Industrial Alliance Insurance and Financial Services Inc.

Interim Condensed Consolidated Financial Statements
For the Third Quarter of 2022

As at September 30, 2022 and 2021

iA Financial Group

Interim Condensed Consolidated Financial Statements (unaudited)

Consolidated Income Statements

	Quarters ended September 30		Nine months ended September 30	
(unaudited, in millions of Canadian dollars, unless otherwise indicated)	**2022**	2021	**2022**	2021
Revenues				
Premiums				
Gross premiums	**$ 3,110**	$ 3,543	**$ 10,240**	$ 10,382
Premiums ceded	**(302)**	(250)	**(806)**	(705)
Net premiums (Note 14)	**2,808**	3,293	**9,434**	9,677
Investment income (Note 3)				
Interest and other investment income	**625**	421	**1,512**	1,101
Change in fair value of investments	**(170)**	(468)	**(8,482)**	(2,976)
	455	(47)	**(6,970)**	(1,875)
Other revenues	**479**	515	**1,476**	1,468
	3,742	3,761	**3,940**	9,270
Policy benefits and expenses				
Gross benefits and claims on contracts	**1,987**	1,596	**5,802**	5,823
Ceded benefits and claims on contracts	**(189)**	(175)	**(569)**	(506)
Net transfer to segregated funds	**191**	1,018	**1,977**	2,274
Increase (decrease) in insurance contract liabilities	**497**	96	**(7,116)**	(1,935)
Increase (decrease) in investment contract liabilities	**3**	1	**(48)**	(6)
Decrease (increase) in reinsurance assets	**(108)**	(39)	**(42)**	(57)
	2,381	2,497	**4**	5,593
Commissions	**542**	534	**1,693**	1,552
General expenses	**462**	388	**1,344**	1,155
Premium and other taxes	**39**	35	**114**	105
Financing charges	**15**	15	**38**	41
	3,439	3,469	**3,193**	8,446
Income before income taxes	**303**	292	**747**	824
Income taxes (Note 13)	**59**	67	**122**	191
Net income	**$ 244**	$ 225	**$ 625**	$ 633
Net income attributed to participating policyholders	**(4)**	3	**(13)**	(3)
Net income attributed to shareholders	**$ 248**	$ 222	**$ 638**	$ 636
Dividends on preferred shares (Note 10)	**3**	6	**14**	17
Net income attributed to common shareholder	**$ 245**	$ 216	**$ 624**	$ 619
Basic earnings per common share (in dollars) (Note 15)	**$ 2.15**	$ 1.99	**$ 5.64**	$ 5.70

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Consolidated Comprehensive Income Statements

	Quarters ended September 30		Nine months ended September 30	
(unaudited, in millions of Canadian dollars)	**2022**	2021	**2022**	2021
Net income	**$ 244**	$ 225	**$ 625**	$ 633
Other comprehensive income, net of income taxes				
Items that may be reclassified subsequently to net income:				
Available for sale financial assets				
Unrealized gains (losses) on available for sale financial assets	**(36)**	(14)	**(370)**	(41)
Reclassification of losses (gains) on available for sale financial assets included in net income	**(10)**	(6)	**(26)**	(20)
	(46)	(20)	**(396)**	(61)
Net investment hedge				
Unrealized gains (losses) on currency translation in foreign operations	**127**	35	**165**	(7)
Hedges of net investment in foreign operations	**(95)**	(33)	**(138)**	4
	32	2	**27**	(3)
Cash flow hedge				
Unrealized gains (losses) on cash flow hedges	**—**	(1)	**1**	(1)
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	**(14)**	29	**74**	183
Total other comprehensive income	**(28)**	10	**(294)**	118
Comprehensive income	**$ 216**	$ 235	**$ 331**	$ 751
Comprehensive income attributed to participating policyholders	**(4)**	3	**(13)**	(3)
Comprehensive income attributed to shareholders	**$ 220**	$ 232	**$ 344**	$ 754

Income Taxes Included in Other Comprehensive Income

	Quarters ended September 30		Nine months ended September 30	
(unaudited, in millions of Canadian dollars)	**2022**	2021	**2022**	2021
Income tax recovery (expense) related to:				
Items that may be reclassified subsequently to net income:				
Unrealized losses (gains) on available for sale financial assets	**$ 12**	$ 5	**$ 128**	$ 14
Reclassification of gains (losses) on available for sale financial assets included in net income	**3**	3	**9**	8
Hedges of net investment in foreign operations	**15**	6	**22**	—
	30	14	**159**	22
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	**5**	(11)	**(26)**	(66)
Total income tax recovery (expense) included in other comprehensive income	**$ 35**	$ 3	**$ 133**	$ (44)

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Consolidated Statements of Financial Position

		As at September 30		As at December 31
		2022		2021
(in millions of Canadian dollars)		(unaudited)		
Assets				
Investments (Note 3)				
Cash and short-term investments	**$**	**1,073**	$	1,467
Bonds		**26,201**		32,254
Stocks		**3,766**		3,769
Mortgages and other loans		**2,878**		2,922
Derivative financial instruments (Note 6)		**970**		917
Policy loans		**1,125**		1,040
Other invested assets		**444**		477
Investment properties		**1,819**		1,870
		38,276		44,716
Other assets		**4,097**		3,319
Reinsurance assets		**2,251**		1,984
Fixed assets		**339**		353
Deferred income tax assets		**44**		7
Intangible assets		**792**		778
Goodwill		**553**		550
General fund assets		**46,352**		51,707
Segregated funds net assets (Note 7)		**35,469**		39,577
Total assets	**$**	**81,821**	$	91,284
Liabilities				
Insurance contract liabilities	**$**	**29,531**	$	36,540
Investment contract liabilities		**552**		577
Derivative financial instruments (Note 6)		**1,602**		521
Other liabilities		**8,106**		7,169
Deferred income tax liabilities		**208**		316
Debentures		**404**		653
General fund liabilities		**40,403**		45,776
Liabilities related to segregated funds net assets (Note 7)		**35,469**		39,577
Total liabilities	**$**	**75,872**	$	85,353
Equity				
Share capital	**$**	**2,030**	$	2,180
Retained earnings and accumulated other comprehensive income		**3,884**		3,703
Participating policyholders' accounts		**35**		48
		5,949		5,931
Total liabilities and equity	**$**	**81,821**	$	91,284

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Consolidated Equity Statements

	As at September 30, 2022					
	Participating policyholders' accounts	**Common shares**	**Preferred shares**	**Retained earnings**	**Accumulated other comprehensive income**	**Total**
(unaudited, in millions of Canadian dollars)		(Note 10)	(Note 10)		(Note 11)	
Balance as at December 31, 2020	$ 41	$ 1,655	$ 525	$ 2,864	$ 150	$ 5,235
Net income attributed to shareholders	—	—	—	843	—	843
Net income attributed to participating policyholders' accounts	7	—	—	—	—	7
Other comprehensive income	—	—	—	—	121	121
Comprehensive income for the year	7	—	—	843	121	971
Equity transactions						
Transfer of post-employment benefits	—	—	—	196	(196)	—
Dividends on common shares	—	—	—	(250)	—	(250)
Dividends on preferred shares	—	—	—	(22)	—	(22)
Other	—	—	—	(3)	—	(3)
	—	—	—	(79)	(196)	(275)
Balance as at December 31, 2021	**48**	**1,655**	**525**	**3,628**	**75**	**5,931**
Net income attributed to shareholders	**—**	**—**	**—**	**638**	**—**	**638**
Net income attributed to participating policyholders' accounts	**(13)**	**—**	**—**	**—**	**—**	**(13)**
Other comprehensive income	**—**	**—**	**—**	**—**	**(294)**	**(294)**
Comprehensive income for the period	**(13)**	**—**	**—**	**638**	**(294)**	**331**
Equity transactions						
Transfer of post-employment benefits	**—**	**—**	**—**	**74**	**(74)**	**—**
Common shares issued	**—**	**100**	**—**	**—**	**—**	**100**
Redemption of preferred shares	**—**	**—**	**(250)**	**—**	**—**	**(250)**
Dividends on common shares	**—**	**—**	**—**	**(150)**	**—**	**(150)**
Dividends on preferred shares	**—**	**—**	**—**	**(14)**	**—**	**(14)**
Other	**—**	**—**	**—**	**1**	**—**	**1**
	—	**100**	**(250)**	**(89)**	**(74)**	**(313)**
Balance as at September 30, 2022	**$ 35**	**$ 1,755**	**$ 275**	**$ 4,177**	**$ (293)**	**$ 5,949**

	As at September 30, 2021					
	Participating policyholders' accounts	Common shares	Preferred shares	Retained earnings	Accumulated other comprehensive income	Total
(unaudited, in millions of Canadian dollars)		(Note 10)	(Note 10)		(Note 11)	
Balance as at December 31, 2020	$ 41	$ 1,655	$ 525	$ 2,864	$ 150	$ 5,235
Net income attributed to shareholders	—	—	—	636	—	636
Net income attributed to participating policyholders' accounts	(3)	—	—	—	—	(3)
Other comprehensive income	—	—	—	—	118	118
Comprehensive income for the period	(3)	—	—	636	118	751
Equity transactions						
Transfer of post-employment benefits	—	—	—	183	(183)	—
Dividends on common shares	—	—	—	(250)	—	(250)
Dividends on preferred shares	—	—	—	(17)	—	(17)
	—	—	—	(84)	(183)	(267)
Balance as at September 30, 2021	$ 38	$ 1,655	$ 525	$ 3,416	$ 85	$ 5,719

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Consolidated Cash Flows Statements

