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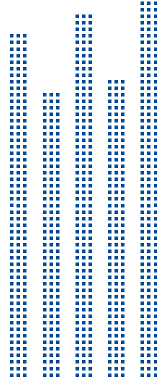

Report to Shareholders

2023 Third Quarter

For the Quarter Ended September 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated November 7, 2023. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2022. The Supplemental Information Package for the last seven quarters may contain additional data that complements the information in this Management's Discussion and Analysis.

Unless otherwise indicated, the results presented in this document are in Canadian dollars and are compared with those from the corresponding period last year.

TABLE OF CONTENTS

A. HIGHLIGHTS . . . 2
B. BUSINESS GROWTH . . . 5
C. ANALYSIS OF EARNINGS . . . 8
D. ANALYSIS OF RESULTS ACCORDING TO DRIVERS OF EARNINGS . . . 11
E. ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS . . . 13
F. ANALYSIS OF CSM MOVEMENT . . . 15
G. FINANCIAL POSITION . . . 16
H. INVESTMENTS . . . 18
I. DECLARATION OF DIVIDEND . . . 20
J. RISK MANAGEMENT - UPDATE . . . 21
K. NOTICE AND GENERAL INFORMATION . . . 27
L. CONSOLIDATED FINANCIAL STATEMENTS . . . 36
M. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS . . . 42
N. GENERAL INFORMATION . . . 105

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

A. Highlights

Note regarding 2022 restated results – The Company's 2022 annual results have been restated for the adoption of IFRS 17 *Insurance Contracts* and the related IFRS 9 *Financial Instruments* overlay ("the new accounting standards"). Figures for 2022 are not audited and could change. Additionally, the restated 2022 results are not fully representative of the Company's future market risk profile and future reported and core earnings profile, as the transition of the Company's invested asset portfolio for asset/liability management purposes under the new accounting standards was not fully completed until 2023. Accordingly, analysis based on 2022 comparative results may not be indicative of future trends and should be interpreted within this context. For additional information about risk management under the new accounting standards, refer to the "Risk Management" section of the Management's Discussion and Analysis for the year 2022 as well as the "Risk Management – Update" section of this document.

HIGHLIGHTS

Profitability

	Third quarter			Year-to-date at September 30		
	2023	2022[1]	Variation	2023	2022[1]	Variation
Net income attributed to common shareholders (in millions)	$55	$1	*Not meaningful*	$521	$128	*Not meaningful*
Weighted average number of common shares (diluted) (in millions)	103	106	(3%)	104	106	(2%)
Earnings per common share (EPS) (diluted)	$0.54	$0.01	*Not meaningful*	$5.04	$1.19	*Not meaningful*
Core earnings per common share (EPS) (diluted)[†,2]	$2.50	$2.27	10%	$6.97	$6.53	7%

Return on common shareholders' equity (ROE)[†,3]	September 30, 2023	June 30, 2023	December 31, 2022	September 30, 2022
Reported ROE (trailing twelve months)	10.6%	9.7%	4.7%	N/A
Core ROE[†] (trailing twelve months)	14.8%	14.5%	14.4%	N/A

The Company recorded core earnings[†] of $256 million in the third quarter of 2023, which compares to $241 million in the same quarter of 2022.[1,2] Core diluted earnings per common share (EPS)[†] of $2.50 in the third quarter is 10% higher than the $2.27 restated result under IFRS 9 and IFRS 17 for the same period in 2022.[1,2] Core return on common shareholders' equity (ROE)[†] for the trailing twelve months was 14.8% at September 30, 2023,[2] close to the Company's medium-term target of 15%+. Core earnings is a non-IFRS measure that represents management's view of the Company's ongoing capacity to generate earnings.

On a reported basis, which includes the impact of volatile items (primarily short-term macroeconomic variations), quarterly net income attributed to common shareholders was $55 million, compared with $1 million in the third quarter of 2022,[1] EPS was $0.54 and ROE for the trailing twelve months was 10.6% at September 30, 2023[2].

