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IFRS 17:
effective *January 1, 2023*, for Canadian-based insurers

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Overview of the *impacts* of *IFRS 17*

- IFRS 17 is the new insurance contract accounting standard that will be effective January 1, 2023.
  It applies to our insurance contracts and does not apply to our Wealth and Asset Management business
- The change in the accounting standards does not impact the fundamentals and economics of our business
- However, it impacts **where**, **when** and **how** specific items are recognized on the financial statements
- IFRS 17 introduces the concept of a Contractual Service Margin (CSM), which defers the recognition of new business gains over the lifetime of the insurance contract[1]
- At transition[2], we will establish a CSM on our in-force insurance business. As the CSM is a new liability it is expected to lead to a decrease in equity upon transition
- The movement in the CSM will become an important metric in analyzing and comparing the value of insurance businesses
  - The CSM represents unearned profits that are expected to amortize into income over time

[1] On the other hand new business losses are recognized immediately. This is similar to today. [2] Expected January 1, 2023.

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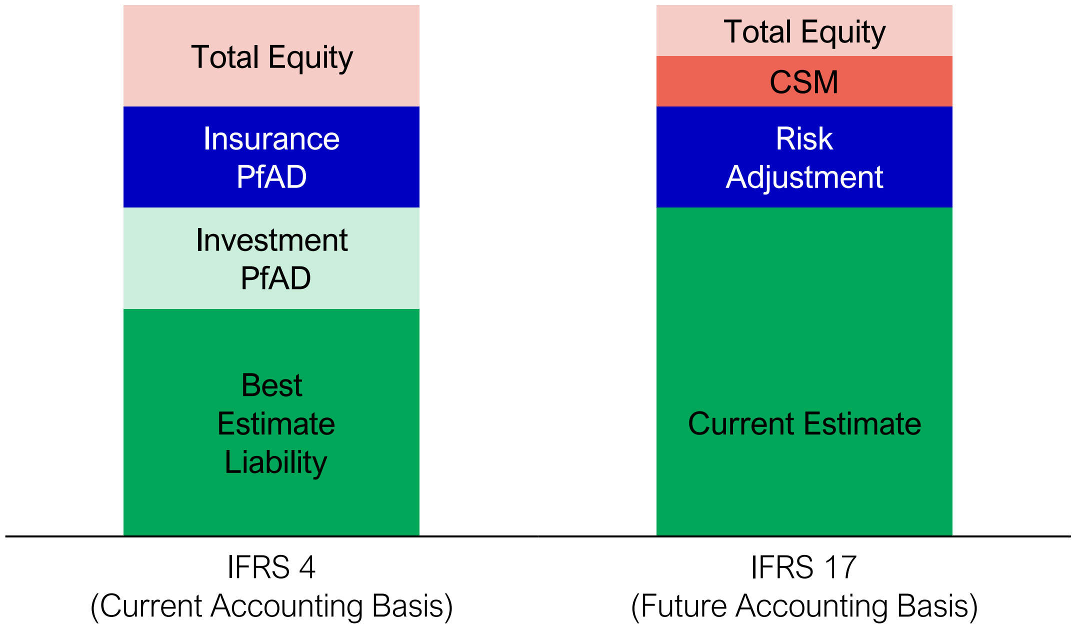
IFRS 17: Composition of the *Balance Sheet*

- The Current Estimate represents the discounted value of our insurance contracts cashflows
- The Risk Adjustment is similar to the Insurance Risk PfAD[2] and accounts for the uncertainty in the cashflows
- Under IFRS 17, New Business gains are capitalized in the CSM and then released into income over time
- At transition we will set up a CSM on our in-force insurance business. As the CSM is an additional liability that we will set up and has no equivalent under IFRS 4 (CALM[3]), it will lead to a reduction in equity. This CSM represents unearned profits that will amortize into income over time.

Illustrative Example[1]



[1] This is an illustrative example, and the size of the bar does not represent our transition impacts and tax impacts. [2] Provision for Adverse Deviation. [3] Canadian Asset Liability Method.