	Nine months ended September 30	
(unaudited, in millions of Canadian dollars)	**2022**	2021
Cash flows from operating activities		
Income before income taxes	**$ 747**	$ 824
Financing charges	**38**	41
Income taxes paid, net of refunds	**(217)**	(182)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	**(7,125)**	(1,889)
Increase (decrease) in investment contract liabilities	**(25)**	(9)
Decrease (increase) in reinsurance assets	**(140)**	(209)
Unrealized losses (gains) on investments	**8,484**	2,976
Provisions for losses	**28**	20
Amortization of premiums and discounts	**3**	20
Other depreciation	**212**	186
Other items not affecting cash	**(165)**	(11)
Operating activities affecting cash:		
Sales, maturities and repayments on investments	**20,986**	15,907
Purchases of investments	**(22,442)**	(18,030)
Realized losses (gains) on investments	**(36)**	(22)
Other items affecting cash	**(70)**	520
Net cash from (used in) operating activities	**278**	142
Cash flows from investing activities		
Sales (purchases) of fixed and intangible assets	**(84)**	(65)
Net cash from (used in) investing activities	**(84)**	(65)
Cash flows from financing activities		
Issuance of common shares (Note 10)	**100**	—
Redemption of preferred shares (Note 10)	**(250)**	—
Redemption of debentures (Note 9)	**(250)**	—
Reimbursement of lease liabilities[1]	**(13)**	(14)
Dividends paid on common shares	**(150)**	(250)
Dividends paid on preferred shares	**(14)**	(17)
Interest paid on debentures	**(17)**	(20)
Interest paid on lease liabilities	**(3)**	(3)
Net cash from (used in) financing activities	**(597)**	(304)
Foreign currency gains (losses) on cash	**9**	—
Increase (decrease) in cash and short-term investments	**(394)**	(227)
Cash and short-term investments at beginning	**1,467**	1,593
Cash and short-term investments at end	**$ 1,073**	$ 1,366
Supplementary information:		
Cash	**$ 587**	$ 1,212
Short-term investments	**486**	154
Total cash and short-term investments	**$ 1,073**	$ 1,366

[1] For the nine months ended September 30, 2022, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of $7 ($3 for the nine months ended September 30, 2021) of non-affecting cash items, mostly attributable to new liabilities.

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Notes to Interim Condensed Consolidated Financial Statements

Nine months ended September 30, 2022 and 2021 (unaudited) (in millions of Canadian dollars, unless otherwise indicated)

1 › General Information

Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company incorporated under the *Business Corporations Act* (Quebec), governed by the *Insurers Act* and regulated by the Autorité des marchés financiers (AMF). Industrial Alliance Insurance and Financial Services Inc. and its subsidiaries (iA Insurance or the "Company"), a wholly owned subsidiary of iA Financial Corporation Inc. (iA Financial Corporation), offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, mortgages, auto and home insurance, creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services and other financial products and services. The Company's products and services are offered on both an individual and group basis and extend throughout Canada and the United States.

The Company's Interim Condensed Consolidated Financial Statements (the "Financial Statements") are prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB). These Financial Statements do not contain all the information required in a complete annual financial statement and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2021. The significant accounting policies used to prepare these Financial Statements are consistent with those found in the Consolidated Financial Statements for the year ended December 31, 2021, except for items mentioned in Note 2.

Publication of these Financial Statements was authorized for issue by the Company's Board of Directors on November 9, 2022.

2 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2022.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 4 *Insurance Contracts*	*Description:* On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts*. This amendment, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, provides two options to entities applying IFRS 4: • the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; • the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities. On June 25, 2020, the IASB published an amendment to IFRS 4 *Insurance Contracts* to extend the deferral approach until January 1, 2023. *Status:* The Company met all criteria and chose the deferral approach, as described below in the section "Information on the Deferral of the Application of IFRS 9 *Financial Instruments*". The Company will apply IFRS 9 only to financial statements beginning on or after January 1, 2023.
IAS 16 *Property, Plant and Equipment*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 16 *Property, Plant and Equipment*. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment apply retrospectively. *Impact:* No impact on the Company's financial statements.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment apply on a modified retrospective basis. *Impact:* No impact on the Company's financial statements.
IFRS 3 *Business Combinations*	*Description:* On May 14, 2020, the IASB published an amendment to IFRS 3 *Business Combinations*. The amendment updates the reference to the *Conceptual Framework* and adds an exception to its requirement for an entity to refer to the *Conceptual Framework* to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provisions of this amendment apply prospectively. *Impact:* No impact on the Company's financial statements.
Annual Improvements to IFRSs 2018-2020 Cycle	*Description:* On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify specific situations: • IFRS 1 *First-time Adoption of International Financial Reporting Standards* related to the fact that a subsidiary that becomes a first-time adopter later than its parent is allowed to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs; • IAS 41 *Agriculture* related to the fact that an entity no longer excludes taxation cash flows when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*. The provisions of IFRS 1 and IAS 41 apply prospectively. *Impact:* No impact on the Company's financial statements.

Future Changes in Accounting Policies

Standards or amendments are presented on the basis of their publication date unless a more relevant approach allows for better information.

<table>
<tr><th>Standards or amendments</th><th>Description of the standards or amendments</th></tr>
<tr><td>IFRS 17 Insurance Contracts</td><td>
Description: On May 18, 2017, the IASB published the standard IFRS 17 Insurance Contracts which replaces the provisions of the standard IFRS 4 Insurance Contracts. Amendments to IFRS 17 Insurance Contracts were also published in June 2020 and December 2021 with the objective to help companies in implementing the standard, thus allowing the application date to be postponed to January 1, 2023 and the usefulness of the comparative information to be improved at the initial, concurrent application of IFRS 9 Financial Instruments.
The standard IFRS 17:

has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement;
establishes the principles for recognition, measurement, presentation and disclosure;
defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities;
defines a specific model for contracts of one year or less.

The provisions of the new standard IFRS 17 will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2023.
The adoption of IFRS 17 will impact how the Company accounts for its insurance contracts, the timing of revenues recognition and the presentation of its financial performance in the Income Statement. Premiums and policy benefits and claims on contracts will no longer be presented in the Income Statement. New items will be presented such as Insurance revenue, Insurance services expenses and Finance income (expenses) from insurance contracts. The insurance revenue will reflect the services rendered during the period. The current presentation of the Statement of Financial Position, under which Outstanding premiums, Due from reinsurers and Deferred sales commissions are included in Other assets, and Unearned premiums, Due to reinsurers and Other insurance contract liabilities are presented in Other liabilities, will be modified. These items will henceforth be included, for each portfolio, as Insurance contract assets, Insurance contract liabilities, Reinsurance assets or Reinsurance liabilities.
IFRS 17 introduces three approaches that measure insurance contracts: the premium allocation approach, the variable fee approach and the general model approach.
The general model approach, which will be mostly used by the Company, measures insurance contracts based on the Company’s estimates of:

fulfilment cash flows which comprise estimates of expected future cash flows, an adjustment to reflect the time value of money and the associated financial risks (discount rate), plus a risk adjustment for non-financial risk;
the contractual service margin (CSM) which represents the unearned profit the Company will recognize as it provides services in the future.

The discount rate used to adjust the fulfilment cash flows must be consistent with the readily available quoted price in active markets and reflect the characteristics of the cash flows and liquidity of the insurance contracts. This valuation method is different from the Canadian Asset Liability Method (CALM) used under IFRS 4 Insurance Contracts, which relied on the invested assets held by the Company and on its investment strategy.
The CSM is measured at the initial recognition of the insurance contracts and is then released in the Income Statement as the services are rendered by the Company. If a group of contracts is or becomes onerous, an entity will recognize the loss immediately. IFRS 17 also requires the Company to separately disclose amounts resulting from groups of contracts that are expected to be onerous from those that are expected to be non-onerous, based on their respective portfolios. The fulfilment cash flows will be measured at each reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.
Following its analysis, on the transition date, the Company will apply two of the three transition approaches available under IFRS 17: the full retrospective approach and the fair value approach. For a majority of groups of contracts, the fair value approach will be applied considering the fact that the full retrospective approach is impracticable, since reasonable and supportable information to apply this approach is not available without undue cost or effort.
Status: The Company continues its assessment of the impact on measurement, presentation and disclosure of insurance contracts that this standard will have on its financial statements. Based on its preliminary assessment, the Company anticipates that the application of IFRS 17 in conjunction with the application of IFRS 9 will have a limited effect on its equity at transition. The Company is also monitoring all other potential impacts through its governance and the structure put in place to implement IFRS 17.
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IFRS 9 *Financial Instruments*	The Company adopted the amendment to IFRS 4 *Insurance Contracts* described in the section "New Accounting Policies Applied". Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17. *Description:* On July 24, 2014, the IASB published the standard IFRS 9 *Financial Instruments* which replaces the provisions of the standard IAS 39 *Financial Instruments: Recognition and Measurement.* Amendments to IFRS 9 *Financial Instruments* were also published in October 2017 and August 2020 along with an annual improvement to IFRSs in May 2020 to provide clarifications on specific topics. The standard IFRS 9: • requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets; • changes the accounting for financial liabilities measured using the fair value option; • proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; • modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. The provisions of the new standard IFRS 9 will apply retrospectively. However, in accordance with the amendment to IFRS 17 published in December 2021, entities applying IFRS 17 and IFRS 9 simultaneously for the first time will be able to apply the classification overlay to designated financial assets by presenting comparative information as if the classification and measurement requirements of IFRS 9 had been applied. Entities are not required to apply the impairment requirements of IFRS 9 for the comparative period. *Status:* The Company is currently evaluating the impact of this standard on its financial statements, as mentioned in the *Status* of the "IFRS 17 *Insurance Contracts*" section above.
IAS 1 *Presentation of Financial Statements*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 1 *Presentation of Financial Statements.* The amendment *Disclosure of Accounting Policies* requires entities to disclose their material accounting policy information rather than their significant accounting policies. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements. *Description:* On January 23, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements.* The amendment *Classification of Liabilities as Current or Non-current* only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. The provisions of this amendment were initially to be applied retrospectively to financial statements beginning on or after January 1, 2022, but on July 15, 2020, the IASB decided to postpone the effective date to financial statements beginning on or after January 1, 2023. On October 31, 2022, the IASB published a new amendment, *Non-current Liabilities with Covenants*, which specifies conditions affecting the classification of a liability when an entity must comply with covenants within 12 months after the reporting period and clarifies the disclosure requirements in the Notes. In addition, the latest amendment further postpones the effective date of the previous amendments to financial statements beginning on or after January 1, 2024, with retrospective application. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of these amendments on its financial statements.
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment *Definition of Accounting Estimates* introduces the definition of accounting estimates and clarifies the distinction between a change in accounting estimate and a change in accounting policy. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements.
IAS 12 *Income Taxes*	*Description:* On May 7, 2021, the IASB published an amendment to IAS 12 *Income Taxes*. The amendment *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* clarifies the accounting for deferred tax on transactions that give rise to equal taxable and deductible temporary differences on initial recognition, such as with leases and decommissioning obligations. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements.
IFRS 16 *Leases*	*Description:* On September 22, 2022, the IASB published an amendment to IFRS 16 *Leases*. The amendment *Lease Liability in a Sale and Leaseback* adds requirements for the subsequent measurement of a lease liability by a seller-lessee in a sale and leaseback transaction accounted for as a sale, with the aim to prevent the recognition of a gain or loss relating to the right of use retained. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2024. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.