Business growth – Premiums[†] and deposits of $3.9 billion were up 17% compared to last year and total assets under management and administration[†] increased by 7% year over year, amounting to $205.6 billion at September 30, 2023. In the Insurance, Canada segment, the Company continues to lead the Canadian market in Individual Insurance in number of policies sold,[4] and all business units recorded strong sales.[†] In Individual Wealth Management, the Company performed very well amid persistent macroeconomic challenges, ranking first in both gross and net sales of segregated funds in the third quarter[5,†] and recording very strong sales of insured annuities and other savings products. Also, Group Savings and Retirement had good sales[†] performance in the third quarter. In the US Operations segment, sales[†] growth continued its positive momentum in the Individual Insurance division, while in the Dealer Services division, sales were tempered due to reduced affordability.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[2] To ensure comparability with 2023 results, Q3/2022 and Q4/2022 restated figures have been adjusted to reflect IFRS 9/17 ongoing refinements in methodologies.
[3] The calculation of these values includes 2022 results, which must be considered with caution (see the *Note regarding 2022 restated results* on page 2).
[4] According to the Canadian data published by LIMRA for the first six months of the year.
[5] Source: Investor Economics, October 2023.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Financial position – The solvency ratio† was 145% at September 30, 2023, compared with 154% at the end of the previous quarter and 130%[6] a year earlier. This result is well above the Company's operating target of 120%. The nine percentage point decrease during the third quarter is mainly due to the $400 million debenture redemption (mentioned below), the $93 million in share buybacks (NCIB) and unfavourable macroeconomic variations. These items were partly offset by the positive contribution of organic capital generation. The acquisition announced on October 3, 2023 of Vericity, a U.S. life insurance carrier and digital agency, is expected to reduce the Company's solvency ratio by three percentage points at closing, which is anticipated in the first half of 2024. Therefore, on a pro-forma basis at September 30, 2023, the solvency ratio is 142%. The Company's financial leverage ratio† at September 30, 2023 was 14.7%.[7]

Organic capital generation and capital available for deployment† – The Company organically generated $165 million in additional capital during the third quarter, for a total of $440 million during the first nine months of the year, and is therefore on track to achieve the Company's organic capital generation target of $600+ million in 2023, as indicated at the Investor Session held on March 28, 2023. At September 30, 2023, the capital available for deployment is assessed at $1.6 billion.

Book value – The book value per common share[8] was $65.25 at September 30, 2023, up 4% year over year and relatively stable, with a slight $0.14 decrease during the quarter.

Normal Course Issuer Bid – In the third quarter of 2023, the Company redeemed and cancelled 1,074,366 outstanding common shares for a total value of $93 million under the NCIB program. A total of 4,021,820 shares, or approximately 3.8% of the issued and outstanding common shares as at November 1, 2022, were redeemed between November 14, 2022 and September 30, 2023.

Dividend – The Company paid a quarterly dividend of $0.7650 to common shareholders in the third quarter of 2023. The Board of Directors approved a quarterly dividend of $0.7650 per share for the fourth quarter of 2023. This dividend is payable on December 15, 2023 to the shareholders of record at November 17, 2023.

Dividend Reinvestment and Share Purchase Plan – Registered shareholders wishing to enrol in iA Financial Corporation's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on December 15, 2023 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 10, 2023. Enrolment information is provided on iA Financial Group's website at http://ia.ca/investorrelations, under the *Dividends* section. Common shares issued under iA Financial Corporation's DRIP will be purchased on the secondary market and no discount will be applicable.

Capital redemption – On September 15, 2023, Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") completed the redemption of its 3.30% Subordinated Debentures due September 15, 2028, which represent an aggregate principal amount of $400 million.

