality deterioration on term insurance.</p> <p>Annuitant mortality is also studied regularly and the results are used to modify established annuitant mortality tables.</p>
Morbidity	<p>Lifeco uses industry-developed experience tables modified to reflect emerging Lifeco experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.</p>
Property and casualty reinsurance	<p>Insurance contract liabilities for property and casualty reinsurance written by entities within Lifeco's Capital and Risk Solutions activities are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in net earnings. Capital and Risk Solutions analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.</p>
Investment returns	<p>The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (refer to Note 22).</p>
Expenses	<p>Contractual policy expenses (e.g., sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the CALM as inflation is assumed to be correlated with new money interest rates.</p>
Policy termination	<p>Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where Lifeco has no experience with specific types of policies or its exposure is limited. Lifeco's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided Lifeco's assumptions for these products as Lifeco's own experience is very limited.</p>
Utilization of elective policy options	<p>There are a wide range of elective options embedded in the policies issued by Lifeco. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee resets (segregated fund maturity guarantees). The assumed rates of utilization are based on Lifeco or industry experience when it exists and, when not, on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.</p>
Policyholder dividends and adjustable policy features	<p>Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is Lifeco's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability on net earnings is reflected in the changes in best estimate assumptions above.</p>

NOTE 12 Insurance and Investment Contract Liabilities (continued)**RISK MANAGEMENT****Insurance risk**

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions, including mortality, persistency, longevity, morbidity, expense variations and investment returns.

Lifeco is in the business of accepting risk associated with insurance contract liabilities. Lifeco's objective is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of its underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following table provides information about Lifeco's insurance contract liabilities' sensitivities to its management's best estimate of the approximate impact as a result of changes in assumptions used to determine Lifeco's liability associated with these contracts.

	Increase (decrease) in net earnings	
	2021	2020
Mortality – 2% increase	(276)	(288)
Annuitant mortality – 2% decrease	(722)	(756)
Morbidity – 5% adverse change	(262)	(279)
Investment returns		
Parallel shift in yield curve		
1% increase	–	–
1% decrease	–	–
Change in interest rates		
1% increase	197	224
1% decrease	(555)	(920)
Change in publicly traded common share values		
20% increase	21	28
10% increase	13	15
10% decrease	(19)	(51)
20% decrease	(66)	(208)
Change in other non-fixed income asset values		
10% increase	79	34
5% increase	39	6
5% decrease	(30)	(69)
10% decrease	(112)	(108)
Change in best estimate return assumptions for equities		
1% increase	567	556
1% decrease	(649)	(682)
Expenses – 5% increase	(207)	(165)
Policy termination and renewal – 10% adverse change	(1,002)	(1,017)

NOTE 12 Insurance and Investment Contract Liabilities (continued)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

December 31	2021			2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Canada	84,829	92	84,737	81,556	439	81,117
United States	74,632	14,721	59,911	76,793	15,921	60,872
Europe	47,356	6,197	41,159	48,243	5,622	42,621
Capital and Risk Solutions	14,016	128	13,888	11,455	139	11,316
	220,833	21,138	199,695	218,047	22,121	195,926

Reinsurance risk

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve Lifeco from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Lifeco. Lifeco evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds-withheld basis where Lifeco retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

NOTE 13 Obligations to Securitization Entities

IGM securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC)-sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as IGM retains prepayment risk and certain elements of credit risk. Accordingly, IGM has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as obligations to securitization entities which are carried at amortized cost.

IGM earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, IGM enters into a swap transaction whereby IGM pays coupons on CMBs and receives investment

returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a fair value of \$5 million at December 31, 2021 (a negative fair value of \$1 million in 2020).

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

December 31	2021			2020		
	Securitized mortgages	Obligations to securitization entities	Net	Securitized mortgages	Obligations to securitization entities	Net
Carrying value						
NHA MBS and CMB Programs	2,653	2,651	2	3,216	3,307	(91)
Bank-sponsored ABCP	2,372	2,407	(35)	2,768	2,867	(99)
Total	5,025	5,058	(33)	5,984	6,174	(190)
Fair value	5,084	5,146	(62)	6,186	6,345	(159)

The carrying value of obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation using an effective interest method.

NOTE 14 Power Corporation's Debentures and Other Debt Instruments

December 31	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
POWER CORPORATION				
Debentures – unsecured				
8.57% debentures due April 22, 2039	150	250	150	259
4.81% debentures due January 31, 2047	249	316	248	327
4.455% debentures due July 27, 2048	248	303	248	317
	647	869	646	903
Other debt instruments – unsecured				
Revolving credit facility with interest equal to LIBOR plus 0.70% (0.65% at December 31, 2020)	–	–	110	110
Total Power Corporation	647	869	756	1,013

CHANGES IN OTHER DEBT INSTRUMENTS

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

December 31	2021	2020
Balance, beginning of the year	756	683
Increase in other debt instruments	–	63
Decrease in other debt instruments	(106)	–
Changes in foreign exchange rates and other	(3)	10
Balance, end of year	647	756

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

NOTE 15 Non-Recourse Debentures and Other Debt Instruments

A) POWER FINANCIAL, LIFECO AND IGM

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

	2021		2020	
December 31	Carrying value	Fair value	Carrying value	Fair value
POWER FINANCIAL				
Debentures – unsecured				
6.90% debentures due March 11, 2033	250	337	250	355
Total Power Financial	250	337	250	355
LIFECO				
Debentures – unsecured				
2.50% debentures due April 18, 2023 (€500 million) ^[1]	720	743	774	825
1.75% debentures due December 7, 2026 (€500 million) ^[1]	717	768	771	857
3.337% debentures due February 28, 2028	498	533	498	566
6.40% subordinated debentures due December 11, 2028	100	125	100	135
2.379% debentures due May 14, 2030	597	602	597	637
6.74% debentures due November 24, 2031	195	270	195	287
6.67% debentures due March 21, 2033	394	549	394	575
5.998% debentures due November 16, 2039	342	478	342	504
2.981% debentures due July 8, 2050	493	479	493	514
7.529% capital trust debentures due June 30, 2052 (face value of \$150 million)	157	215	158	222
	4,213	4,762	4,322	5,122
Other debt instruments – unsecured				
Commercial paper and other short-term debt instruments with interest rates from 0.172% to 0.203% (0.223% to 0.274% at December 31, 2020)	122	122	125	125
Revolving credit facility with interest equal to LIBOR plus 0.70% (US\$50 million) (US\$165 million at December 31, 2020)	64	64	210	210
Revolving credit facility with interest equal to LIBOR plus 1.00% (US\$500 million at December 31, 2020)	–	–	635	635
0.904% senior notes due August 12, 2025 (US\$500 million)	632	617	631	638
1.357% senior notes due September 17, 2027 (US\$400 million)	506	493	505	512
4.047% senior notes due May 17, 2028 (US\$300 million)	379	431	379	446
1.776% senior notes due March 17, 2031 (US\$400 million)	506	490	505	521
4.15% senior notes due June 3, 2047 (US\$700 million)	874	1,057	874	1,117
4.581% senior notes due May 17, 2048 (US\$500 million)	629	820	628	867
3.075% senior notes due September 17, 2051 (US\$700 million)	879	899	879	984
	4,591	4,993	5,371	6,055
Total Lifeco	8,804	9,755	9,693	11,177
IGM FINANCIAL				
Debentures – unsecured				
3.44% debentures due January 26, 2027	400	423	400	444
6.65% debentures due December 13, 2027	125	154	125	165
7.45% debentures due May 9, 2031	150	203	150	216
7.00% debentures due December 31, 2032	175	238	175	251
7.11% debentures due March 7, 2033	150	207	150	216
6.00% debentures due December 10, 2040	200	274	200	280
4.56% debentures due January 25, 2047	200	241	200	248
4.115% debentures due December 9, 2047	250	284	250	294
4.174% debentures due July 13, 2048	200	230	200	238
4.206% debentures due March 21, 2050	250	290	250	302
Debentures of IGM held by Lifeco as investments	(88)	(105)	(88)	(110)
Total IGM	2,012	2,439	2,012	2,544
Total Power Financial, Lifeco and IGM	11,066	12,531	11,955	14,076

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

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)**LIFECO**

Lifeco made payments of US\$400 million on July 2, 2021 and US\$100 million on September 29, 2021 on its committed line of credit related to Great-West Life & Annuity's acquisition of the retirement services business from MassMutual on December 31, 2020. As at December 31, 2021 the balance drawn on this line of credit is nil (\$635 million as at December 31, 2020).

Capital Trust Debentures

Canada Life Capital Trust (CLCT), a trust established by Canada Life, had issued \$150 million of Canada Life Capital Securities – Series B (CLiCS – Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of \$150 million.

Distributions and interest on the capital trust debentures are classified as financing charges in the statements of earnings (Note 24). The fair value for capital trust securities is determined by the bid-ask price.

Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time.

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

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

December 31	2021	2020
Balance, beginning of the year	11,955	8,242
Issue of debentures and senior notes	–	3,713
Redemption of debentures	–	(500)
Increase in other debt instruments	–	539
Decrease in other debt instruments	(768)	(1)
Changes in foreign exchange rates and other	(121)	(38)
Balance, end of year	11,066	11,955

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

2022	186
2023	720
2024	–
2025	635
2026	720
Thereafter	8,866

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)**B) ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER – PROJECT AND OTHER DEBT**

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

December 31	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
OTHER DEBT INSTRUMENTS				
Investment Funds – secured				
Revolving credit facility up to \$70 million, with interest equal to prime rate plus 0.15% (prime rate plus 0.30% at December 31, 2020)	7	7	23	23
Revolving credit facility up to US\$75 million, with interest equal to the U.S. base rate minus 0.35% (US\$10 million)	13	13	–	–
Revolving loan facility up to \$130 million, with interest equal to banker acceptance rate plus 1.85% or LIBOR plus 1.75% (\$38 million and US\$11 million) ^[1]	52	52	–	–
Credit facility up to US\$100 million, with interest equal to LIBOR plus a margin of 1.90%	–	–	5	5
Renewable Energy – Project debt – secured				
Construction loan facilities due from January 2023 to August 2046, bearing interest at various rates equal to LIBOR plus 2.5%, U.S. base rate plus 1.5%, prime rate plus 1.5% or 3.62% (US\$52 million and \$253 million at December 31, 2021)(US\$90 million and \$199 million at December 31, 2020)	319	318	309	326
Loan facilities due from March 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%	598	621	570	614
Loan facilities due from January 2025 to September 2037, bearing interest at various rates from 4.40% to 7.0% or LIBOR plus margin between 2.25% and 3.0% (US\$168 million and \$75 million at December 31, 2021)(US\$100 million and \$69 million at December 31, 2020)	287	318	197	219
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	97	102	100	111
Standalone Businesses – secured				
Revolving credit facility and term loan facilities due in November 2024, bearing interest at various rates equal to U.S. base rate or prime rate plus margin from 1.0% to 3.25%	94	94	140	140
Total alternative asset investment platforms and other	1,467	1,525	1,344	1,438

[1] Power Sustainable Energy Infrastructure has a \$200 million credit facility consisting of a revolving facility and letter of credit facility (\$148 million was undrawn at December 31, 2021).

RENEWABLE ENERGY**Subsequent event**

Subsequent to year-end, Potentia, a wholly owned subsidiary of the Corporation, entered into a \$322 million non-recourse loan facilities with interest equal to prime rate plus 1.5%, maturing between September 2040 and September 2042.

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)**CHANGES IN OTHER DEBT INSTRUMENTS – ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER**

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

December 31	2021	2020
Balance, beginning of the year	1,344	1,013
Acquisitions	123	145
Derecognition	(204)	(129)
Increase in other debt instruments	635	441
Decrease in other debt instruments	(423)	(130)
Changes in foreign exchange rates and other	(8)	4
Balance, end of year	1,467	1,344

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

2022	155
2023	137
2024	144
2025	193
2026	67
Thereafter	794

NOTE 16 Other Liabilities

December 31	2021	2020
Accounts payable	3,840	3,186
Bank overdraft	407	444
Dividends and interest payable	525	493
Income taxes payable	311	355
Deferred income reserves	314	345
Deposits and certificates	3,968	2,247
Funds held under reinsurance contracts	1,542	1,648
Pension and other post-employment benefits [Note 25]	1,522	2,395
Lease liabilities	886	869
Limited-life and redeemable fund units	1,916	916
Other	3,528	2,814
	18,759	15,712

Other liabilities of \$13,118 million as at December 31, 2021 (\$9,294 million as at December 31, 2020) are expected to be settled within 12 months.

NOTE 16 Other Liabilities (continued)**LEASE LIABILITIES**

The changes in the lease liabilities are as follows:

December 31	2021	2020
Lease liabilities, beginning of year	869	1,022
Additions	97	113
Business acquisitions	11	-
Derecognition	(1)	(134)
Modifications	19	(7)
Lease payments	(143)	(143)
Interest	33	33
Change in foreign exchange rates and other	1	(15)
Lease liabilities, end of year	886	869

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

2022	135
2023	118
2024	105
2025	95
2026	85
Thereafter	648
Total undiscounted lease liabilities at December 31, 2021	1,186

NOTE 17 Income Taxes**INCOME TAXES**

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

Years ended December 31	2021	2020
Current taxes	375	457
Deferred taxes		
Origination and reversal of temporary differences	260	(150)
Recovery arising from the recognition of previously net unrecognized tax losses, tax credits and temporary differences	(13)	(236)
Effect of change in tax rates and other	21	6
	268	(380)
	643	77

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

December 31	2021		2020	
	Other comprehensive income	Equity	Other comprehensive income	Equity
Current tax expense (recovery)	(38)	54	28	-
Deferred tax expense (recovery)	196	(21)	3	-
	158	33	31	-

NOTE 17 Income Taxes (continued)**EFFECTIVE INCOME TAX RATE**

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

Years ended December 31	2021	2020
	%	%
Combined statutory Canadian federal and provincial tax rates	26.5	26.5
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(6.6)	(9.8)
Lower effective tax rates on income not subject to tax in Canada	(7.1)	(10.3)
Share of earnings of investments in jointly controlled corporations and associates	(1.6)	(0.6)
Impact of rate changes on deferred taxes	0.4	0.2
Other ^[1]	0.5	(3.9)
Effective income tax rate	12.1	2.1

[1] In 2020, Other includes the impact of an increase in the recognized deferred tax asset of one of Lifeco's subsidiaries of \$196 million due to the revision by the management of Lifeco of its estimates of future taxable profit, which decreased the effective income tax rate by 5.4%.