Information on the Deferral of the Application of IFRS 9 *Financial Instruments*

The Company applies IFRS 4 *Insurance Contracts* in its operations. This standard was amended in 2016 to allow entities that apply IFRS 4 to defer the application of IFRS 9 *Financial Instruments* if total liabilities for insurance activities represent more than 90% of the entity's total liabilities. This calculation is made as of the closing date preceding April 1, 2016, the calculation date identified in the standard.

For this calculation, the Company primarily considered insurance contract liabilities, investment contract liabilities, liabilities related to segregated funds net assets and debentures as at December 31, 2015. Liabilities related to its insurance activities were at that time greater than 90% of total liabilities.

The Company has decided to defer the application of IFRS 9 until IFRS 17 *Insurance Contracts* is adopted. IFRS 17 includes the measurement principles of these policies. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables, held to maturity or available for sale as at September 30, 2022, an amount of $525 ($746 as at December 31, 2021) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

3 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

	As at September 30, 2022						
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
Cash and short-term investments	$ 317	$ —	$ —	$ 756	$ —	$ 1,073	$ 1,073
Bonds							
Governments	6,941	1,958	123	101	—	9,123	
Municipalities	777	153	—	38	—	968	
Corporate and other	11,166	1,771	—	3,173	—	16,110	
	18,884	3,882	123	3,312	—	26,201	25,748
Stocks							
Common	2,250	49	—	—	—	2,299	
Preferred	225	207	—	—	—	432	
Stock indexes	172	117	—	—	—	289	
Investment fund units	740	6	—	—	—	746	
	3,387	379	—	—	—	3,766	3,766
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,192	—	1,192	
Non-residential	—	—	—	3	—	3	
	—	—	—	1,195	—	1,195	
Conventional mortgages							
Multi-residential	54	—	—	181	—	235	
Non-residential	26	—	—	231	—	257	
	80	—	—	412	—	492	
Other loans	—	—	—	1,191	—	1,191	
	80	—	—	2,798	—	2,878	2,829
Derivative financial instruments	970	—	—	—	—	970	970
Policy loans	—	—	—	1,125	—	1,125	1,125
Other invested assets	—	—	—	19	425	444	444
Investment properties	—	—	—	—	1,819	1,819	1,851
Total investments	$ 23,638	$ 4,261	$ 123	$ 8,010	$ 2,244	$ 38,276	$ 37,806

	As at December 31, 2021						
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
Cash and short-term investments	$ 199	$ —	$ —	$ 1,268	$ —	$ 1,467	$ 1,467
Bonds							
Governments	10,763	1,953	255	106	—	13,077	
Municipalities	1,129	182	—	39	—	1,350	
Corporate and other	13,037	2,021	—	2,769	—	17,827	
	24,929	4,156	255	2,914	—	32,254	32,518
Stocks							
Common	2,118	54	—	—	—	2,172	
Preferred	236	342	—	—	—	578	
Stock indexes	169	10	—	—	—	179	
Investment fund units	834	6	—	—	—	840	
	3,357	412	—	—	—	3,769	3,769
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,326	—	1,326	
Non-residential	—	—	—	3	—	3	
	—	—	—	1,329	—	1,329	
Conventional mortgages							
Multi-residential	51	—	—	184	—	235	
Non-residential	38	—	—	264	—	302	
	89	—	—	448	—	537	
Other loans	—	—	—	1,056	—	1,056	
	89	—	—	2,833	—	2,922	2,991
Derivative financial instruments	917	—	—	—	—	917	917
Policy loans	—	—	—	1,040	—	1,040	1,040
Other invested assets	—	—	—	18	459	477	477
Investment properties	—	—	—	—	1,870	1,870	1,901
Total investments	$ 29,491	$ 4,568	$ 255	$ 8,073	$ 2,329	$ 44,716	$ 45,080

The majority of bonds and stocks, designated at fair value through profit or loss, are assets used by the Company to match insurance contract liabilities and investment contract liabilities. The change in the fair value of financial assets designated at fair value through profit or loss is therefore reflected in insurance contract liabilities and investment contract liabilities.

The *At fair value through profit or loss* category includes securities held for trading, mainly derivative financial instruments and short-term investments, as well as securities designated at fair value through profit or loss.

Other invested assets are made up of notes receivable and investments in associates and joint ventures. Notes receivable are classified as loans and receivables. Investments in associates and joint ventures, accounted for using the equity method, are presented in the *Other* column.

The fair value of investment properties includes the carrying value of investment properties accounted for at fair value and the fair value of linearization of rents accounted for in *Other Assets*.

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at September 30, 2022 and as at December 31, 2021. The carrying value of these investments as at September 30, 2022 is $425 ($459 as at December 31, 2021). The share of net income and comprehensive income for the nine months ended September 30, 2022 amounts to $27 ($13 for the nine months ended September 30, 2021).

c) Investment Income

	Quarters ended September 30		Nine months ended September 30	
(in millions of dollars)	**2022**	2021	**2022**	2021
Interest and other investment income				
Interest	**$ 388**	$ 296	**$ 963**	$ 792
Dividends	**96**	74	**253**	146
Derivative financial instruments	**3**	3	**(2)**	9
Rental income	**47**	43	**136**	138
Gains (losses) realized	**14**	7	**36**	22
Variation in provisions for losses	**(10)**	(8)	**(28)**	(20)
Other	**87**	6	**154**	14
	625	421	**1,512**	1,101
Change in fair value of investments				
Cash and short-term investments	**2**	—	**2**	—
Bonds	**(324)**	(287)	**(6,251)**	(2,170)
Stocks	**(92)**	52	**(468)**	257
Mortgages and other loans	**2**	2	**—**	(1)
Derivative financial instruments	**375**	(252)	**(1,629)**	(1,049)
Investment properties	**(58)**	—	**(72)**	(13)
Other	**(75)**	17	**(64)**	—
	(170)	(468)	**(8,482)**	(2,976)
Total investment income	**$ 455**	$ (47)	**$ (6,970)**	$ (1,875)

4 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management exercises its judgment to determine the data that will be used to measure the fair value of financial assets and liabilities, particularly for financial instruments classified as Level 3. Fair value of various categories of financial instruments and investment properties is determined as described below.

Financial Assets

Short-Term Investments – Carrying value of these investments represents the fair value due to their short-term maturity.

Bonds – Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have similar risk profiles and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation, and other reference data published by the market. Management makes its best estimates when such data are not available.

Stocks – Stocks are valued based on quote price, observed on active markets. If the price is not available on the active markets, fair value is determined using equity valuation models, which analyze the fair value of the net asset, and other techniques that rely on comparisons with reference data, such as market indices. Investment fund units are evaluated at the net asset value published by the fund manager.

Mortgages and Other Loans – The fair value of mortgages and other loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for loans with substantially the same credit risk and terms.

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative financial instrument. Fair value of derivative financial instruments such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable on the market is used to ascertain the fair value of these derivative financial instruments. While these data are not observable, they are based on assumptions deemed appropriate given the circumstances. Once the restricted trading period ends, the instruments are valued using standard valuation models based on data observable on the market, as described previously. The Company’s use of non-observable data is limited to the trading restrictions period, and their effect on the fair value of derivative financial instruments does not represent a significant amount.

Policy Loans – Policy loans are carried at amortized cost. They are guaranteed and may be reimbursed at any time. Their fair value approximates their carrying value due to their nature.

Other Invested Assets – The fair value of other invested assets is approximately the same as the carrying value due to the nature of these elements.

Other Assets – The fair value of the other financial assets is approximately the same as the carrying value due to their short-term nature.