Appointment – On September 5, 2023, iA Financial Group announced the appointment of Catherine Milum as President and Chief Executive Officer of iA Clarington Investments. Ms. Milum succeeds Adam Elliott, who is now President of iA Private Wealth. Also, changes to the Executive Committee announced on May 10, 2023 became effective on August 21, 2023. Please refer to the May 10, 2023 news release for more information.

Annual actuarial assumption review – The annual review of actuarial assumptions has begun and will be finalized in the coming weeks. The final results will be reported on February 20, 2024, with the fourth quarter 2023 earnings release.

Philanthropic contest – On September 12, 2023, the seventh edition of the Company's philanthropic contest was launched. A total of $500,000 in donations will be shared by charities working in the health, environment, education and social services sectors. The winners will be announced between December 11 and December 14.

Subsequent to the third quarter:

- **Acquisition of U.S. company Vericity, Inc. –** On October 3, 2023, iA Financial Group announced that it had entered into a definitive merger agreement to acquire U.S. life insurance company Vericity, Inc. for a purchase price of US$170 million. Vericity comprises two entities servicing the middle-market life insurance space, with synergies in between and combining artificial intelligence and rich data analytics to deliver innovative proprietary technology: Fidelity Life, an insurance carrier, and eFinancial, a direct-to-consumer digital agency. Vericity employs more than 400 employees. The transaction is expected to close in the first half of 2024 and is expected to become slightly accretive to core EPS in year 2 and to EPS in year 3.

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[6] 2022 figures calculated according to the IFRS 4 accounting standard and the capital standard applicable in 2022.
[7] Calculated as: Debentures, preferred shares issued by a subsidiary and other equity instruments/(Capital structure + post-tax contractual service margin (CSM)†).
[8] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- **NCIB Renewal –** With the approval of the Toronto Stock Exchange and the Autorité des marchés financiers, the Company plans to redeem, under a Normal Course Issuer Bid between November 14, 2023 and November 13, 2024, up to 5,046,835 common shares, representing approximately 5% of its 100,936,705 common shares issued and outstanding at October 31, 2023. The redemption purchases will be made at market price at the time of purchase through the facilities of the Toronto Stock Exchange or an alternative Canadian trading system, in accordance with market rules and policies. The common shares redeemed will be cancelled.

- **iA Private Wealth Dual Registration –** On October 10, 2023, iA Financial Group's investment dealer affiliate, iA Private Wealth, was approved for dual registration by the Canadian Investment Regulatory Organization (CIRO) and is now registered in both the categories of investment dealer and mutual fund dealer. iA Private Wealth is the first major independent firm to receive this approval, which provides greater flexibility and more attractive options for advisors and advisory teams, and ultimately clients, across iA Wealth dealers. This important development establishes a broader basis for the registration of representatives, which will help to enhance opportunities for recruitment, growth, migration and succession planning.

- **Donation to support mental health research** – On October 11, 2023, iA Financial Group announced a $150,000 donation to Mental Health Research Canada. The financial support will be used to fund student internships for research into workplace mental health. The Company has long been proactive in the mental health area, namely by creating a network of ambassadors who aim to assist coworkers experiencing mental health issues. Over the past two years, iA Financial Group has also donated $1.3 million to mental health organizations.

- **Partnership with Mercedes-Benz** – iA Financial Group concluded a partnership with Mercedes-Benz Financial Services Canada to be the new administrator of their First Class Protection Plan Program. This new partnership continues to demonstrate the Company's commitment to the OEM branded Finance and Insurance sector. The new program will be seamlessly integrated into Mercedes-Benz dealerships across Canada, as of January 8, 2024, to include ancillary products.

- **Renée Laflamme named one of the Top 100 most powerful women in Canada** – Renée Laflamme, Executive Vice-President, Individual Insurance, Savings and Retirement at iA Financial Group has been named one of the Top 100 Most Powerful Women in Canada by the Women's Executive Network (WXN) in the "Executive Leaders" category. Every year, these awards recognize outstanding women across Canada who demonstrate remarkable leadership and create meaningful change in their fields, while actively working to shape a more inclusive future. The winners are selected by WXN's Diversity Council of Canada.