DEFERRED TAXES

Composition and changes in net deferred taxes are as follows:

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2021							
Balance, beginning of year	(320)	(865)	1,521	(1,068)	472	261	1
Recognized in							
Statements of earnings	(236)	48	(31)	(112)	(12)	75	(268)
Statements of comprehensive income	-	63	-	-	(233)	(26)	(196)
Statements of changes in equity	-	3	(2)	20	-	-	21
Business acquisitions	-	(1)	1	(30)	-	(2)	(32)
Foreign exchange rate changes and other	(19)	(14)	(5)	6	-	44	12
Balance, end of year	(575)	(766)	1,484	(1,184)	227	352	(462)

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2020							
Balance, beginning of year	(999)	(576)	1,151	(921)	406	244	(695)
Recognized in							
Statements of earnings	375	(232)	268	(60)	9	20	380
Statements of comprehensive income	-	(76)	-	-	59	14	(3)
Statements of changes in equity	-	-	-	-	-	-	-
Business acquisitions	300	-	107	(113)	-	18	312
Foreign exchange rate changes and other	4	19	(5)	26	(2)	(35)	7
Balance, end of year	(320)	(865)	1,521	(1,068)	472	261	1

December 31	2021	2020
Presented on the balance sheets as follows:		
Deferred tax assets	1,131	1,082
Deferred tax liabilities	(1,593)	(1,081)
	(462)	1

NOTE 17 Income Taxes (continued)

Management of the Corporation and of its subsidiaries assess the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2021 are recoverable.

At December 31, 2021, a deferred tax asset of \$1,388 million (\$1,411 million at December 31, 2020) is recognized by Lifeco on tax loss carry forwards totalling \$6,235 million. Of this amount, \$4,731 million expires between 2022 and 2041, while \$1,504 million has no expiry date. Lifeco will realize this benefit in future years through a reduction in current income taxes payable.

A subsidiary of Lifeco has had a history of losses. The subsidiary has a net deferred tax asset balance of \$499 million (US\$393 million) as at December 31, 2021 composed principally of net operating losses and future deductions related to goodwill. Management of Lifeco has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income to utilize the unused U.S. losses and deductions for which a deferred tax asset has been recognized.

As at December 31, 2021, the Corporation and its subsidiaries have non-capital losses of \$1,397 million (\$1,316 million in 2020) available to reduce future taxable income for which the benefits have not been recognized. Of this amount, \$1,335 million expires from 2022 to 2041, while \$62 million has no expiry date. In addition, the Corporation and its subsidiaries have capital loss carry forwards of \$298 million (\$340 million in 2020) that can be used indefinitely to offset future capital gains for which the benefits have not been recognized.

As at December 31, 2021, the Corporation and its subsidiaries have deductible temporary differences of \$665 million (\$518 million in 2020) for which the benefits have not been recognized. As at December 31, 2021 and 2020, no deferred tax liability was recognized in respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation and its subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTE 18 Stated Capital**AUTHORIZED**

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

ISSUED AND OUTSTANDING

December 31	2021		2020	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
Non-Participating Shares				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	86,100	4	129,400	6
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Total Non-Participating Shares		954		956
Participating Shares				
Participating Preferred Shares				
Balance, beginning of year	54,860,866	233	48,854,772	27
Issued pursuant to the Reorganization	–	–	6,006,094	206
Balance, end of year	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	622,388,232	9,324	377,614,607	699
Issued pursuant to the Reorganization	–	–	250,628,173	8,687
Issued under Stock Option Plan	3,436,756	107	1,497,952	48
Purchased for cancellation under normal course issuer bid	(4,068,900)	(61)	(7,352,500)	(110)
Balance, end of year	621,756,088	9,370	622,388,232	9,324
Total Participating Shares		9,603		9,557

NOTE 18 Stated Capital (continued)**Non-Participating Shares**

The Cumulative Redeemable First Preferred Shares, 1986 Series are entitled to a quarterly cumulative dividend, at a floating rate equal to one quarter of 70% of the average of the prime rates quoted by two major Canadian chartered banks. The shares are redeemable by the Corporation at \$50.00 per share, together with all declared and unpaid dividends to, but excluding, the date of redemption. In 2021, 43,300 shares (80,000 shares in 2020) were purchased for cancellation.

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

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

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	(\$/share)		(\$/share)
Non-cumulative, fixed rate			
Series A, 5.60%	0.350000	Currently redeemable	25.00
Series B, 5.35%	0.334375	Currently redeemable	25.00
Series C, 5.80%	0.362500	Currently redeemable	25.00
Series D, 5.00%	0.312500	Currently redeemable	25.00
Series G, 5.60%	0.350000	Currently redeemable	25.00

Participating Shares

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

Subordinate Voting Shares are entitled to one vote per share. In 2021, 3,436,756 Subordinate Voting Shares (1,497,952 in 2020) were issued under the Corporation's Executive Stock Option Plan for a consideration of \$96 million (\$42 million in 2020).

Dividends declared on the Corporation's participating shares in 2021 were \$1.8375 per share (\$1.79 per share in 2020).

Normal Course Issuer Bid

On February 25, 2021, the Corporation commenced a Normal Course Issuer Bid (NCIB) which is effective until the earlier of February 24, 2022 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to the NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 17, 2021 (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding) at market prices.

During the year ended December 31, 2021, the Corporation purchased for cancellation 4,068,900 Subordinate Voting Shares pursuant to its NCIB for a total of \$153 million (7,352,500 Subordinate Voting Shares for a total of \$193 million in 2020 under the previous NCIB). The Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was \$92 million and was recognized as a reduction to retained earnings (\$83 million in 2020).

SUBSEQUENT EVENT

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

On February 28, 2022, the Corporation commenced a new NCIB which is effective until the earlier of February 27, 2023 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding as at February 14, 2022) at market prices. At March 17, 2022, the Corporation has repurchased 2,150,600 Subordinate Voting Shares for a total of \$83 million.

The Corporation has entered into an automatic share purchase plan (an "ASPP") with a designated broker to allow for the purchase of Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. The ASPP is effective February 28, 2022, the commencement date of the NCIB.

Reorganization

On February 12, 2020, in connection with the Reorganization, the Corporation issued 6,006,094 Participating Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of \$34.27 per Participating Preferred Share, representing a cash consideration of \$206 million.

Also, on February 13, 2020, the Corporation acquired 238,693,580 Power Financial Common Shares, in exchange for 1.05 Subordinate Voting Shares of the Corporation and \$0.01 per share in cash. The Corporation issued 250,628,173 Subordinate Voting Shares at a price of \$34.66 per Subordinate Voting Share and \$2 million in cash, for a total consideration of \$8.7 billion.

NOTE 19 Share-Based Compensation

STOCK OPTION PLAN

There are 18,770,033 Subordinate Voting Shares and 11,180,842 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation (Stock Option Plans). The plans require that the exercise price of the option must not be less than the market value of a share on the date of the grant of the option.

A summary of the status of the Corporation's Stock Option Plans as at December 31, 2021 and 2020, and changes during the respective years ended is as follows:

	2021		2020	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	31,484,425	30.70	16,356,062	29.35
Assumption of Power Financial stock option plan	-	-	13,733,786	30.93
Granted	659,112	33.47	3,994,258	34.23
Exercised or surrendered for cash	(4,586,990)	27.48	(1,497,952)	27.89
Forfeited and expired	-	-	(1,101,729)	30.08
Outstanding, end of year	27,556,547	31.30	31,484,425	30.70
Options exercisable, end of year	17,951,463	30.71	19,458,880	29.92

As part of the Reorganization, the Corporation assumed the Power Financial Employee Stock Option Plan. The 13,079,888 options outstanding at February 13, 2020 under the Power Financial Employee Stock Option Plan (Existing Options) were exchanged for 13,733,786 options to acquire Subordinate Voting Shares of the Corporation (Replacement Options). The subscription price is equal to the subscription price at the time of the grant by Power Financial divided by 1.05. The other terms of the Replacement Options are the same as the terms of the Existing Options, including terms with respect to vesting, expiry of options and termination of employment.

The following table summarizes information about stock options outstanding at December 31, 2021:

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)	\$		\$
24.87 - 33.68	2022	2,311,681	0.4	27.20	2,311,681	27.20
28.24 - 31.03	2023	3,181,814	1.4	28.90	3,181,814	28.90
28.51 - 33.68	2024	2,893,979	2.4	31.39	2,891,734	31.39
31.79 - 36.53	2025	3,637,166	3.2	34.47	2,737,166	34.55
27.30 - 30.79	2026	2,749,160	4.2	30.00	2,749,160	30.00
29.61 - 33.68	2027	2,509,810	5.2	32.78	2,509,810	32.78
28.51 - 30.27	2028	3,179,129	6.2	29.54	1,570,098	29.54
31.12 - 31.84	2029	3,343,066	7.3	31.40	-	-
34.23	2030	3,091,630	8.1	34.23	-	-
33.30 - 42.45	2031	659,112	9.2	33.47	-	-
		27,556,547	4.5	31.30	17,951,463	30.71

TANDEM SHARE APPRECIATION RIGHTS

In 2020, the Corporation amended its Stock Option Plans to authorize the granting, at the option of the Corporation, of tandem share appreciation rights (TSAR or TSARs). The Corporation's Stock Option Plans provide for the granting of TSARs in connection with options granted thereunder, at or after the time of grant of such options. A TSAR entitles the optionee to surrender to the Corporation, unexercised, the right to subscribe for a Subordinate Voting Share pursuant to the related option and to receive from the Corporation

cash in an amount equal to the excess of the market value of a Subordinate Voting Share over the subscription price under the related option. During the year ended December 31, 2021, TSARs were attached to 1,230,234 options, of which 1,150,234 were exercised to receive cash from the Corporation and 80,000 were exercised to receive Subordinate Voting Shares at an average exercise price of \$26.83. At December 31, 2021 and December 31, 2020, no TSARs were attached to any outstanding options.

NOTE 19 Share-Based Compensation (continued)**COMPENSATION EXPENSE**

During the year ended December 31, 2021, Power Corporation granted 659,112 options (3,994,258 options in 2020).

The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2021	2020
Dividend yield	5.9%	5.1%
Expected volatility	18.0%	16.7%
Risk-free interest rate	1.4%	1.3%
Expected life (years)	9.0	8.1
Fair value per stock option (\$/option)	1.67	1.93
Weighted-average exercise price (\$/option)	33.47	34.23

Generally, options granted vest on the basis of [i] the first 50%, three years from the date of the grant and [ii] the remaining 50% four years from the date of the grant. Options granted in 2020 have the following vesting conditions:

Maturity	Number of options	Vesting conditions
2030	3,072,892	Vest 1/3 after three years, 1/3 after four years and 1/3 after five years
2030	21,366	Vest 50% after three years and 50% after four years
2025	900,000	Vest 50% after three years and 50% after four years

The expected volatility has been estimated based on the historical volatility of the Corporation's share price using the expected option life.

Lifeco, IGM and Wealthsimple have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. Total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to \$99 million in 2021 (\$71 million in 2020) and is recorded in operating and administrative expenses in the statements of earnings.

PERFORMANCE SHARE UNIT PLAN

Power Corporation established a Performance Share Unit (PSU) Plan for selected employees and officers (participants) to assist in retaining and further aligning the interests of participants with those of the shareholders. Under the terms of the Plan, PSUs may be awarded annually and are subject to time and performance vesting conditions. The value of each PSU is based on the share price of the Corporation's Subordinate Voting Shares. The PSUs are cash settled and vest over a three-year period. Participants can elect at the time of grant to receive a portion of their PSUs in the form of performance deferred share units (PDSUs) which also vest over a three-year period. PDSUs are redeemable when a participant is no longer an employee of the Corporation or any of its affiliates, or in the event of the death of the participant, by a lump-sum cash payment based on the value of the PDSU at that time. Additional PSUs and PDSUs are issued in respect of dividends payable on Subordinate Voting Shares based on the value of the PSU or PDSU at the dividend payment date. At December 31, 2021, the carrying value of the PSU liability was \$31 million (\$15 million in 2020) and is recorded within other liabilities.

DEFERRED SHARE UNIT PLAN

Power Corporation established a Deferred Share Unit (DSU) Plan for its Directors to promote a greater alignment of interests between Directors and shareholders of the Corporation. Under this Plan, Directors participating in

the Plan will receive half of their annual retainer in the form of DSUs and may elect to receive the remainder of their annual retainer entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by the five-day-average closing price on the Toronto Stock Exchange of the Subordinate Voting Shares of the Corporation on the last five days of the fiscal quarter (the value of a DSU). A Director will receive additional DSUs in respect of dividends payable on the Subordinate Voting Shares, based on the value of a DSU on the date on which the dividends were paid on the Subordinate Voting Shares. A DSU is payable, at the time a Director's membership on the Board is terminated (provided the Director is not then a director, officer or employee of an affiliate of the Corporation), or in the event of the death of a Director, by a lump-sum cash payment, based on the value of a DSU at that time. At December 31, 2021, the value of the DSUs outstanding was \$38 million (\$25 million in 2020) and is recorded within other liabilities. Alternatively, directors may participate in a Share Purchase Plan for Directors.

EMPLOYEE SHARE PURCHASE PROGRAM

Power Corporation established an Employee Share Purchase Program, giving employees the opportunity to subscribe for up to 6% of their gross salary to purchase Subordinate Voting Shares of the Corporation on the open market. Power Corporation invests, on the employee's behalf, up to an equal amount.

OTHER SHARE-BASED AWARDS OF SUBSIDIARIES

Power Financial and other subsidiaries of the Corporation have also established other share-based awards and performance share unit plans (plans) for their directors, management and employees. Some of these plans are cash settled and included within other liabilities. Total compensation expense related to these subsidiary plans amounted to \$405 million in 2021, which includes the increase in the put right liability of certain option holders in Wealthsimple, (\$162 million in 2020) and is recorded in operating and administrative expenses on the statements of earnings.

NOTE 20 Non-Controlling Interests

The carrying value of non-controlling interests consists of the following:

December 31, 2021	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,800	1,903	–	498	9,201
Preferred shareholders	2,720	–	2,830	–	5,550
Participating account surplus	3,138	–	–	–	3,138
Limited recourse capital notes	1,500	–	–	–	1,500
	14,158	1,903	2,830	498	19,389

December 31, 2020	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,267	1,552	–	292	8,111
Preferred shareholders	2,714	–	2,830	–	5,544
Participating account surplus	2,871	–	–	–	2,871
	11,852	1,552	2,830	292	16,526

The changes in non-controlling interests are as follows:

December 31, 2021	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	11,852	1,552	2,830	292	16,526
Net earnings (losses) attributable to non-controlling interests	1,342	263	136	(37)	1,704
Other comprehensive income (loss) attributable to non-controlling interests	(10)	44	–	(3)	31
Dividends	(625)	(184)	(136)	–	(945)
Issuance of limited recourse capital notes	1,500	–	–	–	1,500
Issuance of equity instruments, net of repurchase of common shares and redemption of preferred shares	103	60	–	295	458
Effect of changes in ownership interest and other ^[1]	(4)	168	–	(49)	115
Non-controlling interests, end of year	14,158	1,903	2,830	498	19,389

[1] Includes the effect of the Wealthsimple primary and secondary equity offerings and the extinguishment of put rights as described below.