Investment Properties
The fair value of investment properties is determined using various recognized methods and standards of assessment in the real estate sector. Among these methods, the income approach is the most commonly used, as it is based on an investor's behaviour in relation to income expected to be generated by an investment property. Under this approach, discounting of the cash flows generated by an investment property is preferred as it measures the relationship between the market value and the reasonably discounted incomes over an investment horizon. Expected cash flows include contractual and projected income as well as the investment property's operating expenses. These cash flows reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect and estimates of future cash inflows, including revenues projected for future leases, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, current type and quality of the building, and market data and projections as of the date of the valuation. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. Highest and best use is one of the possible valuation methods. Highest and best use of a site is an integral part of the process to establish the fair value of an investment property. This use is the one that, at the time of the appraisal, provides the highest fair value for the investment property. As a result, this use is determined by considering possible physical use that is legally admissible, financially feasible and achievable in the short term based on demand, and must be tied to the likelihood of being achieved rather than to the simple possibility. Assessments are carried out by external independent appraisers on an annual basis or by qualified Company personnel quarterly.

Financial Liabilities
Derivative Financial Instruments – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 6 "Derivative Financial Instruments" and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the "Financial Assets" section.

Other Liabilities – The fair value of other liabilities, except short-selling securities, securitization liabilities and mortgage debt, is approximately the same as the carrying value due to their short-term nature.

Short-selling securities, classified as held for trading, are measured using the observed market prices in active markets for identical or similar financial instruments. If quoted prices in active markets are not available, fair value is estimated using standard methods of assessment, such as a model based on discounted future cash flows or similar techniques. These methods take into account the current observable market data for financial instruments with a similar risk profile and comparable terms. The significant data used in these models include, but are not limited to, yield curves, credit risks, issuer spreads, volatility and liquidity valuation and other reference data published by the markets.

The fair value of securitization liabilities and mortgage debt is estimated by discounting cash flows with the interest rates currently prevailing on the market for new debts with substantially the same terms.

As at December 31, 2021, a mortgage debt with a fair value of $71 was secured by an investment property with a carrying value of $169 and bore interest of 3.143%. This mortgage debt, which matured on May 1, 2022, was repaid in full on that date. The interest expense on the mortgage debt is less than $1 ($2 for the nine months ended September 30, 2021).

Debentures – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments.

b) Hierarchy of the Fair Value
Disclosures regarding financial instruments and investment properties must be presented as a hierarchy that categorizes the inputs to valuation models used to measure the fair value of financial assets and financial liabilities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobserved inputs. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.
Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.
Level 3 – Valuation model based on valuation techniques that use largely unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

If a financial instrument classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2. If the measurement of its fair value requires the use of significant unobservable inputs, it is directly reclassified into Level 3.

Assets

	As at September 30, 2022			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	$ —	$ 317	$ —	$ 317
Bonds				
Designated at fair value through profit or loss				
Governments	622	6,319	—	6,941
Municipalities	—	777	—	777
Corporate and other	—	11,035	131	11,166
	622	18,131	131	18,884
Available for sale				
Governments	163	1,795	—	1,958
Municipalities	—	153	—	153
Corporate and other	—	1,770	1	1,771
	163	3,718	1	3,882
	785	21,849	132	22,766
Stocks				
Designated at fair value through profit or loss	1,298	97	1,992	3,387
Available for sale	134	206	39	379
	1,432	303	2,031	3,766
Mortgages and other loans				
Designated at fair value through profit or loss	—	80	—	80
Derivative financial instruments				
Held for trading	67	903	—	970
Investment properties	—	—	1,819	1,819
General fund investments recognized at fair value	2,284	23,452	3,982	29,718
Segregated funds financial instruments and investment properties	27,099	7,342	724	35,165
Total financial assets at fair value	$ 29,383	$ 30,794	$ 4,706	$ 64,883

	As at December 31, 2021			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	$ —	$ 199	$ —	$ 199
Bonds				
Designated at fair value through profit or loss				
Governments	348	10,415	—	10,763
Municipalities	—	1,129	—	1,129
Corporate and other	—	12,879	158	13,037
	348	24,423	158	24,929
Available for sale				
Governments	165	1,788	—	1,953
Municipalities	—	182	—	182
Corporate and other	—	2,021	—	2,021
	165	3,991	—	4,156
	513	28,414	158	29,085
Stocks				
Designated at fair value through profit or loss	1,499	70	1,788	3,357
Available for sale	28	342	42	412
	1,527	412	1,830	3,769
Mortgages and other loans				
Designated at fair value through profit or loss	—	89	—	89
Derivative financial instruments				
Held for trading	196	718	3	917
Investment properties	—	—	1,870	1,870
General fund investments recognized at fair value	2,236	29,832	3,861	35,929
Segregated funds financial instruments and investment properties	30,710	8,054	508	39,272
Total financial assets at fair value	$ 32,946	$ 37,886	$ 4,369	$ 75,201

There were no transfers from Level 1 to Level 2 during the nine months ended September 30, 2022 (none for the year ended December 31, 2021).

There were no transfers from Level 2 to Level 1 during the nine months ended September 30, 2022 (none for the year ended December 31, 2021).

Transfers from Level 1 to Level 3 during the nine months ended September 30, 2022 amount to $2 (none for the year ended December 31, 2021). These transfers are from segregated funds financial instruments. The fair value of these instruments is measured at the quoted market price obtained through brokers. However, the price of these financial instruments has remained unchanged for more than 30 days which, according to the Company's internal policy, results in a transfer.

Transfers from Level 2 to Level 3 during the nine months ended September 30, 2022 amount to $23 ($28 for the year ended December 31, 2021). The transfers for the period ended September 30, 2022 amount to $15 from segregated funds financial instruments (none for the year ended December 31, 2021) and $8 from bonds designated at fair value through profit or loss ($28 for the year ended December 31, 2021). The fair value of segregated funds financial instruments and bonds is measured at the quoted market price obtained through brokers. However, their price has remained unchanged for more than 30 days which, according to the Company's internal policy, results in a transfer. For some bonds at December 31, 2021, the fair value was measured using unobservable inputs.

Transfers from Level 3 to Level 2 during the nine months ended September 30, 2022 amount to $8 ($2 for the year ended December 31, 2021). These transfers are from bonds designated at fair value through profit or loss. The fair value of these bonds is measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments. As at September 30, 2022 and as at December 31, 2021, the value of these bonds is based on a price obtained less than 30 days prior.

There were no transfers from Level 3 to Level 1 during the nine months ended September 30, 2022 (none for the year ended December 31, 2021).

The Company presents transfers between hierarchy levels at the quarter-end fair value for the quarter during which the transfer occurred.

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.34% to 3.28% as at September 30, 2022 (1.06% to 2.72% as at December 31, 2021). Stocks classified into Level 3 are mainly valued from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at September 30, 2022 are the discount rate, which is between 5.00% and 8.25% (5.25% and 8.00% as at December 31, 2021) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.00% as at December 31, 2021). The discount rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

Considering the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company does not assess whether the application of other assumptions would have an impact on fair value because the investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the CALM. Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

The following table presents assets recognized at fair value evaluated according to Level 3 parameters:

	Nine months ended September 30, 2022							
(in millions of dollars)	Balance as at December 31, 2021	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at September 30, 2022	Total unrealized gains (losses) included in net income on investments still held
Bonds								
Designated at fair value through profit or loss	$ 158	$ (25)	$ —	$ —	$ (2)	$ —	$ 131	$ (25)
Available for sale	—	—	—	1	—	—	1	—
Stocks								
Designated at fair value through profit or loss	1,788	62	—	226	(84)	—	1,992	64
Available for sale	42	—	—	—	(3)	—	39	—
Derivative financial instruments								
Held for trading	3	(3)	—	—	—	—	—	(3)
Investment properties	1,870	(72)	—	25	(4)	—	1,819	(72)
General fund investments recognized at fair value	3,861	(38)	—	252	(93)	—	3,982	(36)
Segregated funds financial instruments and investment properties	508	21	—	196	(18)	17	724	19
Total	$ 4,369	$ (17)	$ —	$ 448	$ (111)	$ 17	$ 4,706	$ (17)

(in millions of dollars)	Year ended December 31, 2021 Balance as at December 31, 2020	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at December 31, 2021	Total unrealized gains (losses) included in net income on investments still held
Bonds								
Designated at fair value through profit or loss	$ 140	$ (8)	$ —	$ 3	$ (3)	$ 26	$ 158	$ (9)
Stocks								
Designated at fair value through profit or loss	1,444	204	—	365	(225)	—	1,788	189
Available for sale	43	—	(1)	5	(5)	—	42	—
Derivative financial instruments								
Held for trading	3	1	—	—	(1)	—	3	2
Investment properties	1,916	(24)	—	22	(44)	—	1,870	(24)
General fund investments recognized at fair value	3,546	173	(1)	395	(278)	26	3,861	158
Segregated funds financial instruments and investment properties	264	32	—	228	(16)	—	508	31
Total	$ 3,810	$ 205	$ (1)	$ 623	$ (294)	$ 26	$ 4,369	$ 189

For the nine months ended September 30, 2022, an amount of $13 ($18 for the year ended December 31, 2021) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties* and an amount of $12 ($4 for the year ended December 31, 2021) corresponds to the transfer of fixed assets to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets (none for the year ended December 31, 2021).