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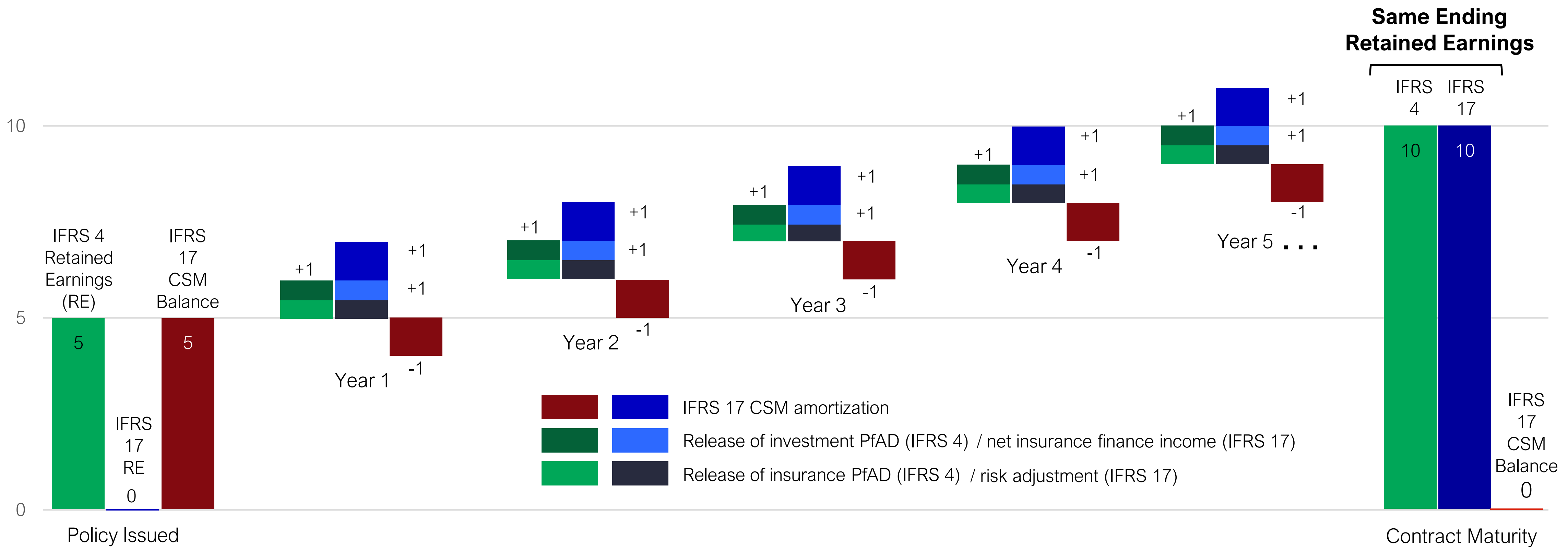
Fundamentals and economics are unchanged: *Earnings are the same* over the lifetime of the insurance contract



New business value is recognized in the CSM and visible in the financial statements.
The CSM represents unearned profits and is expected to amortize into income over time.

Note: This is illustrative and is not representative of the CSM for new business written post transition, the actual amortization pattern, nor the amortization period. All illustrations ignore the impacts of tax.

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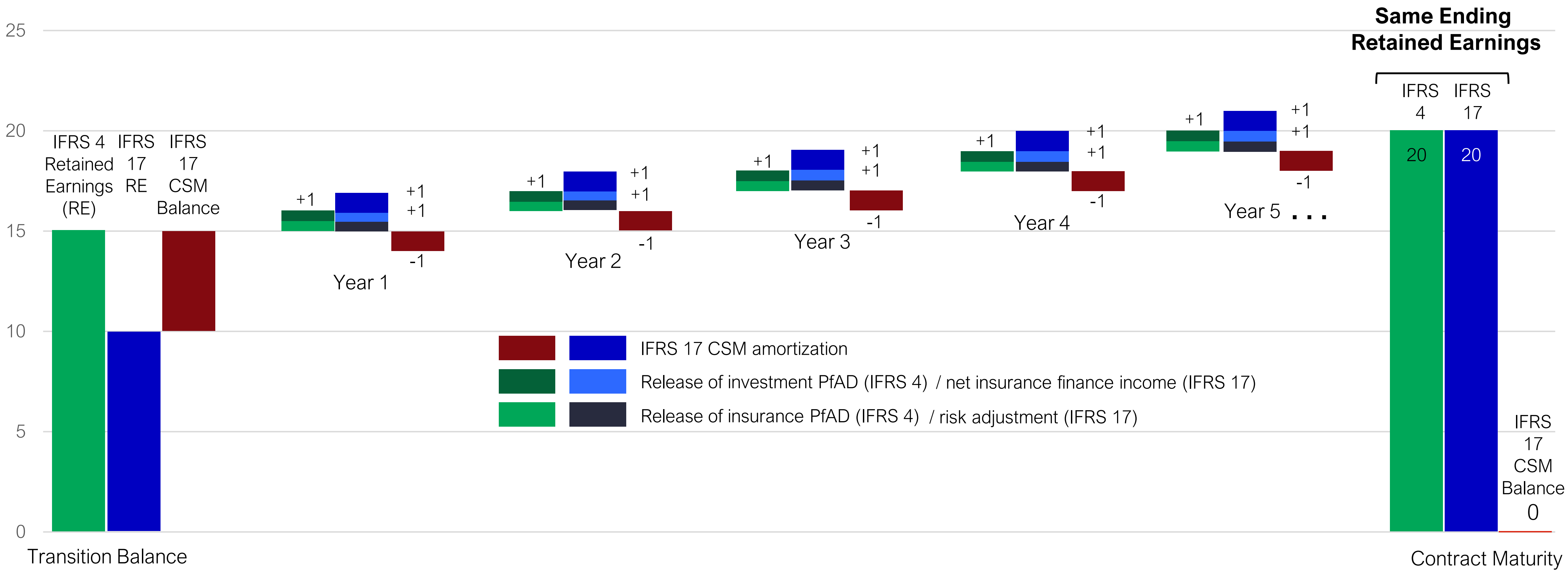
The CSM we set at transition, will *reduce equity* and will *emerge into earnings* over time