December 31, 2020	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	11,372	1,479	9,307	253	22,411
Net earnings (losses) attributable to non-controlling interests	1,024	238	249	(23)	1,488
Other comprehensive income (loss) attributable to non-controlling interests	35	1	(31)	3	8
Dividends	(607)	(182)	(137)	–	(926)
Repurchase of common shares and redemption of preferred shares, net of issuance of equity instruments	18	1	(6,555)	114	(6,422)
Effect of changes in ownership interest and other	10	15	(3)	(55)	(33)
Non-controlling interests, end of year	11,852	1,552	2,830	292	16,526

NOTE 20 Non-Controlling Interests (continued)

Financial information of Lifeco and IGM as at and for the year ended December 31, 2021 can be obtained from their publicly available financial statements. Summarized financial information for Lifeco and IGM is as follows:

	2021		2020	
	Lifeco	IGM	Lifeco	IGM
Balance sheet				
Assets	630,488	17,661	600,490	16,062
Liabilities	600,005	11,160	573,475	11,019
Equity	30,483	6,501	27,015	5,043
Comprehensive income				
Net earnings	3,563	981	3,154	764
Other comprehensive income (loss)	145	956	(8)	264
Cash flows				
Operating activities	10,373	943	9,610	737
Financing activities	(992)	(1,522)	2,010	(1,358)
Investing activities	(11,212)	1,099	(8,202)	673

POWER FINANCIAL**Preferred Shares**

On October 15, 2021, Power Financial issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 at \$25.00 per share for gross proceeds of \$200 million. The shares are redeemable at the option of Power Financial on or after January 31, 2027 for \$25.00 per share plus a premium if redeemed prior to January 31, 2031, in each case together with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of \$4 million were charged to retained earnings.

On November 22, 2021, Power Financial redeemed all 8,000,000 of its outstanding 6.00% Non-Cumulative First Preferred Shares, Series I at a redemption price of \$25.00 per share, together with any declared and unpaid dividends.

Acquisition of common shares

On February 13, 2020, the Corporation successfully completed the Reorganization and acquired 238,693,580 common shares of Power Financial held by minority interests in consideration of the issuance of 250,628,173 Subordinate Voting Shares of the Corporation and \$2 million paid in cash for a total consideration of \$8.7 billion. Since then, the Corporation has held 100% of the issued and outstanding common shares of Power Financial. The excess of the purchase price over the carrying value of the non-controlling interests of \$6,555 million acquired was recorded as a decrease in retained earnings of \$2,847 million and as a reattribution of accumulated other comprehensive income and share-based compensation reserves of \$647 million and \$66 million in 2020, respectively. Costs of \$46 million related to the transaction were charged to retained earnings on the statements of changes in equity in 2020.

LIFECO**Limited Recourse Capital Notes**

On August 16, 2021, Lifeco issued \$1,500 million aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum, payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026 and every

five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield, plus 2.641%. Commencing November 30, 2026, Lifeco will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. Lifeco will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if Great-West Life & Annuity's acquisition of Prudential's full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement). Transaction costs incurred in connection with the LRCN Series 1 issue of \$17 million (\$13 million net of income taxes) were charged to retained earnings and non-controlling interests. The LRCN Series 1 had a fair value of \$1,475 million at December 31, 2021.

Non-payment of interest or principal when due on the LRCN Series 1 will result in a recourse event, with the noteholders' sole remedy being receipt of their proportionate share of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series U (Series U Preferred Shares) held in Lifeco's newly formed consolidated trust (Limited Recourse Trust). All claims of the holders of LRCN Series 1 against Lifeco will be extinguished upon receipt of the corresponding trust assets. The Series U Preferred Shares are eliminated on the balance sheets while being held within the Limited Recourse Trust.

Preferred Shares

On October 8, 2021, Lifeco issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series Y at \$25.00 per share for gross proceeds of \$200 million. The shares are redeemable at the option of Lifeco on or after December 31, 2026 for \$25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of \$4 million (\$3 million net of income taxes) were charged to retained earnings and non-controlling interests.

On December 31, 2021, Lifeco redeemed all 7,740,032 of its outstanding 5.90% Non-Cumulative First Preferred Shares, Series F at a redemption price of \$25.00 per share plus an amount equal to all declared and unpaid dividends, less any tax required to be deducted and withheld by Lifeco.

NOTE 20 Non-Controlling Interests (continued)

WEALTHSIMPLE

On May 12, 2021, Wealthsimple announced the closing of a \$750 million equity offering, consisting of a \$250 million primary offering by Wealthsimple, as well as a \$500 million secondary offering by the Corporation, IGM and Lifeco pro rata to their respective ownership interests. As a result of the secondary offering, the Corporation received proceeds of \$500 million. As well, the existing put rights held by non-controlling interests and option holders of Wealthsimple were extinguished. At the close of the transaction, the Corporation held a combined equity interest of 56.0% in Wealthsimple.

In the first quarter of 2021, the fair value increase in Wealthsimple resulted in charges included in the operating and administrative expenses in the statements of earnings related to the remeasurement of the put right liability of certain of the non-controlling interests and option holders in Wealthsimple to fair value and carried interest payable totalling \$332 million.

In the second quarter of 2021, following the close of the primary and secondary offerings and the extinguishment of the put rights, the Corporation recorded an increase in retained earnings of \$638 million (\$593 million net of income taxes), in share-based compensation reserve of \$119 million and in non-controlling interests of \$368 million.

On October 14, 2020, Wealthsimple announced the closing of a \$114 million investment on a pre-money valuation of \$1.4 billion. The investment was led by TCV, one of the largest growth equity investors focused on technology, along with Greylock Partners, Meritech Capital, Allianz X and Two Sigma Ventures. As a result of the investment, these investors acquired an ownership interest of 7.5% on a fully diluted basis. At the closing of the transaction, the Corporation had an undiluted equity interest in Wealthsimple of 74.9%. The impact of the effect of the change in ownership resulted in a gain of \$77 million recorded in retained earnings in the statement of changes in equity in 2020.

NOTE 21 Capital Management

POWER CORPORATION

As a holding company, Power Corporation's objectives in managing its capital are to:

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities arise;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital;
- maintain an appropriate credit rating to ensure stable access to the capital markets; and
- maintain cash and cash equivalents at a minimum of two times fixed charges.

The Corporation manages its capital taking into consideration the risk characteristics and liquidity of its holdings. In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue capital.

The capital structure of the Corporation consists of debentures, non-participating shares, participating shareholders' equity and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Parjointco and GBL, oversee and have the responsibility for their respective company's capital management.

The Corporation itself is not subject to externally imposed regulatory capital requirements. However, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements and they manage their capital as described below.

LIFECO

Lifeco manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of Lifeco's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of Lifeco ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholder value in the context of Lifeco's operational risks and strategic plans.

Management of Lifeco is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The target level of capitalization for Lifeco and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to Lifeco, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of Lifeco with a high degree of confidence.

Lifeco's subsidiaries Canada Life, Great-West Life & Annuity and entities based in Europe are subject to minimum regulatory capital requirements.

- In Canada, the OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT ratio compares the regulatory capital resources of a company to its required capital defined by OSFI as the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of available capital, surplus allowance and eligible deposits. OSFI has established a supervisory target total ratio of 100%, and a supervisory minimum total ratio of 90%. Canada Life's consolidated LICAT ratio at December 31, 2021 was 124% (129% at December 31, 2020).
- For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2021 and 2020, all Lifeco's European regulated entities met the capital and solvency requirements as prescribed under Solvency II.

NOTE 21 Capital Management (continued)

- Great-West Life & Annuity is subject to the risk-based capital regulatory regime in the U.S.
- Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2021 and 2020, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

IGM FINANCIAL

IGM's capital management objective is to maximize shareholder returns while ensuring that IGM is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. IGM's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. IGM regularly assesses its capital management practices in response to changing economic conditions.

IGM's capital is primarily used in its ongoing business operations to support working capital requirements, long-term investments made by IGM, business expansion and other strategic objectives.

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At December 31, 2021 and 2020, IGM subsidiaries have complied with all regulatory capital requirements.

ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

Certain subsidiaries are subject to regulatory capital requirements, including portfolio managers, asset managers and an order-execution-only broker. These subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At December 31, 2021 and 2020, these subsidiaries have complied with all regulatory capital requirements.

NOTE 22 Risk Management

The Corporation and its subsidiaries have established policies, guidelines and procedures designed to identify, measure, monitor and mitigate risks associated with financial instruments. The key risks related to financial instruments are liquidity risk, credit risk and market risk.

- Liquidity risk is the risk that the Corporation and its subsidiaries would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivative products.
- Market risk is the risk that the market value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: foreign exchange risk, interest rate risk and equity risk.
 - Foreign exchange risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian investments and earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
 - Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in the interest rates.
 - Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

Estimates of sensitivities and risk exposure measures are included for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons, including:

- assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- changes in actuarial, investment return and future investment activity assumptions;
- actual experience differing from the assumptions;
- changes in business mix, effective tax rates and other market factors;
- interactions among these factors and assumptions when more than one changes; and
- the general limitations of internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Corporation cannot provide assurance that the actual impact on net earnings will be as indicated.

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments including the impacts due to COVID-19. In the first section below, the risk management policies and procedures of Power Corporation, Power Financial and the Corporation's alternative asset investment platforms and other (other subsidiaries) are discussed. Risks related to Lifeco and IGM are discussed in subsequent sections.

NOTE 22 Risk Management (continued)

POWER CORPORATION, POWER FINANCIAL AND ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

LIQUIDITY RISK

Power Corporation is a holding company. As such, the holding company's cash flows are principally derived from dividends received from its subsidiaries and income from investments, less operating expenses, financing charges, income taxes and payment of dividends to its participating and non-participating shareholders. As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. Regulatory requirements may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends. Regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. In the U.K. and Ireland, where some of Lifeco's regulated subsidiaries operate, the regulatory authorities have maintained their guidance that insurance companies should exercise prudence in respect of dividend distributions, share buybacks and similar transactions, but at the end of the third quarter of 2021 the Irish regulator removed the temporary cap that it had also been applying to significant insurance companies. In Canada, on November 4, 2021, the OSFI announced the removal of its expectation that Canadian banks and insurers should suspend share buybacks and not increase dividend payments. The declaration and payment of dividends by the Corporation in future periods

remains at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends, which in turn will depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts.

Power Corporation and Power Financial regularly review their liquidity requirements and seek to maintain sufficient levels of liquidities to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, Power Financial and other subsidiaries to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance and risk profile of Power Corporation, Power Financial and their subsidiaries.

Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of \$500 million. The Corporation also maintains an uncommitted line of credit of \$100 million, and any advances are at the bank's sole discretion. At December 31, 2021, the Corporation was not utilizing its committed line of credit or uncommitted line of credit (\$110 million in 2020).

Other subsidiaries also have committed lines of credit of \$435 million with Canadian and U.S. banks (\$347 million was undrawn at December 31, 2021).

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM discussed below) represent the only significant contractual liquidity requirements. Contractual maturities of certain liabilities were as follows:

December 31, 2021	Payments due by period			
	Less than 1 year	1-5 years	After 5 years	Total
Deposits and certificates	1,748	-	-	1,748
Debentures and other debt instruments	155	541	1,606	2,302
Future lease payments	20	64	184	268
Pension contributions	18	-	-	18
	1,941	605	1,790	4,336

Power Corporation and Power Financial believe their ongoing cash flows from operations, available cash balances and liquidity available through their lines of credit are sufficient to address their liquidity needs.

Power Corporation, Power Financial and other subsidiaries' management of liquidity risk has not changed materially since December 31, 2020.

CREDIT RISK

Fixed income securities and derivatives are subject to credit risk. Power Corporation and Power Financial mitigate credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum rating and concentration limits.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Corporation, Power Financial and other subsidiaries operate, as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. Power Corporation and Power Financial regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives can also be used to mitigate foreign exchange or equity exposures. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

Other subsidiaries' financial instruments include other loans and are subject to credit risk. Other subsidiaries regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Power Corporation, Power Financial and other subsidiaries' exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2020.

NOTE 22 Risk Management (continued)**MARKET RISK**

Power Corporation and Power Financial and other subsidiaries' financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, other loans, investment funds and hedge funds), derivatives and debentures and other debt instruments.

Foreign exchange risk

In managing their own cash and cash equivalents as well as fixed income securities, Power Corporation, Power Financial and other subsidiaries may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2021, approximately 73% (78% as at December 31, 2020) of Power Corporation, Power Financial and other subsidiaries' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Power Corporation, Power Financial and other subsidiaries held other investments either classified as available for sale or as fair value through profit or loss. Unrealized gains and losses on investments classified as available for sale, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. Unrealized gains and losses on investments classified as fair value through profit or loss, resulting from foreign exchange rate variations, are recorded directly in net earnings. As at December 31, 2021, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income or a loss recorded in net earnings of approximately \$55 million and \$35 million, respectively (\$109 million and \$16 million at December 31, 2020, respectively). Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

Power Corporation has net investments in foreign operations. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar and Chinese renminbi spot rates impacts the Corporation's total equity.

Power Financial is exposed to foreign exchange risk on its investment in GBL held through Parjointco as its functional currency is the euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. As at December 31, 2021, the impact of a 5%

increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$214 million (\$210 million in 2020).

Power Corporation is also exposed to foreign exchange risk on its investment in ChinaAMC. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. As at December 31, 2021, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$38 million (\$35 million in 2020).

Interest rate risk

Power Corporation, Power Financial and other subsidiaries' financial instruments do not have significant exposure to interest rate risk.

Equity risk

Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the year, the Corporation recorded investment impairment charges on available-for-sale investments of nil (\$35 million in 2020). As at December 31, 2021, the impact of a 10% decrease in the value of other investments held by Power Corporation, Power Financial and other subsidiaries would have resulted in an approximate \$110 million (\$179 million as at December 31, 2020) unrealized loss recorded in other comprehensive income related to investments classified as available for sale and \$128 million (\$60 million as at December 31, 2020) of loss recorded in net earnings related to investments classified as fair value through profit or loss and investments in jointly controlled corporations and associates measured at fair value through profit or loss.

GBL holds a portfolio of investments which are classified as available for sale. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. As at December 31, 2021, the impact of a 10% decline in equity markets would have resulted in an approximate \$395 million (\$400 million in 2020) unrealized loss to be recorded in other comprehensive income, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation and Power Financial sponsor a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Power Corporation. Power Corporation and Power Financial hedge their exposure to the equity risk associated with their PSU Plans through the use of total return swaps.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks.

LIQUIDITY RISK

Lifeco has the following policies and procedures in place to manage liquidity risk:

- Lifeco closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 48% (approximately 48% in 2020) of insurance and investment contract liabilities are non-cashable prior to maturity or claim, with a further approximately 24% (approximately 26% in 2020) of insurance and investment contract liabilities subject to fair value adjustments under certain conditions.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2021, Lifeco maintained \$950 million of liquidity at its level through committed lines of credit with Canadian chartered banks. As well, Lifeco maintains a US\$500 million revolving credit agreement at Great-West Lifeco U.S. LLC, a US\$300 million revolving credit agreement with a syndicate of banks for use by Putnam, and a US\$50 million line of credit at Great-West Life & Annuity.

NOTE 22 Risk Management (continued)

In the normal course of business, Lifeco enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following table summarizes the principal repayment schedule of certain of Lifeco's financial liabilities.

December 31, 2021	Payments due by period						Total
	1 year	2 years	3 years	4 years	5 years	After 5 years	
Debentures and other debt instruments	186	720	–	635	720	6,454	8,715
Capital trust debentures ^[1]	–	–	–	–	–	150	150
Purchase obligations	192	85	44	35	15	65	436
Pension contributions	306	–	–	–	–	–	306
	684	805	44	670	735	6,669	9,607

[1] Payments due have not been reduced to reflect that Lifeco held capital trust securities of \$37 million principal amount (\$53 million carrying value).