Realized and unrealized gains (losses) included in net income and *Total unrealized gains (losses) included in net income on investments still held* are presented in the *Investment income* in the Income Statement, except the value of segregated funds assets, which is not presented in the Income Statement, but is included in the change in segregated funds net assets in Note 7 "Segregated Funds Net Assets". *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 11 "Accumulated Other Comprehensive Income" in *Unrealized gains (losses).*

Fair Value Disclosed in the Notes

The Company classifies certain financial instruments as held to maturity or as loans and receivables. These financial instruments are measured at amortized cost and fair value is disclosed in the notes. The following table shows the hierarchy level of such fair values:

(in millions of dollars)	As at September 30, 2022 **Level 1**	**Level 2**	**Level 3**	**Total**
Classified as held to maturity				
Bonds				
Governments	**$ —**	**$ 119**	**$ —**	**$ 119**
Total of assets classified as held to maturity	**—**	**119**	**—**	**119**
Classified as loans and receivables				
Bonds				
Governments	**—**	**5**	**99**	**104**
Municipalities	**—**	**40**	**—**	**40**
Corporate and other	**—**	**201**	**2,518**	**2,719**
	—	**246**	**2,617**	**2,863**
Mortgages and other loans	**—**	**2,749**	**—**	**2,749**
Total of assets classified as loans and receivables	**—**	**2,995**	**2,617**	**5,612**
Total of assets whose fair value is disclosed in the notes	**$ —**	**$ 3,114**	**$ 2,617**	**$ 5,731**

	As at December 31, 2021			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Classified as held to maturity				
Bonds				
Governments	$ —	$ 255	$ —	$ 255
Total of assets classified as held to maturity	—	255	—	255
Classified as loans and receivables				
Bonds				
Governments	—	7	130	137
Municipalities	—	50	—	50
Corporate and other	—	198	2,793	2,991
	—	255	2,923	3,178
Mortgages and other loans	—	2,902	—	2,902
Total of assets classified as loans and receivables	—	3,157	2,923	6,080
Total of assets whose fair value is disclosed in the notes	$ —	$ 3,412	$ 2,923	$ 6,335

Financial Liabilities

The following table presents financial liabilities measured at fair value on a recurring basis and those whose fair value is disclosed in a note by hierarchy level:

	As at September 30, 2022			
(in millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Other liabilities				
Held for trading	**$ 287**	**$ 244**	**$ —**	**$ 531**
Derivative financial instruments				
Held for trading	**7**	**1,590**	**5**	**1,602**
Total of liabilities classified as held for trading	**294**	**1,834**	**5**	**2,133**
Classified at amortized cost				
Other liabilities				
Securitization liabilities	**—**	**615**	**—**	**615**
Debentures	**—**	**396**	**—**	**396**
Total of liabilities classified at amortized cost	**$ —**	**$ 1,011**	**$ —**	**$ 1,011**

	As at December 31, 2021			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Held for trading	$ 94	$ 168	$ —	$ 262
Derivative financial instruments				
Held for trading	79	415	27	521
Total of liabilities classified as held for trading	173	583	27	783
Classified at amortized cost				
Other liabilities				
Securitization liabilities	—	780	—	780
Mortgage debt	—	71	—	71
Debentures	—	666	—	666
Total of liabilities classified at amortized cost	$ —	$ 1,517	$ —	$ 1,517

5 › Management of Risks Associated with Financial Instruments

a) Impairment of Financial Assets Classified as Available for Sale

During the nine months ended September 30, 2022 and the year ended December 31, 2021, the Company did not reclassify any unrealized losses on stocks classified as available for sale from *Other comprehensive income* to *Investment income* in the Income Statement.

Since the financial assets designated at fair value through profit or loss are matched, variations of fair value, other than those related to credit risk, are directly reflected in the *Increase (decrease) in insurance contract liabilities*, which prevents a disparity of the treatment in the net income. Only variations in the fair value related to credit events regarding cash flows would have an impact on the Company's net income.

The unrealized gains and losses on financial assets classified as available for sale and included in the *Accumulated other comprehensive income* are the following:

	As at September 30, 2022			As at December 31, 2021		
(in millions of dollars)	**Fair value**	**Unrealized losses**	**Unrealized gains**	Fair value	Unrealized losses	Unrealized gains
Bonds						
Governments	**$ 1,958**	**$ (183)**	**$ 9**	$ 1,953	$ (17)	$ 55
Municipalities	**153**	**(14)**	**—**	182	(1)	3
Corporate and other	**1,771**	**(215)**	**2**	2,021	(12)	31
	3,882	**(412)**	**11**	4,156	(30)	89
Stocks	**379**	**(62)**	**7**	412	(2)	25
Total	**$ 4,261**	**$ (474)**	**$ 18**	$ 4,568	$ (32)	$ 114

b) Credit Risk

Credit risk corresponds to the possibility that the Company will sustain a financial loss if a counterparty or a debtor does not meet its commitments.

b) i) Credit Quality Indicators

Bonds by Investment Grade

(in millions of dollars)	**As at September 30, 2022**	As at December 31, 2021
AAA	**$ 1,742**	$ 1,617
AA	**9,262**	13,417
A	**9,693**	10,808
BBB	**5,221**	6,119
BB and lower	**283**	293
Total	**$ 26,201**	$ 32,254

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of $2,163 as at September 30, 2022 ($2,123 as at December 31, 2021).

Mortgages and Other Loans

(in millions of dollars)	**As at September 30, 2022**	As at December 31, 2021
Insured mortgages	**$ 1,195**	$ 1,329
Conventional mortgages	**492**	537
Other loans	**1,191**	1,056
Total	**$ 2,878**	$ 2,922

The credit quality of mortgages and other loans is assessed internally, on a regular basis, when the review of the portfolio is made.

b) ii) Past Due or Impaired Financial Assets

Past Due Bonds, Mortgages and Other Loans

Bonds, mortgages and other loans are considered in arrears when the counterparty has not made a payment at a contractual date. Any loan on which contractual payments are in arrears for 90 days or more in the case of mortgages and 120 days or more in the case of other loans and which is not subject to a measure deployed by the Company to support its clients or in foreclosure is assumed to be impaired. Any loan in default which is not insured and fully guaranteed is generally impaired.

(in millions of dollars)	As at September 30, 2022 Bonds classified as held to maturity	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
Gross values					
Not past due and not impaired	**$ 123**	**$ 3,274**	**$ 1,607**	**$ 1,163**	**$ 6,167**
Past due and not impaired					
30 – 89 days in arrears	**—**	**—**	**—**	**49**	**49**
90 – 119 days in arrears	**—**	**—**	**—**	**6**	**6**
120 days or more in arrears	**—**	**—**	**—**	**3**	**3**
Impaired	**—**	**46**	**—**	**—**	**46**
Total of gross values	**$ 123**	**$ 3,320**	**$ 1,607**	**$ 1,221**	**$ 6,271**
Specific provisions for losses	**—**	**8**	**—**	**—**	**8**
	123	**3,312**	**1,607**	**1,221**	**6,263**
Collective provisions for losses	**—**	**—**	**—**	**30**	**30**
Total of net values	**$ 123**	**$ 3,312**	**$ 1,607**	**$ 1,191**	**$ 6,233**

(in millions of dollars)	As at December 31, 2021 Bonds classified as held to maturity	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
Gross values					
Not past due and not impaired	$ 255	$ 2,897	$ 1,777	$ 1,040	$ 5,969
Past due and not impaired					
30 – 89 days in arrears	—	—	—	37	37
90 – 119 days in arrears	—	—	—	5	5
120 days or more in arrears	—	—	—	2	2
Impaired	—	23	—	—	23
Total of gross values	$ 255	$ 2,920	$ 1,777	$ 1,084	$ 6,036
Specific provisions for losses	—	6	—	—	6
	255	2,914	1,777	1,084	6,030
Collective provisions for losses	—	—	—	28	28
Total of net values	$ 255	$ 2,914	$ 1,777	$ 1,056	$ 6,002

Foreclosed Properties

During the nine months ended September 30, 2022, the Company did not take possession of any properties it held as collateral on mortgages (none for the year ended December 31, 2021). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in *Other Assets.*

Specific Provisions for Losses

(in millions of dollars)	**As at September 30, 2022** **Bonds classified as loans and receivables**	As at December 31, 2021 Bonds classified as loans and receivables
Balance at beginning	**$ 6**	$ 14
Variation in specific provisions for losses	**2**	(8)
Balance at end	**$ 8**	$ 6

During the nine months ended September 30, 2022, the specific provisions for losses did not vary for bonds classified as held to maturity, mortgages classified as loans and receivables and other loans (nor for the year ended December 31, 2021).

c) Interest Rate Benchmark Reform

On May 16, 2022, the AMF approved the decision by the administrator of the Canadian Dollar Offered Rate (CDOR), Refinitiv Benchmark Services Limited (RBSL), to end the publication of the rate as of June 28, 2024. The Canadian Alternative Reference Rate Working Group (CARR), which brings together representatives from companies in the financial sector and from public institutions, proposed to replace the CDOR with the Canadian Overnight Repo Rate Average (CORRA), also administered by RBSL. At this time, no decision has been published for an alternative benchmark rate to be used in place of the CDOR.

The Company is assessing the effects of abandoning the CDOR on the risks that it is exposed to and the valuation of the financial instruments impacted by the reform. As at September 30, 2022, derivative financial instruments with a notional amount of $9,466 and financial liabilities with a carrying value of $400 are affected by the CDOR reform and will be transitioned to an alternative reference rate.

6 › Derivative Financial Instruments

The Company is an end user of derivative financial instruments in the normal course of managing exposure to fluctuations in interest rates, currency exchange rates and fair values of invested assets. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates, other financial instruments or indexes.