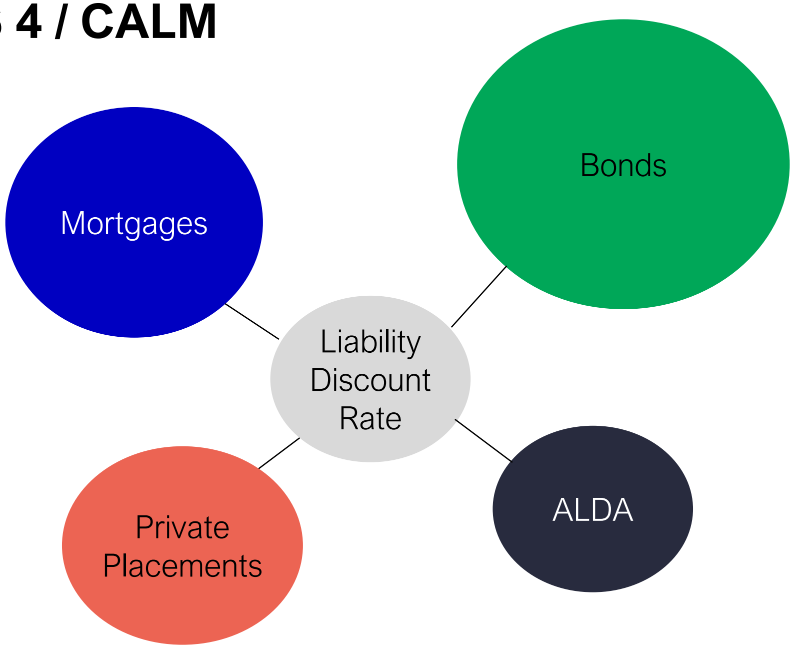


A portion of equity will be reclassified to CSM at transition and will be released into income over time. Total earnings over the lifetime of the insurance contract will be the same under both IFRS 4 and 17.

Note: This is illustrative and is not representative of the impact at transition, the actual amortization pattern of transition CSM, nor the amortization period. All illustrations ignore the impacts of tax.

Under IFRS 17 the liability discount rate is *based on the liability characteristics* and is no longer directly linked to assets

IFRS 4 / CALM



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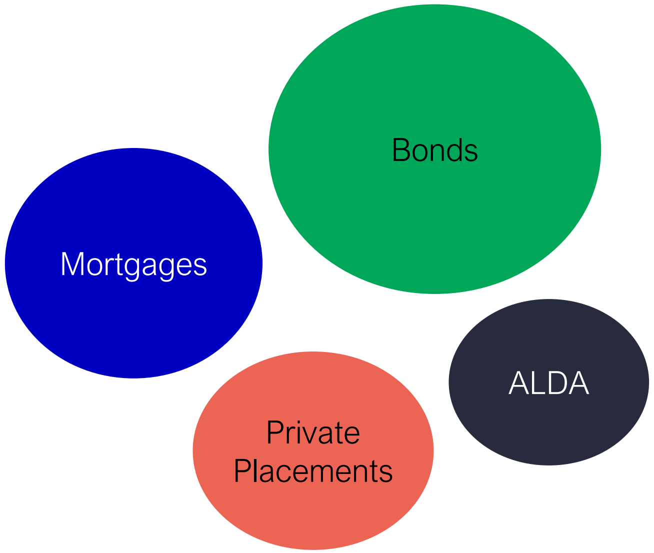

- The impact of investing activities will emerge over the life of the asset and is independent of the liability measurement
- The current period net income impacts from changes in ALDA[1] assumptions will be greatly reduced

[1] Alternative long-duration assets

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Timing of earnings emergence will be *impacted* by the standard

- New Business Gains will be capitalized and amortized through the life of the insurance contracts
- Setting up a CSM on our in-force business will lead to a decrease in equity upon transition. The CSM represents unearned profits that will amortize into income over time
- The impact of investing activities will emerge over the life of the asset and is independent of the liability measurement
- The impacts from changes in ALDA[1] assumptions will be greatly reduced and will emerge into income over time
- Similar to today, we expect to use "core earnings" as a non-GAAP measure of earnings that excludes the impact of market volatility; with a definition is updated to reflect the application of IFRS 17

[1] Alternative long-duration assets

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