OUTLOOK

Medium-term guidance for iA Financial Corporation, as disclosed on March 28, 2023

- Core earnings per common share: target of 10%+ annual average growth
- Core return on common shareholders' equity (ROE): target of 15%+
- Solvency ratio operating target: target of 120%
- Organic capital generation: target of $600+ million in 2023
- Dividend payout ratio based on core earnings: target range of 25% to 35%

The Company's outlook, including the market guidance provided, constitutes forward-looking information within the meaning of securities laws. Although the Company believes that its outlook is reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic and operational risks. In addition, certain material factors or assumptions are applied in preparing the Company's outlook, including but not limited to: accuracy of estimates, assumptions and judgments under applicable accounting policies, and no material change in accounting standards and policies applicable to the Company; no material variation in interest rates; no significant changes to the Company's effective tax rate; no material changes in the level of the Company's regulatory capital requirements; availability of options for deployment of excess capital; credit experience, mortality, morbidity, longevity and policyholder behaviour being in line with actuarial experience studies; investment returns being in line with the Company's expectations and consistent with historical trends; different business growth rates per business unit; no unexpected changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; no unexpected change in the number of shares outstanding; and the non-materialization of risks or other factors mentioned or discussed elsewhere in this document. The Company's outlook serves to provide shareholders, market analysts, investors, and other stakeholders with a basis for adjusting their expectations with regard to the Company's performance throughout the year and may not be appropriate for other purposes. Additional information about risk factors and assumptions applied may be found in the "Forward-looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

B. Business Growth

Business growth is measured by growth in sales,† premiums† and assets under management and administration.† Sales measure the Company's ability to generate new business and are defined as fund entries on new business written during the period. Assets under management and administration† measure the Company's ability to generate fees, particularly for investment funds and funds under administration. Net premiums include both fund entries from new business written and from in-force contracts.

Sales Growth by Business Segment

	Third quarter			Year-to-date at September 30		
(In millions of dollars, unless otherwise indicated)	2023	2022	Variation	2023	2022	Variation
INSURANCE, CANADA						
Individual Insurance						
Minimum premiums	84	87	(3%)	245	265	(8%)
Excess premiums	12	6	100%	29	27	7%
Total	96	93	3%	274	292	(6%)
Group Insurance						
Employee Plans	10	5	100%	44	28	57%
Special Markets	85	77	10%	262	220	19%
Total	95	82	16%	306	248	23%
Dealer Services						
Creditor Insurance	61	64	(5%)	161	170	(5%)
P&C Insurance	132	111	19%	365	297	23%
Total	193	175	10%	526	467	13%
General Insurance						
iA Auto and Home	142	124	15%	403	357	13%
WEALTH MANAGEMENT						
Individual Wealth Management						
Gross sales						
Segregated funds	882	782	13%	2,743	3,206	(14%)
Mutual funds	289	306	(6%)	1,138	1,372	(17%)
Insured annuities and other savings products	618	326	90%	1,980	795	149%
Total	1,789	1,414	27%	5,861	5,373	9%
Net sales						
Segregated funds	216	344	(128)	772	1,743	(971)
Mutual funds	(222)	(171)	(51)	(449)	(325)	(124)
Total	(6)	173	(179)	323	1,418	(1,095)
Group Savings and Retirement	522	482	8%	2,056	1,802	14 %
US OPERATIONS ($US)						
Individual Insurance	44	35	26%	128	106	21%
Dealer Services	248	261	(5%)	724	770	(6%)

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

INSURANCE, CANADA

Individual Insurance – Third quarter sales totalled $96 million, recording another solid performance, up 3% over a strong quarter a year earlier. This very good result is attributable to the strength of our extensive distribution networks, the performance of our digital tools as well as our comprehensive and distinctive range of products. Sales were notably strong for participating life and living benefit products. The Company continues to lead the Canadian market in terms of number of policies issued[1] and for the third year in a row, ranked first for overall company rating in the Advisor Perception Survey.[2]

Group Insurance – For Employee Plans, sales[†] of $10 million were well above the $5 million recorded in the same quarter last year. In addition, third quarter premiums were up 8% year over year, reflecting good retention of in-force business. Special Markets sales[†] reached $85 million, up 10% year over year, mainly driven by accidental death and dismemberment insurance sales.