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at September 30, 2022 is $922 ($914 as at December 31, 2021). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

	As at September 30, 2022					
	Notional amount				Fair value	
(in millions of dollars)	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
Equity contracts						
Swap contracts	$ 919	$ 17	$ 80	$ 1,016	$ 5	$ (59)
Futures contracts	484	—	—	484	47	—
Options	1,420	—	—	1,420	25	(8)
Currency contracts						
Swap contracts	133	219	5,294	5,646	220	(209)
Forward contracts	4,682	407	—	5,089	62	(153)
Options	158	25	—	183	6	(6)
Interest rate contracts						
Swap contracts	493	4,101	6,650	11,244	579	(689)
Futures contracts	55	—	—	55	—	(1)
Forward contracts	7,082	1,007	—	8,089	25	(472)
Options	5	—	—	5	—	—
Credit risk contracts						
Swap contracts	—	2	—	2	—	—
Other derivative contracts	1	3	68	72	1	(5)
Total	$ 15,432	$ 5,781	$ 12,092	$ 33,305	$ 970	$ (1,602)

	As at December 31, 2021					
	Notional amount				Fair value	
(in millions of dollars)	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
Equity contracts						
Swap contracts	$ 914	$ 243	$ 95	$ 1,252	$ 21	$ (3)
Futures contracts	474	—	—	474	—	(8)
Options	4,756	—	—	4,756	231	(99)
Currency contracts						
Swap contracts	64	358	4,531	4,953	106	(209)
Forward contracts	3,036	1,199	—	4,235	35	(35)
Options	38	—	—	38	—	—
Interest rate contracts						
Swap contracts	1,430	4,079	5,044	10,553	309	(107)
Forward contracts	2,449	1,407	—	3,856	212	(33)
Other derivative contracts	3	5	233	241	3	(27)
Total	$ 13,164	$ 7,291	$ 9,903	$ 30,358	$ 917	$ (521)

	As at September 30, 2022		
	Notional amount	**Fair value**	
(in millions of dollars)		**Positive**	**Negative**
Derivative financial instruments not designated as hedge accounting	**$ 30,612**	**$ 958**	**$ (1,532)**
Net investment hedge	**1,973**	**—**	**(55)**
Fair value hedges			
Interest risk	**586**	**10**	**(10)**
Currency risk	**23**	**—**	**(1)**
Cash flow hedges			
Currency risk	**111**	**2**	**(4)**
Total of derivative financial instruments	**$ 33,305**	**$ 970**	**$ (1,602)**

	As at December 31, 2021		
	Notional amount	Fair value	
(in millions of dollars)		Positive	Negative
Derivative financial instruments not designated as hedge accounting	$ 27,789	$ 903	$ (504)
Net investment hedge	1,715	5	(15)
Fair value hedges			
Interest risk	712	5	(1)
Currency risk	27	1	(1)
Cash flow hedges			
Currency risk	115	3	—
Total of derivative financial instruments	$ 30,358	$ 917	$ (521)

Embedded Derivative Financial Instruments

The Company owns perpetual preferred shares with call options that give the issuer the right to redeem the shares at a predetermined price. Accounting standards require that the value of the call options be measured separately from the preferred shares. The value of the call options for embedded derivative financial instruments is determined using a valuation that relies predominantly on the volatility, quoted price on markets and characteristics of the underlying preferred shares. Embedded derivative financial instruments are presented as *Other derivative contracts.*

Net Investment Hedge

Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 1 year as at September 30, 2022 (less than 1 year to 3 years as at December 31, 2021). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the nine months ended September 30, 2022 and 2021, the Company did not recognize any ineffectiveness.

Fair Value Hedges

Interest rate risk hedging

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk related to financial assets classified as available for sale. The Company entered into interest rate swap contracts with maturities ranging from 1 year to 7 years as at September 30, 2022 (from less than 1 year to 13 years as at December 31, 2021).

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The Company entered into interest rate swap contracts with maturities of less than 1 year to 6 years as at September 30, 2022 (less than 1 year to 7 years as at December 31, 2021).

For the nine months ended September 30, 2022, the Company has recognized a loss of $13 on the hedging instruments (gain of $17 for the nine months ended September 30, 2021) and a gain of $11 on the hedged items (loss of $20 for the nine months ended September 30, 2021). For the nine months ended September 30, 2022, the Company has recognized an ineffectiveness of $2 ($3 for the nine months ended September 30, 2021).

Currency rate risk hedging

The Company entered into a fair value hedge to manage its exposure to changes in currency rate risk related to financial assets classified as available for sale. The Company entered into forward contracts with maturities of less than 1 year as at September 30, 2022 (less than 1 year as at December 31, 2021). For the nine months ended September 30, 2022 and 2021, the Company did not recognize any ineffectiveness.

Cash Flow Hedges

The Company entered into a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on financial assets denominated in foreign currency. The Company entered into swap contracts that have maturities from 2 years to 7 years as at September 30, 2022 (from less than 1 year to 8 years as at December 31, 2021). For the nine months ended September 30, 2022 and 2021, the Company did not recognize any ineffectiveness.

7 › Segregated Funds Net Assets

(in millions of dollars)	**As at September 30, 2022**	As at December 31, 2021
Assets		
Cash and short-term investments	**$ 1,401**	$ 1,448
Bonds	**6,266**	6,794
Stocks and investment funds	**27,709**	31,235
Mortgages	**55**	42
Investment properties	**14**	15
Derivative financial instruments	**—**	12
Other assets	**693**	450
	36,138	39,996
Liabilities		
Accounts payable and accrued expenses	**660**	419
Derivative financial instruments	**9**	—
	669	419
Net assets	**$ 35,469**	$ 39,577

The following table presents the change in segregated funds net assets:

(in millions of dollars)	Quarters ended September 30 2022	2021	Nine months ended September 30 2022	2021
Balance at beginning	**$ 35,625**	$ 35,837	**$ 39,577**	$ 32,815
Add:				
Amounts received from policyholders	**1,324**	1,924	**5,302**	5,988
Interest, dividends and other investment income	**164**	244	**631**	456
Change in fair value of investments	**(331)**	34	**(6,164)**	1,963
	36,782	38,039	**39,346**	41,222
Less:				
Amounts withdrawn by policyholders	**1,137**	978	**3,347**	3,851
Operating expenses	**176**	175	**530**	485
	1,313	1,153	**3,877**	4,336
Balance at end	**$ 35,469**	$ 36,886	**$ 35,469**	$ 36,886

8 › Gains and Losses on New Reinsurance Treaties

During the three months ended September 30, 2022, the Company concluded new reinsurance agreements (none during the nine months ended September 30, 2021) for which it has recognized a gain of $52 in the Income Statement.

9 › Debentures

Due to the organizational structure, the outstanding debentures issued by the Company are guaranteed by iA Financial Corporation.

On February 23, 2022, the Company redeemed all of its $250 subordinated debentures maturing February 23, 2027, bearing interest of 2.64% payable semi-annually until February 23, 2022. The subordinated debentures were redeemed at nominal value plus accrued and unpaid interest, for a total disbursement of $253.

10 › Share Capital

The share capital issued by the Company is as follows:

	As at September 30, 2022		As at December 31, 2021	
(in millions of dollars, unless otherwise indicated)	**Number of shares (in thousands)**	**Amount**	Number of shares (in thousands)	Amount
Common shares				
Balance at beginning	**108,575**	**$ 1,655**	108,575	$ 1,655
Shares issued	**5,000**	**100**	—	—
Balance at end	**113,575**	**1,755**	108,575	1,655
Preferred shares, Class A				
Balance at beginning	**21,000**	**525**	21,000	525
Shares redeemed – Series G	**(10,000)**	**(250)**	—	—
Balance at end	**11,000**	**275**	21,000	525
Total of share capital		**$ 2,030**		$ 2,180

Common shares

Issuance

On June 7, 2022, the Company issued 5,000,000 common shares for a cash amount of $100.

Preferred Shares, Class A

Due to the organizational structure, the outstanding preferred shares issued by the Company are guaranteed by iA Financial Corporation.

Redemption

On June 30, 2022, the Company redeemed all of the 10,000,000 Class A – Series G preferred shares at a price of 25 dollars per share for a cash amount of $250.

Dividends

	Quarters ended September 30				Nine months ended September 30			
	2022		2021		**2022**		2021	
(in millions of dollars, unless otherwise indicated)	**Total**	**Per share (in dollars)**	Total	Per share (in dollars)	**Total**	**Per share (in dollars)**	Total	Per share (in dollars)
Common shares	**$ 150**	**$ 1.32**	$ —	$ —	**$ 150**	**$ 1.32**	$ 250	$ 2.30
Preferred shares								
Class A – Series B	**1**	**0.29**	1	0.29	**4**	**0.86**	4	0.86
Class A – Series G	**—**	**—**	3	0.24	**4**	**0.47**	7	0.71
Class A – Series I	**2**	**0.30**	2	0.30	**6**	**0.90**	6	0.90
	3		6		**14**		17	
Total	**$ 153**		$ 6		**$ 164**		$ 267	

Dividends Declared and Not Recognized on Common Shares
A dividend in the amount of $150 was approved by the Board of Directors of the Company on November 9, 2022. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid, in whole or in part, in the fourth quarter of 2022.

11 › Accumulated Other Comprehensive Income

(in millions of dollars)	Bonds	Stocks	Currency translation	Hedging	Total
Balance as at December 31, 2021	**$ 43**	**$ 19**	**$ 29**	**$ (16)**	**$ 75**
Unrealized gains (losses)	**(421)**	**(77)**	**—**	**—**	**(498)**
Income taxes on unrealized gains (losses)	**105**	**23**	**—**	**—**	**128**
Other	**—**	**—**	**165**	**(159)**	**6**
Income taxes on other	**—**	**—**	**—**	**22**	**22**
	(316)	**(54)**	**165**	**(137)**	**(342)**
Realized losses (gains)	**(34)**	**(1)**	**—**	**—**	**(35)**
Income taxes on realized losses (gains)	**9**	**—**	**—**	**—**	**9**
	(25)	**(1)**	**—**	**—**	**(26)**
Balance as at September 30, 2022	**(298)**	**(36)**	**194**	**(153)**	**(293)**
Balance as at December 31, 2020	134	5	40	(29)	150
Unrealized gains (losses)	(85)	19	—	—	(66)
Income taxes on unrealized gains (losses)	21	(4)	—	—	17
Other	—	—	(11)	15	4
Income taxes on other	—	—	—	(2)	(2)
	(64)	15	(11)	13	(47)
Realized losses (gains)	(36)	(1)	—	—	(37)
Income taxes on realized losses (gains)	9	—	—	—	9
	(27)	(1)	—	—	(28)
Balance as at December 31, 2021	43	19	29	(16)	75
Balance as at December 31, 2020	134	5	40	(29)	150
Unrealized gains (losses)	(81)	26	—	—	(55)
Income taxes on unrealized gains (losses)	20	(6)	—	—	14
Other	—	—	(7)	3	(4)
	(61)	20	(7)	3	(45)
Realized losses (gains)	(29)	1	—	—	(28)
Income taxes on realized losses (gains)	8	—	—	—	8
	(21)	1	—	—	(20)
Balance as at September 30, 2021	$ 52	$ 26	$ 33	$ (26)	$ 85

12 › Capital Management

Regulatory Requirements and Solvency Ratio

The Company manages its capital jointly with iA Financial Corporation.