CREDIT RISK

Lifeco has the following policies and procedures in place to manage credit risk:

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the risk committee and the investment committee of the board of directors of Lifeco.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. Lifeco manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating-based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to Lifeco are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in Lifeco's Reinsurance Risk Management Policy. Lifeco seeks to minimize reinsurance credit risk by setting rating-based limits on net ceded exposure by counterparty as well as by seeking protection in the form of collateral or funds-withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

Maximum exposure to credit risk

The following table summarizes Lifeco's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

December 31	2021	2020
Cash and cash equivalents	6,075	7,946
Bonds		
Fair value through profit or loss	103,813	102,892
Available for sale	12,123	11,352
Loans and receivables	24,676	23,348
Mortgage loans	28,852	27,803
Loans to policyholders	8,319	8,387
Funds held by ceding insurers ^[1]	17,194	18,383
Reinsurance assets	21,138	22,121
Interest due and accrued	1,239	1,320
Accounts receivable	3,183	3,080
Premiums in course of collection	1,944	1,702
Trading account assets	1,671	713
Finance leases receivable	433	404
Other financial assets ^[2]	1,196	965
Derivative assets	967	829
Total balance sheet maximum credit exposure	232,823	231,245

[1] Includes \$15,125 million as at December 31, 2021 (\$16,325 million as at December 31, 2020) of funds held by ceding insurers where Lifeco retains the credit risk of the assets supporting the liabilities ceded (see Note 6).

[2] Includes items such as income taxes receivable and miscellaneous other assets of Lifeco.

NOTE 22 Risk Management (continued)

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of types of collateral and the valuation parameters. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco has \$318 million of collateral received from counterparties as at December 31, 2021 (\$211 million as at December 31, 2020) relating to derivative assets.

As at December 31, 2021 \$14,512 million of the \$21,138 million of reinsurance assets are ceded to Protective Life (\$15,690 million of \$22,121 million at December 31, 2020). This concentration risk is mitigated by funds held in trust and other arrangements of \$15,963 million as at December 31, 2021 (\$16,389 million at December 31, 2020).

Concentrations of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics of such debtors are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following table provides details of the carrying value of bonds of Lifeco by issuer, industry sector and business:

December 31, 2021	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	529	109	10,334	4,735	15,707
Government-related	19,501	2,183	8,694	349	30,727
Agency securitized	178	497	-	17	692
Non-agency securitized	2,215	7,788	1,149	165	11,317
Financials	3,794	6,251	5,748	886	16,679
Communications	1,104	1,235	1,032	113	3,484
Consumer products	4,029	5,461	2,412	736	12,638
Energy	2,602	2,634	482	330	6,048
Industrials	2,092	4,707	1,393	348	8,540
Technology	729	1,732	411	319	3,191
Transportation	3,674	1,227	897	135	5,933
Utilities	9,971	5,028	4,480	506	19,985
Short-term bonds	2,854	1,976	644	197	5,671
	53,272	40,828	37,676	8,836	140,612

December 31, 2020	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	586	272	10,282	1,372	12,512
Government-related	20,555	2,308	9,287	316	32,466
Agency securitized	178	926	-	17	1,121
Non-agency securitized	2,057	6,550	1,402	136	10,145
Financials	4,361	6,022	5,880	572	16,835
Communications	1,142	1,338	1,124	98	3,702
Consumer products	4,197	6,127	2,816	762	13,902
Energy	2,453	2,450	675	270	5,848
Industrials	2,022	4,585	1,329	406	8,342
Technology	557	1,324	299	263	2,443
Transportation	3,409	1,394	977	154	5,934
Utilities	10,091	4,485	4,811	553	19,940
Short-term bonds	2,332	557	1,066	447	4,402
	53,940	38,338	39,948	5,366	137,592

NOTE 22 Risk Management (continued)

The following table provides details of the carrying value of mortgage loans of Lifeco by business:

December 31, 2021	Single-family residential	Multi-family residential	Equity- release	Commercial	Total
Canada	1,979	4,297	1,063	9,364	16,703
United States	-	2,474	-	3,696	6,170
Europe	-	792	1,546	3,553	5,891
Capital and Risk Solutions	-	38	-	50	88
	1,979	7,601	2,609	16,663	28,852

December 31, 2020	Single-family residential	Multi-family residential	Equity- release	Commercial	Total
Canada	2,063	4,331	759	8,883	16,036
United States	-	2,297	-	3,660	5,957
Europe	-	684	1,261	3,801	5,746
Capital and Risk Solutions	-	41	-	23	64
	2,063	7,353	2,020	16,367	27,803

Asset quality

Bond Portfolio Quality December 31	2021	2020
AAA	20,254	21,820
AA	35,460	35,530
A	48,764	45,673
BBB	35,098	33,382
BB and lower	1,036	1,187
	140,612	137,592

Derivative Portfolio Quality December 31	2021	2020
Over-the-counter contracts (counterparty credit ratings):		
AA	662	424
A	304	369
BBB	-	35
Exchange-traded	1	1
	967	829

Loans past due, but not impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management of Lifeco has reasonable assurance of collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due, but not impaired:

December 31	2021	2020
Less than 30 days	164	17
30-90 days	34	28
Greater than 90 days	141	10
	339	55

NOTE 22 Risk Management (continued)**Future asset credit losses**

The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

December 31	2021	2020
Participating	1,376	1,183
Non-participating	1,895	2,185
	3,271	3,368

MARKET RISK**Foreign exchange risk**

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases. Lifeco has net investments in foreign operations. Lifeco's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts Lifeco's total equity. Correspondingly, Lifeco's book value per share and capital ratios monitored by rating agencies are also impacted. The following policies and procedures are in place to mitigate Lifeco's exposure to foreign exchange risk:

- Lifeco uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented investment guidelines include maximum tolerances for unhedged currency mismatch exposures.
- For assets backing liabilities not matched by currency, Lifeco normally converts the assets back to the currency of the liability using foreign exchange contracts.
- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.
- A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.

Interest rate risk

The following policies and procedures are in place to mitigate Lifeco's exposure to interest rate risk:

- Lifeco uses a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), Lifeco generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments or equities, as described below.
- The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

NOTE 22 Risk Management (continued)

Projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.11% in 2021 (0.11% in 2020). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk because Lifeco's sensitivity to interest rate movements varies at different terms.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries-prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

December 31	2021		2020	
	1% increase	1% decrease ^[1]	1% increase	1% decrease ^[1]
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(219)	678	(289)	1,185
Increase (decrease) in net earnings	197	(555)	224	(920)

[1] For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

Equity risk

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate price risk.

The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash flows are supported by publicly traded common shares and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private equities, and equity-release mortgages. The value of the

liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common shares and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger decreases in equity values, relative to the change in equity values. Decreases in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common shares on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

December 31	2021				2020			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
Change in publicly traded common share values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(26)	(16)	22	76	(34)	(18)	62	264
Increase (decrease) in net earnings	21	13	(19)	(66)	28	15	(51)	(208)

NOTE 22 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 insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	2021				2020			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
December 31								
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(92)	(46)	38	144	(41)	(8)	88	138
Increase (decrease) in net earnings	79	39	(30)	(112)	34	6	(69)	(108)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common shares and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market decreases.

The best estimate return assumptions for publicly traded common shares and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or a 1% decrease in the best estimate assumptions:

	2021		2020	
	1% increase	1% decrease	1% increase	1% decrease
December 31				
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	(715)	829	(691)	861
Increase (decrease) in net earnings	567	(649)	556	(682)

Lifeco sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. Lifeco hedges its exposure to the equity risk associated with its PSU Plan through the use of total return swaps.

IGM FINANCIAL

The board of directors of IGM provides oversight and carries out its risk management mandate through various committees.

LIQUIDITY RISK

IGM's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near-term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and IGM's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity by management and by committees of the board of directors of IGM.

A key liquidity requirement for IGM is the funding of consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

IGM also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS), including sales to Canada Housing Trust under the Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of IGM are approved issuers of NHA MBS and are approved sellers into the CMB Program. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in principal reinvestment accounts.

IGM maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

NOTE 22 Risk Management (continued)

IGM's contractual maturities of certain liabilities were as follows:

December 31, 2021	Payments due by period				Total
	Demand	Less than 1 year	1-5 years	After 5 years	
Derivative financial instruments	-	7	11	-	18
Deposits and certificates	2,218	-	1	1	2,220
Obligations to securitization entities	-	1,158	3,893	7	5,058
Future lease payments	-	32	98	125	255
Debentures	-	-	-	2,100	2,100
Pension contributions	-	14	-	-	14
Total contractual maturities	2,218	1,211	4,003	2,233	9,665

In addition to IGM's current balance of cash and cash equivalents, liquidity is available through IGM's lines of credit. IGM's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million as at December 31, 2021, unchanged from December 31, 2020. The lines of credit as at December 31, 2021 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2020. IGM has accessed its uncommitted lines of credit in the past; however, any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2021 and 2020, IGM was not utilizing its committed lines of credit or its uncommitted lines of credit.

IGM's liquidity position and its management of liquidity risk have not changed materially since December 31, 2020.

CREDIT RISK

IGM's cash and cash equivalents, other investment holdings, mortgage portfolios and derivatives are subject to credit risk. IGM monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2021, IGM's cash and cash equivalents of \$1,292 million (\$772 million in 2020) consisted of cash balances of \$326 million (\$77 million in 2020) on deposit with Canadian chartered banks and cash equivalents of \$966 million (\$695 million in 2020). IGM manages credit risk related to cash and cash equivalents by adhering to its investment policy that outlines credit risk parameters and concentration limits. IGM regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

As at December 31, 2021, residential mortgages recorded on IGM's balance sheets, of \$5.4 billion (\$6.3 billion in 2020) consisted of \$5.0 billion sold to securitization programs (\$6.0 billion in 2020), \$316 million held pending sale or securitization (\$335 million in 2020) and \$14 million related to IGM's intermediary operations (\$14 million in 2020).

IGM manages credit risk related to residential mortgages through:

- adhering to its lending policy and underwriting standards;
- its loan servicing capabilities;
- use of client-insured mortgage default insurance and mortgage portfolio default insurance held by IGM; and
- its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan™.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling \$2.6 billion (\$3.2 billion in 2020), IGM is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.4 billion (\$2.8 billion in 2020) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$68 million (\$73 million in 2020) and \$34 million (\$46 million in 2020), respectively, at December 31, 2021. Cash reserve accounts are reflected on the balance sheets, whereas rights to future net interest income are not reflected on the balance sheets and will be recorded over the life of the mortgages.

At December 31, 2021, residential mortgages recorded on the balance sheets were 53.1% insured (55.3% in 2020). At December 31, 2021, impaired mortgages on these portfolios were \$3 million (\$5 million in 2020). Uninsured non-performing mortgages over 90 days on these portfolios were \$2 million at December 31, 2021 (\$2 million in 2020).

NOTE 22 Risk Management (continued)

IGM also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short Term Income Fund and to the IG Mackenzie Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the balance sheets as IGM has transferred substantially all of the risks and rewards of ownership associated with these loans.

IGM regularly reviews the credit quality of the mortgages and the adequacy of the allowance for credit losses.

IGM's allowance for credit losses was \$1 million at December 31, 2021 (\$1 million in 2020), and is considered adequate by IGM's management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience; ii) recent trends, including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses; iii) current portfolio credit metrics and other relevant characteristics; iv) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

IGM's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2020.

IGM is exposed to credit risk through the derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain share-based compensation arrangements. These derivatives are discussed more fully under the market risk section below.

To the extent that the fair value of the derivatives is in a gain position, IGM is exposed to the credit risk that its counterparties fail to fulfill their obligations under these arrangements.

IGM's derivative activities are managed in accordance with its investment policy, which includes counterparty limits and other parameters to manage counterparty risk. Counterparties are all Canadian Schedule I chartered banks and, as a result, management of IGM has determined that its overall credit risk related to derivatives was not significant at December 31, 2021. Management of credit risk related to derivatives has not changed materially since December 31, 2020.

MARKET RISK**Foreign exchange risk**

IGM is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in other comprehensive income. As of December 31, 2021, the impact of a 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investment by approximately \$36 million (\$34 million in 2020).

Interest rate risk

IGM is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in IGM's mortgage banking operations.

IGM manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- IGM has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As part of the CMB Program, IGM is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a fair value of \$1 million (negative \$21 million in 2020) and an outstanding notional value of \$0.3 billion at December 31, 2021 (\$0.7 billion in 2020). IGM enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled \$4 million (\$20 million in 2020), on an outstanding notional amount of \$1.3 billion at December 31, 2021 (\$1.3 billion in 2020). The net fair value of these swaps recorded on the balance sheets was \$5 million at December 31, 2021 (negative \$1 million in 2020) and had an outstanding notional amount of \$1.6 billion at December 31, 2021 (\$2.0 billion in 2020).
- IGM is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. IGM enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by IGM pending sale or securitization. The fair value of these swaps was \$1 million (negative \$1 million in 2020) on an outstanding notional amount of \$129 million at December 31, 2021 (\$191 million in 2020).

As at December 31, 2021, the impact to net earnings of a 100-basis-point increase in interest rates would have been a decrease of approximately \$3 million (\$1 million in 2020). IGM's exposure to and management of interest rate risk have not changed materially since December 31, 2020.

Equity risk

IGM is exposed to equity risk on its equity investments which are classified as either available for sale or fair value through profit or loss or investments in associates.

IGM sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. IGM hedges its exposure to this risk through the use of forward agreements and total return swaps.

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management and advisement. These changes in assets under management and advisement directly impact earnings of IGM.

NOTE 23 Operating and Administrative Expenses

Years ended December 31	2021	2020
Salaries and other employee benefits	5,680	4,781
General and administrative expenses	3,118	2,539
Amortization, depreciation and impairment	778	675
Premium taxes	500	480
Restructuring and other	94	219
	10,170	8,694

RESTRUCTURING AND OTHER**Lifeco****Canada Restructuring**

In 2020, Lifeco recorded a restructuring provision of \$92 million. The restructuring is associated with the 2020 sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie, changes to Lifeco's distribution strategy and vision for advisor-based distribution, and termination of a long-term technology infrastructure-related sharing agreement.

Great-West Life & Annuity Restructuring

During the year ended December 31, 2021, Lifeco recorded integration expenses of \$74 million (\$5 million in 2020) and restructuring expenses of \$10 million (\$37 million in 2020). The restructuring is primarily attributable to

additional staff reductions and other exit costs related to Lifeco's acquisition of the MassMutual retirement services business. Lifeco expects to incur further restructuring and integration expenses associated with the MassMutual acquisition in 2022 (Note 3).

IGM Financial

During 2020 IGM's incurred restructuring and other charges of \$75 million related to ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also to the acquisition of GLC and other changes to IGM's investment management teams. As a result of these initiatives, IGM recorded charges relating to restructuring and downsizing certain sharing activities with Lifeco as well as impairment of redundant internally generated software assets.

At December 31, 2021, the balance of restructuring provisions, including those above, amounts to \$104 million (\$232 million in 2020) and is recorded in other liabilities. Lifeco and IGM expect to pay out a significant portion of these amounts during 2022.