Dealer Services – For the third quarter, total sales[†] continued to grow well and reached $193 million, up 10% over the same period last year. This performance was supported by the strong sales[†] growth of P&C products (including extended warranties and replacement insurance), up 19% from the same period in 2022. Despite the impact of the current inflationary environment, which is slowing vehicle sales, the division's sales results were very solid, thanks in particular to the Company's leading position in Canada, its broad and comprehensive product mix and its extensive distribution network.

General Insurance (iA Auto and Home) – Direct written premiums reached $142 million for the quarter, recording a strong increase of 15% compared to the same period last year, mainly supported by good retention of in-force business.

WEALTH MANAGEMENT

Individual Wealth Management – The Company continued to rank first in gross and net segregated fund sales[†] in the third quarter, according to the latest industry data.[3] Segregated fund gross sales[†] amounted to $882 million in the third quarter, up 13% year over year. In addition, net sales of $216 million were generated, a good performance despite the macroeconomic challenges facing the industry. In this context, mutual fund gross sales[†] totalled $289 million compared to $306 million a year ago, and net outflows of $222 million were recorded during the quarter. Insured annuities and other savings product sales[†] in the third quarter reached $618 million, almost doubling last year's third quarter performance, as many customers continue to favour cash equivalent products which offer safety and attractive yields.

Group Savings and Retirement – Sales[†] of $522 million in the third quarter were up 8% year over year, a good performance mainly supported by accumulation product sales.

US OPERATIONS

Individual Insurance – Very good sales[†] momentum continued in the third quarter to reach a record high of US$44 million, up 26% from a year earlier, driven by the strong performance of its distribution channels and product range. This continued solid performance confirms the Company's strong growth potential in the U.S. life insurance market.

Dealer Services – Third quarter sales[†] amounted to US$248 million compared to US$261 million a year earlier. In spite of improving vehicle inventories, reduced affordability resulting from higher financing costs for consumers continued to have a negative impact on sales.

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[1] According to the Canadian data published by LIMRA for the first six months of the year.
[2] Source: Environics Research.
[3] Source: Investor Economics, October 2023.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

Assets Under Management and Administration†				
(In millions of dollars)	September 30, 2023	June 30, 2023	December 31, 2022	September 30, 2022
Assets under management†				
General fund[4]	48,731	50,547	47,785	47,667
Segregated funds	39,122	40,016	37,334	35,469
Mutual funds	11,366	12,008	11,611	11,410
Other	4,194	4,095	3,670	3,272
Subtotal	103,413	106,666	100,400	97,818
Assets under administration†	102,196	104,216	97,717	93,973
Total	205,609	210,882	198,117	191,791

Assets under management and administration† ended the third quarter at $205.6 billion, up 7% from the previous year and down 3% during the quarter amid unfavourable market conditions.

NET PREMIUMS, PREMIUM EQUIVALENTS AND DEPOSITS

Net Premiums, Premium Equivalents and Deposits†,5						
	Third quarter			Year-to-date at September 30		
(In millions of dollars)	2023	2022	Variation	2023	2022	Variation
Insurance, Canada						
Individual Insurance	497	465	32	1,474	1,410	64
Group Insurance	463	427	36	1,395	1,269	126
Dealer Services	168	140	28	448	366	82
General Insurance[6]	117	106	11	335	310	25
Wealth Management						
Individual Wealth Management	1,789	1,414	375	5,861	5,373	488
Group Savings and Retirement	516	474	42	2,036	1,781	255
US Operations						
Individual Insurance	161	123	38	473	399	74
Dealer Services	188	182	6	531	528	3
Total	3,899	3,331	568	12,553	11,436	1,117

Net premiums, premium equivalents and deposits totalled nearly $3.9 billion in the third quarter, an increase of 17% compared to the same period a year ago. All business units contributed to this strong performance, in particular those in the Wealth Management segment.