The Company's capital adequacy requirements are regulated according to the guideline on capital adequacy requirements for life insurers (CARLI).

According to CARLI, many items are included in the solvency ratio:

The available capital represents the total Tier 1 and Tier 2 capital, less other deductions prescribed by the AMF.

Tier 1 capital contains more permanent equity items and is primarily composed of equity attributable to the common shareholder and to preferred shares. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is primarily composed of subordinated debentures.

The surplus allowance is the value of specific provisions for adverse deviations included in insurance contract liabilities.

The eligible deposits are amounts related to unregistered reinsurance agreements, which are deposited in guarantee instruments.

The base solvency buffer is determined according to five risk categories, namely credit risk, market risk, insurance risk, segregated funds guarantee risk and operational risk. These risk components are calculated using various methods and consider the risks associated to asset and liability elements that are on and off the Statement of Financial Position. The base solvency buffer represents the sum of risk components minus some credits (for example, between-risk diversification and adjustable products) multiplied by a scalar of 1.05.

The CARLI total ratio is calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.

According to the AMF guideline, the Company must set a target level of available capital that exceeds the minimum requirements. The guideline also stipulates that most of the available capital must be Tier 1, which absorbs the losses related to current operations.

As at September 30, 2022, the Company maintains a ratio that satisfies the regulatory requirements.

(in millions of dollars, unless otherwise indicated)	**September 30, 2022**
Available capital, surplus allowance and eligible deposits	**$ 8,862**
Base solvency buffer	**$ 7,139**
Total ratio	**124%**

As at December 31, 2021, the solvency ratio was 127% and the Company maintained a ratio that satisfied the regulatory requirements.

13 › Income Taxes

The effective income tax rate differs from the Canadian statutory tax rate due to the following items:

	Quarters ended September 30				**Nine months ended September 30**			
(in millions of dollars, unless otherwise indicated)	**2022**		2021		**2022**		2021	
Income before income taxes	**$ 303**		$ 292		**$ 747**		$ 824	
Income tax expense at Canadian statutory tax rate	**80**	**26%**	76	26%	**197**	**26%**	217	26%
Increase (decrease) in income taxes due to:								
Differences in tax rates on income not subject to tax in Canada	**(4)**	**(1)%**	(1)	—%	**(8)**	**(1)%**	(3)	—%
Tax-exempt investment income	**(20)**	**(7)%**	(12)	(4)%	**(39)**	**(5)%**	(36)	(4)%
Non-deductible (non-taxable) portion of the change in fair value of investment properties	**2**	**1%**	—	—%	**1**	**—%**	1	—%
Adjustments of previous years	**3**	**1%**	3	1%	**(29)**	**(4)%**	8	1%
Variation in tax rates	**—**	**—%**	—	—%	**—**	**—%**	1	—%
Other	**(2)**	**(1)%**	1	—%	**—**	**—%**	3	—%
Income tax expense (recovery) and effective income tax rate	**$ 59**	**19%**	$ 67	23%	**$ 122**	**16%**	$ 191	23%

14 › Segmented Information

The Company operates and manages its activities according to five main reportable operating segments, which reflect its company structure for decision making. Management makes judgments in the aggregation of business units into the Company's operating segments. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada and the United States. The main products and services offered by each segment are the following:

Individual Insurance – Life, health, disability and mortgage insurance products.

Individual Wealth Management – Individual products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage, trust operations and mutual funds.

Group Insurance – Life, health, accidental death and dismemberment, dental care and short and long-term disability insurance products for employee plans; creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services; and specialized products for special markets.

Group Savings and Retirement – Group products and services for savings plans, retirement funds and segregated funds.

US Operations – Miscellaneous insurance products sold in the United States such as life insurance products and extended warranties relating to dealer services.

Other – Auto and home insurance products, services supporting the activities that have no link with key segments such as asset management and financing, Company capital and some adjustments related to consolidation.

The Company makes judgments and uses assumptions and methodologies to allocate general expenses that are not directly attributable to a business segment. The allocation of other activities is mainly performed according to a formula based on equity and is uniformly applied to each operating segment.

The other assets and other liabilities, except mainly for derivative financial instruments, are classified in their entirety in the *Other* column since they are used for the operational support of the Company's activities.

Segmented Income Statements

	Quarter ended September 30, 2022						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 465	$ 1,108	$ 494	$ 474	$ 160	$ 107	$ 2,808
Investment income	336	39	45	85	(100)	50	455
Other revenues	30	425	15	31	44	(66)	479
	831	1,572	554	590	104	91	3,742
Operating expenses							
Gross benefits and claims on contracts	229	620	331	611	165	31	1,987
Ceded benefits and claims on contracts	(75)	—	(14)	(7)	(123)	30	(189)
Net transfer to segregated funds	—	347	—	(156)	—	—	191
Increase (decrease) in insurance contract liabilities	360	170	17	99	(146)	(3)	497
Increase (decrease) in investment contract liabilities	—	—	3	—	—	—	3
Decrease (increase) in reinsurance assets	(89)	—	1	2	(25)	3	(108)
Commissions, general and other expenses	297	381	178	35	149	3	1,043
Financing charges	2	—	9	—	—	4	15
	724	1,518	525	584	20	68	3,439
Income before income taxes and allocation of other activities	107	54	29	6	84	23	303
Allocation of other activities	23	(4)	1	1	2	(23)	—
Income before income taxes	130	50	30	7	86	—	303
Income taxes	24	10	6	1	18	—	59
Net income	106	40	24	6	68	—	244
Net income attributed to participating policyholders	(4)	—	—	—	—	—	(4)
Net income attributed to shareholders	$ 110	$ 40	$ 24	$ 6	$ 68	$ —	$ 248

	Quarter ended September 30, 2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 433	$ 1,359	$ 439	$ 804	$ 155	$ 103	$ 3,293
Investment income	(114)	(2)	31	(5)	6	37	(47)
Other revenues	31	458	14	29	40	(57)	515
	350	1,815	484	828	201	83	3,761
Operating expenses							
Gross benefits and claims on contracts	219	553	295	361	152	16	1,596
Ceded benefits and claims on contracts	(77)	—	(14)	(6)	(105)	27	(175)
Net transfer to segregated funds	—	842	—	176	—	—	1,018
Increase (decrease) in insurance contract liabilities	(108)	(66)	15	258	(3)	—	96
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	(46)	—	(1)	1	7	—	(39)
Commissions, general and other expenses	251	404	150	33	131	(12)	957
Financing charges	4	1	8	—	—	2	15
	243	1,734	454	823	182	33	3,469
Income before income taxes and allocation of other activities	107	81	30	5	19	50	292
Allocation of other activities	33	9	4	2	2	(50)	—
Income before income taxes	140	90	34	7	21	—	292
Income taxes	25	26	9	2	5	—	67
Net income	115	64	25	5	16	—	225
Net income attributed to participating policyholders	3	—	—	—	—	—	3
Net income attributed to shareholders	$ 112	$ 64	$ 25	$ 5	$ 16	$ —	$ 222

	Nine months ended September 30, 2022						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 1,410	$ 4,001	$ 1,432	$ 1,781	$ 498	$ 312	$ 9,434
Investment income	(6,167)	(62)	(16)	(464)	(390)	129	(6,970)
Other revenues	91	1,319	45	88	127	(194)	1,476
	(4,666)	5,258	1,461	1,405	235	247	3,940
Operating expenses							
Gross benefits and claims on contracts	749	2,023	1,005	1,476	465	84	5,802
Ceded benefits and claims on contracts	(258)	—	(47)	(20)	(329)	85	(569)
Net transfer to segregated funds	—	1,750	—	227	—	—	1,977
Increase (decrease) in insurance contract liabilities	(6,172)	110	(75)	(416)	(558)	(5)	(7,116)
Increase (decrease) in investment contract liabilities	—	—	(48)	—	—	—	(48)
Decrease (increase) in reinsurance assets	(157)	—	2	6	102	5	(42)
Commissions, general and other expenses	910	1,203	508	114	429	(13)	3,151
Financing charges	5	1	26	—	—	6	38
	(4,923)	5,087	1,371	1,387	109	162	3,193
Income before income taxes and allocation of other activities	257	171	90	18	126	85	747
Allocation of other activities	66	—	6	7	6	(85)	—
Income before income taxes	323	171	96	25	132	—	747
Income taxes	36	27	25	10	24	—	122
Net income	287	144	71	15	108	—	625
Net income attributed to participating policyholders	(13)	—	—	—	—	—	(13)
Net income attributed to shareholders	$ 300	$ 144	$ 71	$ 15	$ 108	$ —	$ 638