NOTE 24 Financing Charges

Years ended December 31	2021	2020
Interest on debentures and other debt instruments	512	484
Interest on lease liabilities	33	33
Interest on capital trust debentures	11	11
Interest on limited recourse capital notes	20	-
Other	23	27
	599	555

NOTE 25 Pension Plans and Other Post-Employment Benefits

CHARACTERISTICS, FUNDING AND RISKS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors as well as unfunded supplementary employee retirement plans (SERP) for eligible employees. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings; however, the plans of the Corporation and its subsidiaries are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Corporation and its subsidiaries' defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, in most circumstances active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans, and assuming the plans are not terminated. Assets supporting the funded pension plans are held in separate trustee pension funds. Obligations for the wholly unfunded plans are supported by assets of the Corporation or its subsidiaries, as applicable.

New hires are only eligible for defined contribution benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Corporation and its subsidiaries also provide unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Lifeco's subsidiaries' plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The obligations for these benefits are supported by assets of the Corporation or its subsidiaries, as applicable.

The Corporation and its subsidiaries have pension and benefit committees or a trustee arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to benefit plans of the Corporation or of its subsidiaries require approval from the respective board of directors or committee thereof.

The Corporation and its subsidiaries' funding policy for the funded pension plans require annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit asset, the Corporation and its subsidiaries determine if an economic benefit exists in the form of potential reductions in future contributions, the present value of future expenses to be paid from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Corporation and its subsidiaries to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Corporation and its subsidiaries.

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**PLAN ASSETS, BENEFIT OBLIGATION AND FUNDED STATUS**

	2021		2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
December 31				
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	8,735	-	8,045	-
Interest income	189	-	213	-
Employee contributions	20	-	17	-
Employer contributions	149	23	210	18
Actual return on assets greater than interest income	572	-	503	-
Benefits paid	(387)	(23)	(365)	(18)
Settlement	(142)	-	(2)	-
Administrative expenses	(8)	-	(9)	-
Foreign exchange and other	(193)	-	123	-
Fair value of plan assets, end of year	8,935	-	8,735	-
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	10,387	474	9,506	448
Current service cost	126	4	121	3
Employee contributions	20	-	17	-
Interest cost	228	12	257	14
Actuarial (gains) losses on:				
Financial assumption changes	(312)	(30)	744	31
Demographic assumption changes	(16)	(10)	(11)	2
Arising from member experience	(17)	(9)	31	(5)
Benefits paid	(387)	(23)	(365)	(18)
Past service cost and plan amendments	-	-	(6)	-
Settlement	(200)	-	(1)	-
Curtailment	(2)	-	(21)	-
Foreign exchange and other	(192)	-	115	(1)
Defined benefit obligation, end of year	9,635	418	10,387	474
Funded status				
Fund deficit	(700)	(418)	(1,652)	(474)
Unrecognized amount due to asset ceiling (see below)	(41)	-	(29)	-
Accrued benefit liability	(741)	(418)	(1,681)	(474)

The aggregate defined benefit obligation of pension plans is as follows:

December 31	2021	2020
Wholly or partly funded plans	8,911	9,604
Wholly unfunded plans	724	783

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

	2021			2020		
December 31	Defined benefit pension plans	Other post-employment benefits	Total	Defined benefit pension plans	Other post-employment benefits	Total
Pension benefit assets [Note 9]	363	–	363	240	–	240
Pension and other post-employment benefit liabilities [Note 16]	(1,104)	(418)	(1,522)	(1,921)	(474)	(2,395)
Accrued benefit liability	(741)	(418)	(1,159)	(1,681)	(474)	(2,155)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Corporation and its subsidiaries must assess whether the pension asset has economic benefit to the Corporation and its subsidiaries through future contribution reductions, the present value of future expenses

to be paid from the plan, or surplus refunds; in the event the Corporation and its subsidiaries are not entitled to a benefit, a limit or “asset ceiling” is required on the balance sheet. The following provides a breakdown of the changes in the asset ceiling:

December 31	2021	2020
Asset ceiling, beginning of year	29	37
Interest on beginning-of-period asset ceiling	1	1
Change in asset ceiling	11	(11)
Foreign exchange rate changes	–	2
Asset ceiling, end of year	41	29

PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSE

	2021		2020	
December 31	Pension plans	Other post-employment benefits	Pension plans	Other post-employment benefits
Defined benefit current service cost	126	4	121	3
Net interest cost	40	12	45	14
Past service cost, plan amendments, curtailments and settlements	(60)	–	(26)	–
Administration fees	8	–	9	–
Defined contribution current service cost	191	–	152	–
Expense recognized in net earnings	305	16	301	17
Actuarial (gains) losses recognized	(345)	(49)	764	28
Return on assets greater than discount rate	(572)	–	(503)	–
Change in asset ceiling	11	–	(11)	–
Expense (income) recognized in other comprehensive income (loss)	(906)	(49)	250	28
Total expense (income)	(601)	(33)	551	45

In 2021, the Corporation and its subsidiaries incurred \$11 million of actuarial gains (\$4 million of actuarial losses in 2020) for pension plan remeasurements not included in the table shown above. This relates to the share of actuarial gains (losses) for investments in jointly controlled corporations and associates.

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**ASSET ALLOCATION BY MAJOR CATEGORY WEIGHTED BY PLAN ASSETS**

December 31 Percentage [%]	Defined benefit pension plans	
	2021	2020
Equity securities	41	42
Debt securities	50	47
All other assets	9	11
	100	100

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Lifeco's plan assets include investments in segregated and other funds managed by subsidiaries of Lifeco of \$6,980 million at December 31, 2021 (\$6,871 million at December 31, 2020) of which \$6,902 million (\$6,790 million at December 31, 2020) are included in the balance sheets. Plan assets do not

include any property occupied or other assets used by Lifeco. IGM's plan assets are invested in IGM's mutual funds. A portion of Power Corporation and Power Financial's plan assets are invested in segregated funds managed by a subsidiary of Lifeco.

DETAILS OF DEFINED BENEFIT OBLIGATION**Portion of defined benefit obligation subject to future salary increases**

	2021		2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
December 31				
Benefit obligation without future salary increases	8,695	418	9,587	474
Effect of assumed future salary increases	940	-	800	-
Defined benefit obligation	9,635	418	10,387	474

Allocation of defined benefit obligation by membership

December 31 Percentage [%]	2021		2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Actives	41	20	40	22
Deferred vesteds	16	-	18	-
Retirees	43	80	42	78
Total	100	100	100	100
Weighted average duration of defined benefit obligation (in years)	17.3	11.9	18.2	12.1

CASH FLOW INFORMATION

The expected employer contributions for the year 2022 are as follows:

	Pension plans	Other post-employment benefits
Funded (wholly or partly) defined benefit plans	98	-
Unfunded defined benefit plans	42	25
Defined contribution plans	188	-
Total	328	25

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**ACTUARIAL ASSUMPTIONS AND SENSITIVITIES****Actuarial assumptions**

	2021		2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
December 31 Percentage [%]				
Range of discount rates				
To determine benefit cost	2.1–2.7	2.4–2.6	2.6–3.2	3.1–3.2
To determine accrued benefit obligation at year-end	2.6–3.3	3.0–3.3	2.1–2.7	2.4–2.6
Weighted average assumptions used to determine benefit cost ^[1]				
Discount rate	2.4	2.5	2.9	3.1
Rate of compensation increase	3.0	–	3.0	–
Weighted average assumptions used to determine accrued benefit obligation at year-end ^[1]				
Discount rate	2.9	3.1	2.4	2.5
Rate of compensation increase	3.2	–	3.0	–
Weighted average healthcare trend rates ^[1]				
Initial healthcare trend rate		4.8		4.8
Ultimate healthcare trend rate		4.1		4.1
Year ultimate trend rate is reached		2039		2039

[1] Weighted based on the obligations of each plan.

Sample life expectancies based on mortality assumptions

	2021		2020	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
December 31				
Weighted average life expectancies based on mortality assumptions ^[1] :				
Male				
Age 65 in fiscal year	22.6	22.5	22.7	22.5
Age 65 for those age 35 in the fiscal year	24.5	24.0	24.6	24.0
Female				
Age 65 in fiscal year	24.8	24.9	24.8	24.7
Age 65 for those age 35 in the fiscal year	26.6	26.2	26.7	26.2

[1] Weighted based on the obligations of each plan.

Mortality assumptions are significant in measuring the defined benefit obligation for defined benefit plans. The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty and judgment is required in establishing this assumption. The mortality assumptions applied by the Corporation and its subsidiaries take into consideration average life expectancy, including allowances for future longevity improvements as appropriate, and reflect variations in such factors as age, gender and geographic location.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of \$294 million for the defined benefit pension plans and \$13 million for the other post-employment benefits.

Impact of changes to assumptions on defined benefit obligation

December 31, 2021	1% increase	1% decrease
Defined benefit pension plans:		
Impact of a change to the discount rate	(1,446)	1,856
Impact of a change to the rate of compensation increase	339	(306)
Impact of a change to the rate of inflation	657	(586)
Other post-employment benefits:		
Impact of a change to the discount rate	(41)	50
Impact of a change to assumed medical cost trend rates	27	(24)

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions and therefore the sensitivity analysis presented may not be representative of the actual change.

NOTE 26 Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Corporation and its subsidiaries are end-users of various derivative financial instruments. Contracts are either exchange traded or over-the-counter with counterparties that are credit-worthy financial intermediaries.

The following tables summarize the portfolio of derivative financial instruments of the Corporation and its subsidiaries:

	Notional amount					
December 31, 2021	1 year or less	1-5 years	Over 5 years	Total	Maximum credit risk	Total fair value
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	1,247	1,946	3,823	7,016	219	159
Options purchased	11	96	–	107	–	–
Futures – long	1	–	–	1	–	–
Futures – short	147	–	–	147	–	–
	1,406	2,042	3,823	7,271	219	159
Foreign exchange contracts						
Cross-currency swaps	2,574	4,298	13,462	20,334	539	(420)
Forward contracts	2,464	–	–	2,464	10	(4)
Options written	79	–	–	79	–	–
	5,117	4,298	13,462	22,877	549	(424)
Other derivative contracts						
Equity contracts	1,993	62	96	2,151	79	76
Futures – long	15	–	–	15	–	–
Futures – short	578	–	–	578	1	(2)
Other forward contracts	1,488	–	–	1,488	3	3
	4,074	62	96	4,232	83	77
	10,597	6,402	17,381	34,380	851	(188)
Fair value hedges						
Foreign exchange contracts						
Forward contracts	78	–	–	78	–	(1)
Cash flow hedges						
Interest rate contracts						
Swaps	–	42	499	541	11	10
Foreign exchange contracts						
Forward contracts	274	99	–	373	–	(5)
Other derivative contracts						
Equity contracts	71	129	93	293	122	122
	345	270	592	1,207	133	127
Net investment hedges						
Foreign exchange contracts						
Cross-currency swaps	–	–	2,320	2,320	25	–
Forward contracts	1,409	518	–	1,927	40	48
	1,409	518	2,320	4,247	65	48
	12,429	7,190	20,293	39,912	1,049	(14)

NOTE 26 Derivative Financial Instruments (continued)

December 31, 2020	Notional amount				Maximum credit risk	Total fair value
	1 year or less	1-5 years	Over 5 years	Total		
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	1,296	1,817	2,664	5,777	349	269
Options purchased	41	166	14	221	-	-
Futures - long	6	3	-	9	-	-
Futures - short	190	4	-	194	-	-
	1,533	1,990	2,678	6,201	349	269
Foreign exchange contracts						
Cross-currency swaps	896	3,068	11,222	15,186	388	(783)
Forward contracts	3,710	-	-	3,710	38	32
	4,606	3,068	11,222	18,896	426	(751)
Other derivative contracts						
Equity contracts	661	76	-	737	128	127
Futures - long	17	-	-	17	-	-
Futures - short	682	-	-	682	1	(4)
Other forward contracts	4,318	-	-	4,318	9	8
	5,678	76	-	5,754	138	131
	11,817	5,134	13,900	30,851	913	(351)
Fair value hedges						
Foreign exchange contracts						
Forward contracts	74	-	-	74	3	3
Cash flow hedges						
Interest rate contracts						
Swaps	-	40	234	274	14	11
Other derivative contracts						
Equity contracts	27	156	-	183	27	25
	27	196	234	457	41	36
Net investment hedges						
Foreign exchange contracts						
Forward contracts	786	530	-	1,316	16	15
	12,704	5,860	14,134	32,698	973	(297)

The amount subject to maximum credit risk is limited to the current fair value of the instruments which are in a gain position. The maximum credit risk represents the total cost of all derivative contracts with positive values and does not reflect actual or expected losses. The total fair value represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this would not result in a gain or loss to the Corporation and its subsidiaries as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

NOTE 26 Derivative Financial Instruments (continued)

The Corporation and its subsidiaries use the following derivatives:

Type	Purpose
Interest rate contracts	<p>Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities and to reduce the impact of fluctuating interest rates on the mortgage banking operations, intermediary operations and debt instruments. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based.</p> <p>Call options grant the Corporation and its subsidiaries the right to enter into a swap with predetermined fixed rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees and debt instruments.</p>
Foreign exchange contracts	<p>Cross-currency swaps are used in combination with other investments to manage foreign exchange risk associated with investment activities and insurance and investment contract liabilities. Under these swaps, principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Corporation and its subsidiaries may also enter into certain foreign exchange forward contracts to hedge certain product liabilities, cash and cash equivalents and cash flows. Cross-currency swaps are also used to hedge the Corporation and its subsidiaries' net investment in foreign operations.</p>
Other derivative contracts	<p>Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage the potential credit risk impact of significant declines in certain equity markets.</p> <p>Equity forward agreements and total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Forward agreements and total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these instruments are not designated as hedges.</p> <p>Equity call options and warrants are also used as part of the Corporation's investment activities.</p>

The ineffective portion of the cash flow hedges during 2021, which includes interest rate contracts and foreign exchange contracts, and the anticipated net gains (losses) expected to be reclassified out of other comprehensive income within the next twelve months, is not significant. The maximum time frame for which variable cash flows are hedged is 23 years.

ENFORCEABLE MASTER NETTING AGREEMENTS OR SIMILAR AGREEMENTS

The Corporation and its subsidiaries enter into the International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Corporation and its subsidiaries receive and pledge collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the balance sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with exchanges and clearing houses, there is no provision for set-off at default. Initial margin is excluded from the tables below as it would become part of a pooled settlement process.

Lifeco's reverse repurchase agreements are also subject to right of set-off in the event of default. These transactions and agreements include master netting arrangements which provide for the netting of payment obligations between Lifeco and its counterparties in the event of default.

NOTE 26 Derivative Financial Instruments (continued)

The following disclosure shows the potential effect on the balance sheets of financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the balance sheets.

	Gross amount of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net exposure
		Offsetting counterparty position ^[1]	Financial collateral received/ pledged ^[2]	
December 31, 2021				
Financial instruments (assets)				
Derivative financial instruments	1,049	(548)	(293)	208
	1,049	(548)	(293)	208
Financial instruments (liabilities)				
Derivative financial instruments	1,063	(548)	(279)	236
	1,063	(548)	(279)	236
December 31, 2020				
Financial instruments (assets)				
Derivative financial instruments	973	(631)	(154)	188
Reverse repurchase agreements ^[3]	4	-	(4)	-
	977	(631)	(158)	188
Financial instruments (liabilities)				
Derivative financial instruments	1,270	(631)	(361)	278
	1,270	(631)	(361)	278

[1] Includes counterparty amounts recognized on the balance sheets where the Corporation and its subsidiaries have a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheets, excluding collateral.