[4] All general fund assets, including insured annuities, other savings products and other accumulation contracts.
[5] Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits† from the Group Insurance, Group Savings and Retirement and US Operations sectors and mutual fund deposits.
[6] Includes iAAH and some minor consolidation adjustments.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

C. Analysis of Earnings

This section contains measures that have no IFRS equivalents. See "Non-IFRS Financial Information" at the end of this document for more information and an explanation of the adjustments applied in the Company's core earnings† calculation.

REPORTED AND CORE EARNINGS

The Company recorded core earnings† of $256 million in the third quarter of 2023, which compares to $241 million in the same quarter of 2022.[1,2] Core diluted earnings per common share (EPS)† of $2.50 in the third quarter is 10% higher than the $2.27 restated result under IFRS 9 and IFRS 17 for the same period in 2022.[1,2] Core return on common shareholders' equity (ROE)† for the trailing twelve months was 14.8% at September 30, 2023,[2] close to the Company's medium-term target of 15%+. Core earnings is a non-IFRS measure that represents management's view of the Company's ongoing capacity to generate earnings.

On a reported basis, which includes the impact of volatile items (primarily short-term macroeconomic variations), quarterly net income attributed to common shareholders was $55 million, compared with $1 million in the third quarter of 2022,[1] EPS was $0.54 and ROE for the trailing twelve months was 10.6% at September 30, 2023.[2]

Earnings						
	Third quarter			Year-to-date at September 30		
(In millions of dollars, unless otherwise indicated)	2023	20221	Variation	2023	2022[1]	Variation
Net income to common shareholders	55	1	*not meaningful*	521	128	*not meaningful*
Earnings per common share (EPS) (diluted)	$0.54	$0.01	*not meaningful*	$5.04	$1.19	*not meaningful*
Core earnings[2]	256	241	6%	720	701	3%
Core EPS[2] (diluted)	$2.50	$2.27	10%	$6.97	$6.53	7%

Return on common shareholders' equity (ROE)[†,3]	September 30, 2023	June 30, 2023	December 31, 2022	September 30, 2022
Reported ROE (trailing twelve months)	10.6%	9.7%	4.7%	N/A
Core ROE† (trailing twelve months)	14.8%	14.5%	14.4%	N/A

REPORTED EARNINGS AND CORE EARNINGS RECONCILIATION

The following table presents net income to common shareholders and the adjustments, divided into six categories, that account for the difference between reported and core earnings.

Core earnings of $256 million in the third quarter is derived from net income to common shareholders of $55 million and an adjustment of $201 million, largely due to the unfavourable market-related impacts that differ from management's best estimate assumptions and that total $169 million (after tax) from: investment properties ($101 million), the equity market ($54 million) and interest rate and credit spreads ($14 million).

The other earnings adjustments are:

- the impact of acquisition-related intangible assets of $17 million;
- $3 million for the charge for the Surex minor shareholders' sell option and the restructuring costs of capital markets activities at iA Private Wealth;
- the impact of non-core pension expense of $2 million; and
- other non-core items totalling $10 million, which are attributable to software amortization acceleration and write-offs in the context of our digital transformation and, to a lesser extent, to the settlement of two dispute cases.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[2] To ensure comparability with 2023 results, Q3/2022 and Q4/2022 restated figures have been adjusted to reflect IFRS 9/17 ongoing refinements in methodologies.
[3] The calculation of these values includes 2022 results, which must be considered with caution (see the *Note regarding 2022 restated results* on page 2).