	Nine months ended September 30, 2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 1,297	$ 4,231	$ 1,267	$ 2,132	$ 456	$ 294	$ 9,677
Investment income	(1,757)	(157)	69	(102)	(34)	106	(1,875)
Other revenues	93	1,306	37	86	110	(164)	1,468
	(367)	5,380	1,373	2,116	532	236	9,270
Operating expenses							
Gross benefits and claims on contracts	669	1,774	897	2,016	426	41	5,823
Ceded benefits and claims on contracts	(236)	—	(38)	(18)	(295)	81	(506)
Net transfer to segregated funds	—	2,489	—	(215)	—	—	2,274
Increase (decrease) in insurance contract liabilities	(1,732)	(292)	(19)	209	(102)	1	(1,935)
Increase (decrease) in investment contract liabilities	—	—	(6)	—	—	—	(6)
Decrease (increase) in reinsurance assets	(119)	—	—	4	59	(1)	(57)
Commissions, general and other expenses	737	1,184	433	100	384	(26)	2,812
Financing charges	7	2	25	—	1	6	41
	(674)	5,157	1,292	2,096	473	102	8,446
Income before income taxes and allocation of other activities	307	223	81	20	59	134	824
Allocation of other activities	87	22	9	8	8	(134)	—
Income before income taxes	394	245	90	28	67	—	824
Income taxes	78	66	25	7	15	—	191
Net income	316	179	65	21	52	—	633
Net income attributed to participating policyholders	(3)	—	—	—	—	—	(3)
Net income attributed to shareholders	$ 319	$ 179	$ 65	$ 21	$ 52	$ —	$ 636

Segmented Premiums

	Quarter ended September 30, 2022						
	Individual		**Group**				
(in millions of dollars)	**Insurance**	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
Gross premiums							
Invested in general fund	**$ 584**	**$ 326**	**$ 526**	**$ 126**	**$ 375**	**$ 36**	**$ 1,973**
Invested in segregated funds	**—**	**782**	**—**	**355**	**—**	**—**	**1,137**
	584	**1,108**	**526**	**481**	**375**	**36**	**3,110**
Premiums ceded							
Invested in general fund	**(119)**	**—**	**(32)**	**(7)**	**(215)**	**71**	**(302)**
Net premiums	**$ 465**	**$ 1,108**	**$ 494**	**$ 474**	**$ 160**	**$ 107**	**$ 2,808**

	Quarter ended September 30, 2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Gross premiums							
Invested in general fund	$ 547	$ 213	$ 469	$ 332	$ 317	$ 41	$ 1,919
Invested in segregated funds	—	1,146	—	478	—	—	1,624
	547	1,359	469	810	317	41	3,543
Premiums ceded							
Invested in general fund	(114)	—	(30)	(6)	(162)	62	(250)
Net premiums	$ 433	$ 1,359	$ 439	$ 804	$ 155	$ 103	$ 3,293

	Nine months ended September 30, 2022						
	Individual		**Group**				
(in millions of dollars)	**Insurance**	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
Gross premiums							
Invested in general fund	**$ 1,749**	**$ 795**	**$ 1,527**	**$ 395**	**$ 1,053**	**$ 109**	**$ 5,628**
Invested in segregated funds	**—**	**3,206**	**—**	**1,406**	**—**	**—**	**4,612**
	1,749	**4,001**	**1,527**	**1,801**	**1,053**	**109**	**10,240**
Premiums ceded							
Invested in general fund	**(339)**	**—**	**(95)**	**(20)**	**(555)**	**203**	**(806)**
Net premiums	**$ 1,410**	**$ 4,001**	**$ 1,432**	**$ 1,781**	**$ 498**	**$ 312**	**$ 9,434**

	Nine months ended September 30, 2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Gross premiums							
Invested in general fund	$ 1,618	$ 662	$ 1,352	$ 583	$ 912	$ 118	$ 5,245
Invested in segregated funds	—	3,569	—	1,568	—	—	5,137
	1,618	4,231	1,352	2,151	912	118	10,382
Premiums ceded							
Invested in general fund	(321)	—	(85)	(19)	(456)	176	(705)
Net premiums	$ 1,297	$ 4,231	$ 1,267	$ 2,132	$ 456	$ 294	$ 9,677

Segmented Assets and Liabilities

	As at September 30, 2022						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Assets							
Invested assets	**$ 20,546**	**$ 2,518**	**$ 1,966**	**$ 4,818**	**$ 889**	**$ 7,539**	**$ 38,276**
Segregated funds net assets	**—**	**22,406**	**—**	**13,063**	**—**	**—**	**35,469**
Reinsurance assets	**303**	**—**	**169**	**110**	**1,814**	**(145)**	**2,251**
Other	**94**	**1,291**	**—**	**—**	**28**	**4,412**	**5,825**
Total assets	**$ 20,943**	**$ 26,215**	**$ 2,135**	**$ 17,991**	**$ 2,731**	**$ 11,806**	**$ 81,821**
Liabilities							
Insurance contract liabilities and investment contract liabilities	**$ 19,559**	**$ 2,046**	**$ 2,173**	**$ 4,983**	**$ 1,444**	**$ (122)**	**$ 30,083**
Liabilities related to segregated funds net assets	**—**	**22,406**	**—**	**13,063**	**—**	**—**	**35,469**
Other	**1,342**	**214**	**4**	**15**	**—**	**8,745**	**10,320**
Total liabilities	**$ 20,901**	**$ 24,666**	**$ 2,177**	**$ 18,061**	**$ 1,444**	**$ 8,623**	**$ 75,872**

	As at December 31, 2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Assets							
Invested assets	$ 25,761	$ 1,859	$ 2,082	$ 5,214	$ 1,251	$ 8,549	$ 44,716
Segregated funds net assets	—	24,722	—	14,855	—	—	39,577
Reinsurance assets	144	—	171	116	1,666	(113)	1,984
Other	100	1,201	—	—	28	3,678	5,007
Total assets	$ 26,005	$ 27,782	$ 2,253	$ 20,185	$ 2,945	$ 12,114	$ 91,284
Liabilities							
Insurance contract liabilities and investment contract liabilities	$ 25,761	$ 1,924	$ 2,268	$ 5,392	$ 1,878	$ (106)	$ 37,117
Liabilities related to segregated funds net assets	—	24,722	—	14,855	—	—	39,577
Other	398	44	3	33	—	8,181	8,659
Total liabilities	$ 26,159	$ 26,690	$ 2,271	$ 20,280	$ 1,878	$ 8,075	$ 85,353

15 › Basic Earnings Per Common Share

Basic earnings per share are calculated by dividing the net income attributed to the common shareholder by the weighted average number of outstanding common shares during the period.

	Quarters ended September 30		Nine months ended September 30	
(in millions of dollars, unless otherwise indicated)	**2022**	2021	**2022**	2021
Net income attributed to common shareholder	**$ 245**	$ 216	**$ 624**	$ 619
Weighted average number of outstanding shares (in millions of units)	**114**	109	**111**	109
Basic earnings per share (in dollars)	**$ 2.15**	$ 1.99	**$ 5.64**	$ 5.70

There was no transaction on common shares that could affect these calculations after the closing date and before the date of authorization for issue of these Financial Statements.

16 › Post-Employment Benefits

The Company maintains a funded defined benefit plan and a number of unfunded plans that provide pension benefits and defined contribution plans.

The Company also provides other post-retirement benefits. These include additional health care benefits, life insurance and dental benefits. The Company also provides post-employment benefits such as salary continuation for short-term disabilities.

Amounts Recognized in Net Income and Other Comprehensive Income

	Quarters ended September 30			
	2022		2021	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Current service cost	**$ 18**	**$ 1**	$ 17	$ 1
Net interest	**—**	**—**	2	—
Components of the cost of defined benefits recognized in the net income	**18**	**1**	19	1
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**(3)**	**—**	12	—
Actuarial losses (gains) on financial assumption changes	**25**	**(3)**	(48)	(4)
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**22**	**(3)**	(36)	(4)
Total of defined benefit cost components	**$ 40**	**$ (2)**	$ (17)	$ (3)

[1] Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

	Nine months ended September 30			
	2022		2021	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Current service cost	**$ 47**	**$ 2**	$ 51	$ 2
Net interest	**2**	**1**	7	1
Administrative expense	**1**	**—**	1	—
Components of the cost of defined benefits recognized in the net income	**50**	**3**	59	3
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**339**	**—**	39	—
Actuarial losses (gains) on financial assumption changes	**(428)**	**(11)**	(281)	(7)
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**(89)**	**(11)**	(242)	(7)
Total of defined benefit cost components	**$ (39)**	**$ (8)**	$ (183)	$ (4)

[1] Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

Items that will not be reclassified subsequently to net income

	Quarters ended September 30			
	2022		2021	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	**$ 22**	**$ (3)**	$ (36)	$ (4)
Income taxes on remeasurement of post-employment benefits	**(6)**	**1**	10	1
Total of other comprehensive income	**$ 16**	**$ (2)**	$ (26)	$ (3)

	Nine months ended September 30			
	2022		2021	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	**$ (89)**	**$ (11)**	$ (242)	$ (7)
Income taxes on remeasurement of post-employment benefits	**23**	**3**	64	2
Total of other comprehensive income	**$ (66)**	**$ (8)**	$ (178)	$ (5)

17 › Commitments

Investment Commitments

In the normal course of the Company's business, various outstanding contractual commitments related to offers for commercial loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. There were $557 ($599 as at December 31, 2021) of outstanding commitments as at September 30, 2022, of which the estimated disbursements will be $24 ($22 as at December 31, 2021) in 30 days, $173 ($166 as at December 31, 2021) in 31 to 365 days and $360 ($411 as at December 31, 2021) in more than one year.

Letters of Credit

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at September 30, 2022, the balance of these letters is $2 ($2 as at December 31, 2021).

Lines of Credit

As at September 30, 2022, the Company had operating lines of credit totalling $57 ($57 as at December 31, 2021). As at September 30, 2022 and 2021, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.