[2] Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. Financial collateral received on reverse repurchase agreements is held by a third party. At December 31, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$318 million (\$211 million at December 31, 2020), received on reverse repurchase agreements was nil (\$4 million at December 31, 2020), and pledged on derivative liabilities was \$480 million (\$560 million at December 31, 2020).

[3] Assets related to reverse repurchase agreements are included in bonds on the balance sheets.

NOTE 27 Fair Value Measurement

The Corporation's assets and liabilities recorded at fair value and those for which fair value is disclosed have been categorized based upon the following fair value hierarchy:

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	<ul style="list-style-type: none"> actively exchange-traded equity securities; exchange-traded futures; mutual and segregated funds which have available prices in an active market with no redemption restrictions; open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.
Level 2	<p>Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.</p> <p>Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other-than-quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.</p> <p>The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.</p>	<ul style="list-style-type: none"> assets and liabilities priced using a matrix which is based on credit quality and average life; government and agency securities; restricted shares; certain private bonds and investment funds; most investment-grade and high-yield corporate bonds; most asset-backed securities; most over-the-counter derivatives; most mortgage and other loans; deposits and certificates; most debentures and other debt instruments; most of the investment contracts that are measured at fair value through profit or loss.
Level 3	<p>Utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.</p> <p>The values of the majority of Level 3 securities were obtained from single-broker quotes, internal pricing models, external appraisers or by discounting projected cash flows.</p>	<ul style="list-style-type: none"> certain bonds; certain asset-backed securities; certain private equities; certain mortgage and other loans, including equity-release mortgages; investments in mutual and segregated funds where there are redemption restrictions; certain over-the-counter derivatives; investment properties; obligations to securitization entities; certain other debt instruments; certain limited-life and redeemable fund units.

NOTE 27 Fair Value Measurement (continued)

The Corporation's assets and liabilities recorded or disclosed at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies (Note 2) and above, are presented below. Fair values represent management's estimates and are generally calculated using market information at a specific point in time and may not reflect future fair values. The calculations are subjective in nature and involve uncertainties and matters of significant

judgment. The following tables distinguish between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed.

These tables exclude fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

December 31, 2021	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	103,708	-	103,608	100	103,708
Available for sale	12,603	-	12,603	-	12,603
Mortgage and other loans					
Fair value through profit or loss	2,724	-	57	2,667	2,724
Shares					
Fair value through profit or loss	13,975	11,721	14	2,240	13,975
Available for sale	1,343	741	37	565	1,343
Investment properties	7,763	-	-	7,763	7,763
Funds held by ceding insurers	14,999	336	14,663	-	14,999
Derivative instruments	1,049	1	1,036	12	1,049
Reinsurance assets	106	-	106	-	106
Other assets	1,890	383	976	531	1,890
	160,160	13,182	133,100	13,878	160,160
Assets disclosed at fair value					
Bonds					
Loans and receivables	24,676	-	26,668	49	26,717
Mortgage and other loans					
Loans and receivables	31,542	-	27,319	5,087	32,406
Funds held by ceding insurers	126	-	-	126	126
	56,344	-	53,987	5,262	59,249
Total	216,504	13,182	187,087	19,140	219,409
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	12,455	-	12,455	-	12,455
Derivative instruments	1,063	3	1,054	6	1,063
Limited-life and redeemable fund units	1,916	-	911	1,005	1,916
Other liabilities	227	76	93	58	227
	15,661	79	14,513	1,069	15,661
Liabilities disclosed at fair value					
Obligations to securitization entities	5,058	-	-	5,146	5,146
Power Corporation's debentures and other debt instruments	647	-	869	-	869
Non-recourse debentures and other debt instruments	12,533	186	13,870	-	14,056
Deposits and certificates	3,968	-	3,968	-	3,968
Other liabilities	110	-	-	110	110
	22,316	186	18,707	5,256	24,149
Total	37,977	265	33,220	6,325	39,810

NOTE 27 Fair Value Measurement (continued)

December 31, 2020	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	102,782	-	102,709	73	102,782
Available for sale	11,897	-	11,897	-	11,897
Mortgage and other loans					
Fair value through profit or loss	2,095	-	3	2,092	2,095
Shares					
Fair value through profit or loss	10,697	8,828	194	1,675	10,697
Available for sale	1,839	1,030	70	739	1,839
Investment properties	6,270	-	-	6,270	6,270
Funds held by ceding insurers	16,188	245	15,943	-	16,188
Derivative instruments	973	1	868	104	973
Reinsurance assets	130	-	130	-	130
Other assets	980	381	541	58	980
	153,851	10,485	132,355	11,011	153,851
Assets disclosed at fair value					
Bonds					
Loans and receivables	23,348	-	26,488	57	26,545
Mortgage and other loans					
Loans and receivables	32,546	-	27,953	6,654	34,607
Shares					
Available for sale ^[1]	124	-	-	124	124
Funds held by ceding insurers	137	-	-	137	137
	56,155	-	54,441	6,972	61,413
Total	210,006	10,485	186,796	17,983	215,264
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	9,145	-	9,145	-	9,145
Derivative instruments	1,270	5	1,242	23	1,270
Limited-life and redeemable fund units	916	-	160	756	916
Other liabilities	311	79	188	44	311
	11,642	84	10,735	823	11,642
Liabilities disclosed at fair value					
Obligations to securitization entities	6,174	-	-	6,345	6,345
Power Corporation's debentures and other debt instruments	756	-	1,013	-	1,013
Non-recourse debentures and other debt instruments	13,299	970	14,544	-	15,514
Deposits and certificates	2,247	-	2,247	-	2,247
Other liabilities	35	-	-	35	35
	22,511	970	17,804	6,380	25,154
Total	34,153	1,054	28,539	7,203	36,796

[1] Fair value of certain shares available for sale cannot be reliably measured, therefore these investments are recorded at cost.

There were no significant transfers between Level 1 and Level 2 in 2021 and 2020.

NOTE 27 Fair Value Measurement (continued)

Additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the years ended December 31, 2021 and 2020 is presented below.

	Bonds	Mortgages and other loans	Shares					
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[2]	Available for sale	Investment properties	Derivatives net	Other assets (liabilities) ^[3]	Total
December 31, 2021								
Balance, beginning of year	73	2,092	1,675	739	6,270	81	(742)	10,188
Total gains (losses)								
In net earnings	4	(91)	418	161	615	6	(363)	750
In other comprehensive income ^[1]	(5)	(30)	5	45	(52)	(1)	19	(19)
Purchases	28	92	1,099	105	970	15	597	2,906
Issues	-	954	-	-	-	-	(754)	200
Sales	-	-	(316)	(568)	(40)	-	(140)	(1,064)
Settlements	-	(178)	-	-	-	7	172	1
Derecognition	-	(263)	(182)	-	-	-	546	101
Transfers into Level 3	-	2	189	92	-	-	(26)	257
Transfers out of Level 3	-	(19)	(540)	(9)	-	(102)	57	(613)
Other	-	108	(108)	-	-	-	102	102
Balance, end of year	100	2,667	2,240	565	7,763	6	(532)	12,809

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage and other loans and investment properties represents the unrealized gains (losses) on foreign exchange.

[2] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

[3] Includes limited-life and redeemable fund units.

	Bonds	Mortgages and other loans	Shares					
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[3]	Available for sale	Investment properties	Derivatives net	Other assets (liabilities) ^[4]	Total
December 31, 2020								
Balance, beginning of year	67	1,314	796	689	5,887	(1)	(390)	8,362
Total gains (losses)								
In net earnings	2	156	94	52	(74)	75	(88)	217
In other comprehensive income ^[1]	4	15	(2)	41	21	-	19	98
Purchases	-	33	678	92	481	2	-	1,286
Issues	-	622	-	-	-	-	(379)	243
Sales	-	-	(214)	(127)	(73)	-	-	(414)
Settlements	-	(87)	-	-	-	5	54	(28)
Transferred from owner-occupied properties ^[2]	-	-	-	-	28	-	-	28
Transfers into Level 3	-	39	376	1	-	-	58	474
Transfers out of Level 3	-	-	(53)	(9)	-	-	-	(62)
Other	-	-	-	-	-	-	(16)	(16)
Balance, end of year	73	2,092	1,675	739	6,270	81	(742)	10,188

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage and other loans and investment properties represents the unrealized gains (losses) on foreign exchange.

[2] As a result of the sale of Irish Progressive Services International Limited, a property with a fair value of \$28 million was reclassified from owner-occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of \$11 million and income tax expense of \$1 million in the statements of comprehensive income.

[3] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

[4] Includes limited-life and redeemable fund units.

NOTE 27 Fair Value Measurement (continued)

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual funds and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual funds and segregated funds.

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 virus had impacted the global property market and made it difficult to value the properties with the

same degree of certainty as usual. As a result of these restrictions, Lifeco's investment in these funds with a fair value of \$357 million was transferred on March 20, 2020 from Level 1 to Level 3.

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, Lifeco's investment in these funds with a fair value of \$457 million was transferred on April 19, 2021 from Level 3 to Level 1.

Significant unobservable inputs used at year-end in measuring assets categorized as Level 3 in the fair value hierarchy are presented below.

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 3.3%–12.4% Range of 3.5%–7.0% Weighted average of 2.5%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value. A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value. A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans – equity-release mortgages (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 3.5%–4.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 28 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Year ended December 31, 2021						
Balance, beginning of year	730	1,033	1,984	(969)	(28)	2,750
Other comprehensive income (loss)	(483)	(186)	(63)	495	11	(226)
Other	-	-	55	-	-	55
Balance, end of year	247	847	1,976	(474)	(17)	2,579

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Year ended December 31, 2020						
Balance, beginning of year	361	694	1,031	(575)	(15)	1,496
Other comprehensive income (loss)	316	15	417	(137)	(4)	607
Reattribution on acquisition of non-controlling interest in Power Financial [Note 20]	53	324	535	(257)	(8)	647
Other	-	-	1	-	(1)	-
Balance, end of year	730	1,033	1,984	(969)	(28)	2,750

NOTE 29 Earnings Per Share

The following is a reconciliation of the numerators and the denominators used in the computations of earnings per share:

Years ended December 31	2021	2020
Earnings		
Net earnings attributable to shareholders	2,969	2,046
Dividends on non-participating shares	(52)	(52)
Net earnings attributable to participating shareholders	2,917	1,994
Dilutive effect of subsidiaries' outstanding stock options	(6)	-
Net earnings adjusted for dilutive effect	2,911	1,994
Number of participating shares [millions]		
Weighted average number of participating shares outstanding – Basic	676.8	647.5
Potential exercise of outstanding stock options	4.8	0.1
Weighted average number of participating shares outstanding – Diluted	681.6	647.6
Net earnings per participating share		
Basic	4.31	3.08
Diluted	4.27	3.08

For 2021, no stock options were excluded from the computation of diluted earnings per share as there were no options that were anti-dilutive (30 million were excluded from calculations in 2020 as they were anti-dilutive).

NOTE 30 Related Parties

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions: subsidiaries provide insurance benefits, sub-advisory services, distribution of insurance products and/or other administrative services to other subsidiaries of the group and to the Corporation; sale of residential mortgage loans; loans to employees; as well as capital commitments to investment funds, performance fees and base management fees paid to alternative asset managers of the group. In all cases, these transactions are in the normal course of operations and have been recorded at fair value. Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Corporation and related parties are disclosed below.

During the first quarter of 2021, management of Sagard acquired an interest in Sagard Holdings Management Inc., a subsidiary of Sagard. This transaction was at market terms and conditions and was reviewed by the relevant related party and conduct review committees.

During the fourth quarter of 2021, Lifeco and Sagard completed an agreement for a long-term strategic relationship, which included the sale of Lifeco's subsidiaries EverWest Real Estate Investors, LLC and EverWest Advisors, LLC to Sagard. In exchange, Lifeco received a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. The transaction was reviewed and approved by the relevant related party and conduct review committees.

In 2021, certain existing operating assets and projects under development, and the related project debt, were transferred to Power Sustainable Energy Infrastructure from Potentia and Nautilus Solar in exchange for consideration in cash and an interest in the fund.

On February 13, 2020, Power Corporation and Power Financial successfully completed the Reorganization pursuant to which each common share of Power Financial held by holders other than Power Corporation and its wholly owned subsidiary was exchanged for 1.05 Subordinate Voting Shares of Power Corporation and \$0.01 in cash. Since then, the Corporation has held 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX. In connection with the Reorganization, Pansolo Holding Inc., a corporation controlled by the Desmarais Family Residuary Trust, purchased 6 million participating preferred shares on February 12, 2020. (Notes 2, 18 and 20).

In 2020, Lifeco completed the sale of GLC to Mackenzie. Also, Great-West Life & Annuity completed the acquisition of 100% of the equity of Personal Capital. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM. In addition, Lifeco and Mackenzie jointly acquired a non-controlling interest in Northleaf, a premier global private equity, private credit and infrastructure fund manager.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries.

KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The persons included in the key management personnel are the members of the Board of Directors of the Corporation, as well as certain management executives of the Corporation and its subsidiaries.

The following table describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Corporation and its subsidiaries:

Years ended December 31	2021	2020
Compensation and employee benefits	25	27
Post-employment benefits	2	10
Share-based payments	15	14
	42	51

NOTE 31 Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions. Provisions are established if, in management of the Corporation and of its subsidiaries' judgment, it is probable a payment will be required and the amount can be reliably estimated. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution

could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. Actual results could differ from the best estimates of the Corporation's and its subsidiaries' management.

NOTE 32 Commitments and Guarantees

GUARANTEES

In the normal course of operations, the Corporation and its subsidiaries execute agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions and performance contract obligations. The Corporation and its subsidiaries have also agreed to indemnify their directors and certain of their officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation and its subsidiaries could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

LETTERS OF CREDIT

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities at Lifeco is US\$1.9 billion, of which US\$1.6 billion were issued as of December 31, 2021.

The Capital and Risk Solutions activities also periodically use letters of credit as collateral under certain reinsurance contracts for on-balance-sheet policy liabilities.

Potentia and Power Sustainable Energy Infrastructure had issued letters of credit totalling \$88 million with one-year terms to support required lender reserves, performance guarantees for operating solar assets and awarded wind power purchase agreements, as well as commitments for projects under construction.

INVESTMENT COMMITMENTS

With respect to Lifeco, commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines and that are to be disbursed upon fulfilment of certain contract conditions were \$4,027 million as at December 31, 2021, with \$3,831 million maturing within one year, \$188 million maturing within two years, \$2 million maturing within three years and \$6 million maturing in over five years.

The Corporation and other subsidiaries have outstanding commitments of \$497 million representing future capital contributions to investment funds and other investments.