Reported earnings and core earnings reconciliation						
	Third quarter			Year-to-date at September 30		
(In millions of dollars, unless otherwise indicated)	2023	2022[4]	Variation	2023	2022[4]	Variation
Net income to common shareholders	**55**	**1**	not meaningful	**521**	**128**	not meaningful
Core earnings adjustments (post tax)						
Market-related impacts[5]	169	108		171	417	
Assumption changes and management actions	—	73		(43)	73	
Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs	3	3		6	12	
Amortization of acquisition-related finite life intangible assets	17	16		49	47	
Non-core pension expense	2	5		6	16	
Other specified unusual gains and losses	10	35		10	8	
Total	201	240		199	573	
Core earnings[5]	**256**	**241**	**6%**	**720**	**701**	**3%**

CORE EARNINGS BY BUSINESS SEGMENT

The third quarter core earnings result of $256 million is described in the following paragraphs by business segment.

Core earnings by business segment						
	Third quarter			Year-to-date at September 30		
(In millions of dollars, unless otherwise indicated)	2023	2022[4]	Variation	2023	2022[4]	Variation
Insurance, Canada	91	84	8%	256	244	5%
Wealth Management	82	65	26%	223	190	17%
US Operations	32	37	(14%)	75	113	(34%)
Investment[5]	93	97	(4%)	307	255	20%
Corporate	(42)	(42)	—	(141)	(101)	40%
Total[5]	**256**	**241**	**6%**	**720**	**701**	**3%**

Insurance, Canada – This operating business segment includes all Canadian insurance activities offering a wide range of life, health, auto and home insurance coverage, as well as vehicle warranties, to individuals and groups. Third quarter core earnings for this business segment were $91 million, which is 8% higher than the result for the same period in 2022.[4] The expected insurance earnings recorded was 9% higher than a year ago, and this result is supported by the 17% increase in the CSM recognized for services provided. As for core insurance experience, disability and morbidity were favourable in Individual Insurance and Employee Plans. Also, mortality claims in Individual Insurance were slightly better than expected. These favourable items were offset by higher claims at iA Auto and Home from the impact of a storm event and higher auto claim severity and, to a lesser extent, by higher claims than expected in Special Markets. As a result, a net experience loss of $6 million was recorded for this segment during the third quarter.

Wealth Management – This operating business segment includes all the Company's wealth management activities offering a wide range of savings and retirement solutions to individuals and groups. In this business segment, core earnings of $82 million for the third quarter were 26% higher than a year earlier.[4] This performance is the result of the 16% year-over-year growth in expected earnings for segregated funds and the 29% year-over-year growth of core non-insurance activities. This growth is mainly due to lower expenses and a solid performance once again from the distribution affiliates, arising mainly from better margins amid the higher interest rate environment.

[4] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[5] To ensure comparability with 2023 results, Q3/2022 and Q4/2022 restated figures have been adjusted to reflect IFRS 9/17 ongoing refinements in methodologies.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

US Operations – This operating business segment includes all the Company's U.S. activities offering individuals a range of life insurance and vehicle warranty products. Third quarter core earnings for this business segment were $32 million, which compares to $37 million for the same period in 2022.[6] Results in the Individual Insurance divisions were good, as reflected in the core insurance service result, which is 9% higher than last year's result.[6] This performance was driven by good growth in expected insurance earnings, combined with core insurance experience that was close to expectations. The result for non-insurance activities was lower due to an unfavourable business mix and lower sales in the Dealer Services division, mainly owing to reduced affordability resulting from higher financing costs for consumers.

Investment – This accounting segment includes the Company's investment and financing activities, except for the investment activities of the wealth distribution affiliates. In this business segment, core earnings of $93 million for the third quarter compare to $97 million a year earlier.[6,7] The favourable impacts of the investment portfolio optimization and good performance from iA Auto Finance were offset by the negative impact of the yield curve inversion as a result of interest rate variations during the first half of 2023, which negatively impacted the core investment result by $9 million (after tax) in the third quarter of 2023. Recall that interest rate impacts on core net investment results for a given quarter are solely dependent on the yield curve at the beginning of the quarter.