PLEDGING OF ASSETS FOR REINSURANCE AGREEMENTS

In addition to the assets pledged by Lifeco disclosed elsewhere in the financial statements:

- [i] The amount of assets included in the Corporation's balance sheets which have a security interest by way of pledging is \$1,263 million (\$1,421 million at December 31, 2020) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

- [ii] Lifeco has pledged, in the normal course of business, \$63 million (\$75 million at December 31, 2020) of its assets for the purpose of providing collateral for the counterparty.

ENERGY SALES CONTRACTS

Potentia has entered into various power purchase agreements (PPA) to sell substantially all electricity produced from its solar and wind projects to credit-rated counterparties. The contract rates are fixed for a period of 20 to 25 years.

Potentia signed a 25-year PPA for 200 MW of wind electricity with Saskatchewan Power Corporation and three 20-year PPAs for 307 MW of wind electricity in Alberta. Contracts will be effective when the wind farms are commissioned. Commercial operations of certain projects are expected to commence in 2022.

Potentia has entered into construction and turbine purchase contracts related to the Saskatchewan and Alberta wind projects under development of \$716 million.

Power Energy and Power Sustainable Energy Infrastructure have issued certain indemnifications and guarantees in relation to projects in operation and under construction. These guarantees are non-recourse to the Corporation.

NOTE 33 Segmented Information

The Corporation is an international management and holding company. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

As a holding company, the Corporation evaluates the performance of each operating segment based on its contribution to earnings. The contribution to the earnings attributable to participating shareholders from Lifeco, IGM, GBL, and alternative asset investment platforms and other, including the effect of consolidation, represents the Corporation's share of their net earnings. The Corporation also presents the holding company's balance sheets with its investments in its consolidated publicly traded operating companies, Lifeco and IGM, as well as other controlled entities held within the investment platforms, using the equity method of accounting. These entities are consolidated in the Corporation's consolidated balance sheets. As well, commonly held investments in Lifeco, IGM, and alternative asset investment platforms and other (inter-segment investments) are presented in their respective segmented assets.

The Corporation's reportable segments include Lifeco, IGM Financial and GBL, which represent the Corporation's investments in publicly traded operating companies. These reportable segments, in addition to the holding company (previously referred to as "corporate") and asset management activities through the investment platforms, reflect Power Corporation's management structure and internal financial reporting.

- **Lifeco** is a financial services holding company with interests in life insurance, health insurance, retirement and investment management services, asset management and reinsurance businesses primarily in Canada, the U.S. and Europe.
- **IGM Financial** is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors through North America, Europe and Asia.
- **GBL** is indirectly held through Parjointco. GBL is a Belgian holding company focused on long-term and sustainable value creation. GBL relies on a stable and supportive family shareholder base. Its portfolio is comprised of global industrial and services companies, leaders in their markets, in which GBL plays its role of professional shareholder.

Alternative asset investment platforms and other are comprised of the results of:

- Alternative asset management businesses, Sagard and Power Sustainable;
- Entities managed by the alternative assets managers which are required to be consolidated under IFRS; and
- Standalone businesses representing a subsidiary, a jointly controlled corporation and associates which are managed to realize value over time.

Holding company activities comprise the corporate activities of the Corporation and Power Financial, on a combined basis, and present the investment activities of the Corporation as a holding company. The segmented assets present the activities of the holding company, including its investments in consolidated entities, Lifeco and IGM, as well as other controlled entities, using the equity method of accounting. The holding company activities also present the corporate assets and liabilities managed, including the cash and non-participating shares. Holding company cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes and non-participating and participating share dividends.

Effect of consolidation includes the consolidation elimination entries.

In the fourth quarter of 2021, the Corporation enhanced the presentation of its segmented assets to present the activities of the holding company, including its investments in consolidated entities, Lifeco and IGM, as well as other controlled entities, using the equity method of accounting. This presentation better aligns with how the holding company manages its investments. As these investments (including inter-segment investments) were not previously presented in segmented assets using an equity basis, the comparative segmented assets have been restated. The changes had no impact on the segmented earnings and cash flows in the comparative period.

Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

NOTE 33 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

For the year ended December 31, 2021	Lifeco	IGM ^[1]	GBL	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Revenues							
Total net premiums	52,813	-	-	-	-	(22)	52,791
Net investment income	4,265	23	-	882	38	38	5,246
Fee income ^[2]	7,294	3,565	-	285	-	(189)	10,955
Other revenues	-	-	-	569	-	-	569
Total revenues	64,372	3,588	-	1,736	38	(173)	69,561
Expenses							
Total paid or credited to policyholders	50,295	-	-	-	-	-	50,295
Commissions ^[2]	2,664	1,296	-	-	-	(50)	3,910
Operating and administrative expenses	7,263	1,106	-	1,763	166	(128)	10,170
Financing charges	328	114	-	89	54	14	599
Total expenses	60,550	2,516	-	1,852	220	(164)	64,974
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,822	1,072	-	(116)	(182)	(9)	4,587
Share of earnings of investments in jointly controlled corporations and associates	45	196	172	413	62	(159)	729
Earnings before income taxes	3,867	1,268	172	297	(120)	(168)	5,316
Income taxes	304	287	-	24	26	2	643
Net earnings	3,563	981	172	273	(146)	(170)	4,673
Attributable to							
Non-controlling interests	1,490	507	-	(259)	136	(170)	1,704
Non-participating shareholders	-	-	-	-	52	-	52
Participating shareholders ^{[3][4]}	2,073	474	172	532	(334)	-	2,917
	3,563	981	172	273	(146)	(170)	4,673

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Effect of consolidation".

[2] Dealer compensation expenses at IGM are included in commission expenses.

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 33 Segmented Information (continued)**TOTAL ASSETS AND LIABILITIES**

December 31, 2021	Lifeco	IGM ^[2]	GBL	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Cash and cash equivalents	6,075	1,292	–	759	1,635	(252)	9,509
Investments	198,898	5,488	–	1,926	260	81	206,653
Investments in Lifeco, IGM and alternative asset investment platforms and other	672	2,284	–	–	21,868	(24,824)	–
Investments in jointly controlled corporations and associates	159	1,028	4,278	1,237	766	(44)	7,424
Other assets	52,670	3,410	–	3,857	347	(231)	60,053
Goodwill and intangible assets	15,025	4,164	–	1,384	2	–	20,575
Investments on account of segregated fund policyholders	357,419	–	–	–	–	–	357,419
Total assets^[1]	630,918	17,666	4,278	9,163	24,878	(25,270)	661,633
Insurance and investment contract liabilities	220,833	–	–	–	–	–	220,833
Obligation to securitization entities	–	5,058	–	–	–	–	5,058
Power Corporation's debentures and other debt instruments	–	–	–	–	647	–	647
Non-recourse debentures and other debt instruments	8,804	2,100	–	1,467	250	(88)	12,533
Other liabilities	12,949	4,002	–	3,854	1,090	(480)	21,415
Insurance and investment contracts on account of segregated fund policyholders	357,419	–	–	–	–	–	357,419
Total liabilities	600,005	11,160	–	5,321	1,987	(568)	617,905

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

[2] Assets reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Effect of consolidation".

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2021	Canada	United States	Europe	Total
Investments and cash and cash equivalents	101,614	60,239	54,309	216,162
Investments in jointly controlled corporations and associates	2,534	264	4,626	7,424
Other assets	10,942	32,419	16,692	60,053
Goodwill and intangible assets	11,455	5,983	3,137	20,575
Investments on account of segregated fund policyholders	101,537	116,919	138,963	357,419
Total assets	228,082	215,824	217,727	661,633
Total revenues	23,785	31,027	14,749	69,561

NOTE 33 Segmented Information (continued)**CONDENSED STATEMENTS OF CASH FLOWS**

December 31, 2021	Lifeco	IGM	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Operating activities	10,373	943	(234)	1,312	(1,341)	11,053
Financing activities	(992)	(1,522)	689	(1,572)	2,435	(962)
Investing activities	(11,212)	1,099	(237)	669	(898)	(10,579)
Effect of changes in exchange rates on cash and cash equivalents	(40)	–	(4)	–	1	(43)
Increase (decrease) in cash and cash equivalents	(1,871)	520	214	409	197	(531)
Cash and cash equivalents, beginning of the year	7,946	772	545	1,226	(449)	10,040
Cash and cash equivalents, end of year	6,075	1,292	759	1,635	(252)	9,509

CONSOLIDATED NET EARNINGS

For the year ended December 31, 2020	Lifeco	IGM ^[1]	GBL	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Revenues							
Total net premiums	43,019	–	–	–	–	(20)	42,999
Net investment income	11,637	78	–	574	19	(162)	12,146
Fee income ^[2]	5,902	3,084	–	101	–	(145)	8,942
Other revenues	–	–	–	529	–	–	529
Total revenues	60,558	3,162	–	1,204	19	(327)	64,616
Expenses							
Total paid or credited to policyholders	48,487	–	–	–	–	–	48,487
Commissions ^[2]	2,396	1,088	–	–	–	(45)	3,439
Operating and administrative expenses	6,344	1,148	–	1,111	175	(84)	8,694
Financing charges	284	111	–	86	55	19	555
Total expenses	57,511	2,347	–	1,197	230	(110)	61,175
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,047	815	–	7	(211)	(217)	3,441
Share of earnings of investments in jointly controlled corporations and associates	25	150	27	25	43	(100)	170
Earnings before income taxes	3,072	965	27	32	(168)	(317)	3,611
Income taxes	(82)	201	–	(14)	(52)	24	77
Net earnings	3,154	764	27	46	(116)	(341)	3,534
Attributable to							
Non-controlling interests	1,362	360	33	(59)	133	(341)	1,488
Non-participating shareholders	–	–	–	–	52	–	52
Participating shareholders ^{[3][4]}	1,792	404	(6)	105	(301)	–	1,994
	3,154	764	27	46	(116)	(341)	3,534

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Effect of consolidation".

[2] Dealer compensation expenses at IGM are included in commission expenses.

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 33 Segmented Information (continued)**TOTAL ASSETS AND LIABILITIES**

December 31, 2020	Lifeco	IGM ^[2]	GBL	Alternative asset investment platforms and other ^[3]	Holding company	Effect of consolidation	Total
Cash and cash equivalents	7,946	772	-	545	1,226	(449)	10,040
Investments	190,530	6,383	-	2,550	246	276	199,985
Investments in Lifeco, IGM and alternative asset investment platforms and other	409	1,543	-	-	20,425	(22,377)	-
Investments in jointly controlled corporations and associates	113	969	4,216	561	715	(45)	6,529
Other assets	53,069	2,270	-	2,860	280	(203)	58,276
Goodwill and intangible assets	14,821	4,126	-	1,293	2	-	20,242
Investments on account of segregated fund policyholders	334,032	-	-	-	-	-	334,032
Total assets^[1]	600,920	16,063	4,216	7,809	22,894	(22,798)	629,104
Insurance and investment contract liabilities	218,047	-	-	-	-	-	218,047
Obligation to securitization entities	-	6,174	-	-	-	-	6,174
Power Corporation's debentures and other debt instruments	-	-	-	-	756	-	756
Non-recourse debentures and other debt instruments	9,693	2,100	-	1,344	250	(88)	13,299
Other liabilities	11,703	2,745	-	2,709	1,067	(161)	18,063
Insurance and investment contracts on account of segregated fund policyholders	334,032	-	-	-	-	-	334,032
Total liabilities	573,475	11,019	-	4,053	2,073	(249)	590,371

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

[2] Assets reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Effect of consolidation".

[3] Alternative asset investment platforms and other includes the Corporation's investments managed within each platform.

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2020	Canada	United States	Europe	Total
Investments and cash and cash equivalents	97,325	55,162	57,538	210,025
Investments in jointly controlled corporations and associates	1,881	295	4,353	6,529
Other assets	8,297	30,790	19,189	58,276
Goodwill and intangible assets	11,272	5,846	3,124	20,242
Investments on account of segregated fund policyholders	90,680	117,982	125,370	334,032
Total assets	209,455	210,075	209,574	629,104
Total revenues	24,160	28,289	12,167	64,616

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2020	Lifeco	IGM	Alternative asset investment platforms and other	Holding company	Effect of consolidation	Total
Operating activities	9,610	737	(94)	1,299	(1,451)	10,101
Financing activities	2,010	(1,358)	1,117	(1,270)	1,139	1,638
Investing activities	(8,202)	673	(849)	(195)	158	(8,415)
Effect of changes in exchange rates on cash and cash equivalents	(100)	-	11	-	-	(89)
Increase (decrease) in cash and cash equivalents	3,318	52	185	(166)	(154)	3,235
Cash and cash equivalents, beginning of the year	4,628	720	360	1,392	(295)	6,805
Cash and cash equivalents, end of year	7,946	772	545	1,226	(449)	10,040

Independent Auditor's Report

To the Shareholders of Power Corporation of Canada

OPINION

We have audited the consolidated financial statements of Power Corporation of Canada (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities – Refer to Notes 2 and 12 to the financial statements

Key Audit Matter Description

Great-West Lifeco Inc., a publicly traded operating subsidiary of the Corporation (thereafter, "Lifeco"), has insurance contract liabilities representing a significant portion of the Corporation's total liabilities. Insurance contract liabilities are determined in accordance with generally accepted actuarial practices established by the Canadian Institute of Actuaries using the Canadian Asset Liability Method ("CALM"). This method requires the use of complex valuation models incorporating projections of cash inflows and outflows using the best estimate of future experience together with a margin for adverse deviation.

While there are many assumptions which management of Lifeco makes, the assumptions with the greatest estimation uncertainty are those related to mortality, including the impact, if any, of the COVID-19 pandemic, and policyholder behaviour. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Company and industry experience data, and (ii) the historical experience may not be a good indicator of the future. Auditing of certain valuation models, mortality and policyholder behaviour assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to certain valuation models, mortality and policyholder behaviour assumptions included the following, among others:

- With the assistance of actuarial specialists, tested the appropriateness of certain valuation models used in the estimation process by:
 - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.
 - Testing the accuracy of certain valuation models for changes in key assumptions.
- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions, by:
 - Evaluating whether management of Lifeco's assumptions were determined in accordance with actuarial principles and practices under the Canadian actuarial standards of practice.
 - Testing experience studies and other inputs used in the determination of the mortality and policyholder behaviour assumptions.
 - Analyzing management of Lifeco's interpretation and judgment of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions and considering industry and other external sources of benchmarking where applicable.

Income taxes—Refer to Notes 2 and 17 to the financial statements**Key Audit Matter Description**

The Corporation and its subsidiaries recognize deferred income taxes for the tax expected to be payable or recoverable on differences arising between the financial statement and tax basis of assets and liabilities, and is recorded at enacted or substantively enacted tax rates in effect for the years in which the differences are expected to be realized.

Certain of Lifeco's subsidiaries have had a history of losses and have a deferred income tax asset comprised principally of net operating losses and judgment is applied in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections. Lifeco has concluded that through the use of certain tax planning opportunities, it is probable that sufficient taxable income will be generated to utilize certain of the unused losses.

The determination of the recoverability of deferred tax assets in Lifeco's subsidiaries required management of Lifeco to make judgements related to the assessment of management's planned implementation of tax strategies. In addition, management of Lifeco makes significant estimates and assumptions in projecting future taxable income, specifically the revenue growth rates and projected expense margins and in the determination of whether the deferred tax asset will be realized. Auditing these judgements required a high degree of auditor judgment as the estimations made by management of Lifeco contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve income tax and other specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the tax strategies, revenue growth rates and projected expense margins, and the determination of whether the deferred tax assets in Lifeco's subsidiaries will be realized included the following, among others:

- With the assistance of income tax specialists, analyzed the reasonableness of Lifeco management's projected future taxable income available to determine whether the models properly factored in the impact of the tax planning strategies.
- Tested the reasonableness of the revenue growth rates and projected expense margins used to project future taxable income that was available to realize the deferred tax asset by:
 - Assessing the key factors influencing management of Lifeco's revenue growth rates and projected expense margins used in the projections through both market and internally entity specific driven evidence.
 - Performing a retrospective analysis of projected future taxable income against actual results from prior years.
- With the assistance of income tax and other specialists, evaluated the proposed tax planning strategies considered in the recoverability analysis to assess whether the deferred tax asset will be realized.

Massachusetts Mutual Life Insurance Acquisition—Refer to Note 3 to the financial statements

On December 31, 2020, Lifeco purchased the retirement services business of Massachusetts Mutual Life Insurance Company ("MassMutual") via indemnity reinsurance and recognized the assets acquired and the liabilities assumed at their acquisition-date fair values, including customer contract intangible assets ("intangible assets") and certain insurance contract liabilities ("insurance contract liabilities"). During the measurement period in 2021, management of Lifeco finalized the purchase price allocation of the MassMutual acquisition.

Management of Lifeco used discounted cash flow models to determine the fair value of the intangible assets. While there are several assumptions and estimates required, those with the highest degree of subjectivity are the forecasted revenues and earnings and discount rates.

There are many components embedded in the determination of the fair value of the insurance contract liabilities that required management of Lifeco to make judgments and assumptions relating to (1) the appropriate accounting treatment and (2) appropriateness of valuation models that incorporate projections of cash inflows and outflows using the best estimate of future experience together with the discount rates. The judgments and assumptions with the greatest subjectivity are the determination of the appropriate accounting treatment, appropriateness of the valuation models, policyholder behaviour and discount rate assumptions.

Auditing these judgments, assumptions and estimates required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, actuarial and financial instrument specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to these judgments, assumptions and estimates used to determine the fair value of intangible assets and insurance contract liabilities included the following, among others:

Intangible assets:

- Evaluated the reasonableness of forecasted revenue and earnings by comparing the forecasts to:
 - Historical results of the acquired entity.
 - Actual results of the acquired entity post acquisition.
 - Underlying analyses detailing business strategies and growth plans including estimated revenue and cost per participant.
 - Third-party reports and comparable company performance.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management of Lifeco.

Insurance contract liabilities:

- With the assistance of financial instrument specialists evaluated management of Lifeco's assessment related to the accounting treatment of the insurance contract liabilities by:
 - Assessing the executed contracts to understand the nature of the products and to determine whether all key facts and circumstances were incorporated into management of Lifeco's assessment.
 - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.
- With the assistance of actuarial specialists, tested the appropriateness of the valuation models used in the estimation process by:
 - Testing the valuation models for the incorporation of the key assumptions.
 - Recalculating management of Lifeco's estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.
- With the assistance of actuarial specialists, tested the reasonableness of policyholder behaviour assumptions, by:
 - Evaluating whether management of Lifeco's assumptions were determined in accordance with actuarial principles and practices.
 - Testing experience studies and other inputs used in the determination of the policyholder behaviour assumptions.
 - Analyzing management of Lifeco's interpretation and judgments based on the relative inputs, considering reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information and methodology underlying the determination of the discount rates and compared it to the discount rates selected.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis, and
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benoit B. Patry.

Signed,
Deloitte LLP¹

¹ CPA auditor, CA, public accountancy permit No. A110092

March 17, 2022
Montréal, Québec

Power Corporation of Canada

Five-Year Financial Summary

December 31 [in millions of Canadian dollars, except per share amounts] (unaudited)	2021	2020	2019	2018	2017
CONSOLIDATED BALANCE SHEETS					
Cash and cash equivalents	9,509	10,040	6,805	6,441	5,903
Total assets	661,633	629,104	477,250	452,303	445,521
Shareholders' equity	24,339	22,207	14,174	15,118	14,615
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues					
Total net premiums	52,791	42,999	24,489	35,440	33,880
Net investment income	5,246	12,146	13,442	3,069	8,074
Fee income	10,955	8,942	10,081	8,776	8,510
Other revenues	569	529	829	813	898
Total revenues	69,561	64,616	48,841	48,098	51,362
Expenses					
Total paid or credited to policyholders	50,295	48,487	33,091	32,068	35,643
Commissions	3,910	3,439	3,480	3,512	3,712
Operating and administrative expenses	10,170	8,694	8,341	8,175	8,132
Financing charges	599	555	544	462	512
Total expenses	64,974	61,175	45,456	44,217	47,999
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,587	3,441	3,385	3,881	3,363
Share of earnings of investments in jointly controlled corporations and associates	729	170	212	164	214
Earnings before income taxes	5,316	3,611	3,597	4,045	3,577
Income taxes	643	77	554	578	543
Net earnings	4,673	3,534	3,043	3,467	3,034
Attributable to					
Non-controlling interests	1,704	1,488	1,883	2,128	1,696
Non-participating shareholders	52	52	52	52	52
Participating shareholders	2,917	1,994	1,108	1,287	1,286
	4,673	3,534	3,043	3,467	3,034
PER SHARE					
Net earnings attributable to participating shareholders	4.31	3.08	2.53	2.77	2.77
Adjusted net earnings attributable to participating shareholders ^[1]	4.77	3.07	2.92	2.46	3.36
Dividends declared on participating shares	1.84	1.79	2.00	1.50	1.41
Book value per participating share	34.56	31.38	30.98	30.38	29.40
MARKET PRICE (Participating shares)					
High	43.86	34.66	34.42	32.56	33.68
Low	29.15	17.62	24.47	23.57	28.65
Year-end	41.80	29.23	33.45	24.53	32.37

[1] Adjusted net earnings in 2020 has been restated to reflect the charge related to the remeasurement of the put liability of certain of the non-controlling interests in Wealthsimple to fair value.

Quarterly Financial Information

[in millions of Canadian dollars, except per share amounts] (unaudited)	Fourth quarter	Third quarter	Second quarter	First quarter
2021				
Total revenues	19,475	18,584	19,318	12,184
Net earnings	980	1,268	1,557	868
Net earnings attributable to participating shareholders	626	741	994	556
Earnings per share attributable to participating shareholders				
– Basic	0.93	1.09	1.47	0.82
– Diluted	0.91	1.08	1.46	0.82
2020				
Total revenues	17,954	14,682	20,631	11,349
Net earnings	979	898	1,107	550
Net earnings attributable to participating shareholders	623	505	666	200
Earnings per share attributable to participating shareholders				
– Basic	0.92	0.75	0.99	0.36
– Diluted	0.92	0.75	0.99	0.36

Board of Directors

PIERRE BEAUDOIN^[5]

Chairman of the Board,
Bombardier Inc.

MARCEL R. COUTU^{[2][3]}

Company Director

ANDRÉ DESMARAIS, O.C., O.Q.^[4]

Deputy Chairman of the Corporation

PAUL DESMARAIS, JR., O.C., O.Q.^[4]

Chairman of the Corporation

GARY A. DOER, O.M.^[2]

Senior Business Advisor,
Dentons Canada LLP

ANTHONY R. GRAHAM, LL.D.^{[1][3][4]}

Chairman and Chief Executive Officer,
Sumarria Inc.

J. DAVID A. JACKSON, LL.B.^[2]

Senior Counsel,
Blake, Cassels & Graydon LLP

SHARON MACLEOD^[3]

Company Director

PAULA B. MADOFF^[5]

Company Director

ISABELLE MARCOUX, O.C.^{[3][4]}

Chair of the Board,
Transcontinental Inc.

CHRISTIAN NOYER^{[4][5]}

Company Director

R. JEFFREY ORR

President and Chief Executive Officer of the Corporation

T. TIMOTHY RYAN, JR.^[2]

Company Director

SIIM A. VANASELJA, FCPA, FCA^[2]

Company Director

[1] LEAD DIRECTOR OF THE CORPORATION

[2] MEMBER OF THE AUDIT COMMITTEE

[3] MEMBER OF THE HUMAN RESSOURCES COMMITTEE

[4] MEMBER OF THE GOVERNANCE AND NOMINATING COMMITTEE

[5] MEMBER OF THE RELATED PARTY AND CONDUCT REVIEW COMMITTEE

Officers

R. JEFFREY ORR

President and
Chief Executive Officer

JOCELYN LEFEBVRE

Vice-Chairman, Europe

MICHEL PLESSIS-BÉLAIR

Vice-Chairman

AMAURY DE SEZE

Vice-Chairman

GREGORY D. TRETIK, FCPA, FCA

Executive Vice-President
and Chief Financial Officer

CLAUDE GÉNÉREUX

Executive Vice-President

OLIVIER DESMARAIS

Senior Vice-President

PAUL DESMARAIS III

Senior Vice-President

PAUL C. GENEST

Senior Vice-President

CHARLES DUMONT

Vice-President

DENIS LE VASSEUR, FCPA, FCA

Vice-President and Controller

STÉPHANE LEMAY

Vice-President,
General Counsel and Secretary

YUHONG LIU (HENRY), CFA

Vice-President

RICHARD PAN

Vice-President,
Head of Corporate Finance

PIERRE PICHÉ

Vice-President

LUC RENY, CFA

Vice-President,
Human Resources and Administration

HONORARY DEPUTY CHAIRMAN

ROBERT GRATTON

Corporate Information

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This document is also available on the Corporation's website and on SEDAR at www.sedar.com.

STOCK LISTINGS

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange:

Subordinate Voting Shares: POW

Participating Preferred Shares: POW.PR.E

First Preferred Shares, Series A: POW.PR.A

First Preferred Shares, Series B: POW.PR.B

First Preferred Shares, Series C: POW.PR.C

First Preferred Shares, Series D: POW.PR.D

First Preferred Shares, Series G: POW.PR.G

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.

Offices in:

Montréal, Québec; Toronto, Ontario;

Vancouver, British Columbia

www.investorcentre.com

SHAREHOLDER SERVICES

Shareholders with questions relating to the payment of dividends, change of address, share certificates, direct registration and estate transfers should contact the Transfer Agent:

Computershare Investor Services Inc.

Shareholder Services

100 University Avenue, 8th Floor

Toronto, Ontario, Canada M5J 2Y1

Telephone: 1-800-564-6253 (toll-free in Canada and the U.S.)
or 514-982-7555

www.computershare.com

ABBREVIATIONS

The following abbreviations are used throughout this report:

Acofi (Acofi Gestion SA)	MOWI (Mowi ASA)
adidas (adidas AG)	Nautilus or Nautilus Solar (Nautilus Solar Energy, LLC)
AIM (AIM sub-market of the London Stock Exchange)	NCIB (normal course issuer bid)
Alternative asset investment platforms or Investment platforms (Alternative Asset Investment Platforms)	Northleaf (Northleaf Capital Group Ltd.)
Ark Life (Ark Life Assurance Company dac)	NYSE (New York Stock Exchange)
B (billion)	Ontex (Ontex BV)
Canada Life (The Canada Life Assurance Company)	OpCos (publicly traded operating companies)
Canyon (Canyon Bicycles GmbH)	OSE (Oslo Stock Exchange)
ChinaAMC (China Asset Management Co., Ltd.)	PanAgora (PanAgora Asset Management, Inc.)
ClaimSecure (ClaimSecure Inc.)	Pargesa (Pargesa Holding SA or Pargesa SA)
CSR (Corporate Social Responsibility)	Parjointco (Parjointco SA)
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Parques or Parques Reunidos (Parques Reunidos Servicios Centrales, S.A.)
EBR (Euronext Brussels)	Peak (Peak Achievement Athletics Inc.)
EPA (Euronext Paris)	Pernod Ricard (Pernod Ricard SA)
ESG (Environmental, Social, Governance)	Personal Capital (Personal Capital Corporation)
European private equity (Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen)	PFTA (Portage Fintech Acquisition Corporation)
EverWest (EverWest Real Estate Investors, LLC and EverWest Advisors, LLC)	Portage I or Portage I LP (Portag3 Ventures Limited Partnership)
GAAP (Generally Accepted Accounting Principles)	Portage II or Portage II LP (Portag3 Ventures II Limited Partnership)
GBL (Groupe Bruxelles Lambert)	Portage III or Portage III LP (Portage Ventures III Limited Partnership)
GEA (GEA Group AG)	Potentia or Potentia Renewables (Potentia Renewables Inc.)
GLC (GLC Asset Management Group Ltd.)	Power or Power Corporation or the Corporation (Power Corporation of Canada)
GP Strategies (GP Strategies Corporation)	Power Financial (Power Financial Corporation)
Grayhawk (Grayhawk Investment Strategies Inc.)	Power Sustainable (Power Sustainable Capital Inc.)
Great-West Life & Annuity or Empower (Great-West Life & Annuity Insurance Company)	Power Sustainable China (Power Sustainable Investment Management Inc.)
Great-West Lifeco or Lifeco (Great-West Lifeco Inc.)	Power Sustainable Energy (Power Sustainable Energy Infrastructure)
Holcim (Holcim Ltd.)	Prudential (Prudential Financial, Inc.)
IFRS (International Financial Reporting Standards)	PSEIP (Power Sustainable Energy Infrastructure Partnership)
IGM or IGM Financial (IGM Financial Inc.)	Putnam (Putnam Investments, LLC)
IG Wealth Management (Investors Group Inc.)	Sagard (Sagard Holdings Inc.)
Imerys (Imerys SA)	Sagard Credit I (Sagard Credit Partners, LP)
IntegraMed (IntegraMed America, Inc.)	Sagard Credit II (Sagard Credit Partners II, LP)
Investment Planning Counsel or IPC (Investment Planning Counsel Inc.)	Sagard Healthcare Royalty or SHRP (Sagard Healthcare Royalty Partners, LP)
Irish Life or Irish Life Investment Managers (Irish Life Group Limited)	Sagard Holdings Management or SHMI (Sagard Holdings Management Inc.)
Koho (KOHO Financial Inc.)	SGS (SGS SA)
Learning Technologies Group (Learning Technologies Group plc)	SIX (Swiss Stock Exchange)
L'Etoile Properties (L'Etoile Properties Holdings BV)	SPEC (Sagard Private Equity Canada LP)
Lion or Lion Electric (The Lion Electric Company)	TCFD (Task Force on Climate-related Financial Disclosures)
LMPG (LMPG Inc.)	TotalEnergies (TotalEnergies SA)
M (million)	TSX (Toronto Stock Exchange)
MD&A (Management's Discussion and Analysis)	Umicore (Umicore, NV/SA)
M&A (Mergers and Acquisitions)	UNGC (United Nations Global Compact)
Mackenzie or Mackenzie Investments (Mackenzie Financial Corporation)	USPF (GWL U.S. Property Fund L.P.)
Malakoff Humanis (Groupe Malakoff Humanis)	Wealthsimple (Wealthsimple Financial Corp.)
MassMutual (Massachusetts Mutual Life Insurance Company)	Webhelp (Webhelp Group)
	XETR (XETRA Stock Exchange)



POWER CORPORATION
OF CANADA