Corporate – This accounting segment reports all expenses that are not allocated to other segments, such as expenses for certain corporate functions. This segment recorded after-tax expenses of $42 million, which is the same as a year ago. These expenses include, among other things, investments for the digital transformation and the enhanced employee experience to support talent retention, and regulatory compliance projects, including with regard to Quebec's Law 25 on privacy.

[6] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[7] To ensure comparability with 2023 results, Q3/2022 and Q4/2022 restated figures have been adjusted to reflect IFRS 9/17 ongoing refinements in methodologies.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

D. Analysis of Results According to Drivers of Earnings†

The analysis of results according to drivers of earnings, presented below on a core basis, discusses the main items that had an impact on the financial results. The measures presented in this analysis are not IFRS measures. They supplement the information presented in the "Analysis According to the Financial Statements" section below and provide additional indicators for evaluating financial performance.

Drivers of Earnings – Core Basis – Consolidated

	Third quarter			Year-to-date at September 30		
(In millions of dollars, unless otherwise indicated)	2023	2022[1]	Variation	2023	2022[1]	Variation
Core insurance service result						
Risk adjustment release	61	57	7%	179	171	5%
CSM recognized for services provided	152	132	15%	452	387	17%
Expected earnings on PAA insurance business[2]	37	35	6%	95	95	—
Expected insurance earnings	250	224	12%	726	653	11%
Impact of new insurance business	(11)	(7)	not meaningful	(40)	(31)	not meaningful
Core insurance experience gains (losses)	(4)	(3)	not meaningful	(11)	(9)	not meaningful
Total - Core insurance service result	235	214	10%	675	613	10%
Core net investment result	130	127	2%	402	371	8%
Core non-insurance activities	80	73	10%	223	237	(6%)
Core other expenses	(113)	(98)	15%	(368)	(292)	26%
Core income taxes[3]	(75)	(72)	4%	(200)	(213)	(6%)
Dividends/distributions on equity instruments	(1)	(3)	(67%)	(12)	(15)	(20%)
Core earnings[3]	**256**	**241**	**6%**	**720**	**701**	**3%**

Expected insurance earnings† – Expected insurance earnings represent the recurring insurance-related earnings on business in force during the reporting period and is the sum of the risk adjustment release, the CSM recognized for services provided and the expected earnings on PAA[2] insurance business. At $250 million in the third quarter, this result is 12% higher than in the same quarter of 2022[1] and is supported by a 7% higher risk adjustment release, 6% higher expected earnings on PAA insurance business and a 15% higher CSM recognized for services provided as a result of good business growth in the last 12 months (see the "Analysis of CSM Movement" section of this document for more details). By segment, expected insurance earnings increased year over year by 9% in Insurance, Canada and by a significant 16% and 14% in Wealth Management and US Operations, respectively.

Impact of new insurance business† – Impact of new insurance business is the point-of-sale losses of writing new insurance business identified as onerous under IFRS 17 during the period. The expected profit to be realized in the years after a contract is issued is expected to cover the loss incurred at the time of issue. Note that the point-of-sale gains of writing new insurance business are recorded in the contractual service margin instead of immediately benefiting net income. The impact of new insurance business was $11 million in the third quarter. This result is essentially explained by the level of sales in Group Insurance.

Core insurance experience gains (losses)† – Core insurance experience gains (losses) are composed of differences between expected and actual insurance claims and expenses as measured by IFRS 17, and of other specific experience items. During the three-month period ended September 30, 2023, a $4 million loss was recorded. By segment, experience was favourable in Wealth Management, near expectations in US Operations and unfavourable in Insurance, Canada, as described in the previous section of this document.

Core insurance service result† – This measure is the sum of the expected insurance earnings, the impact of new insurance business and the core insurance experience gains or losses. At $235 million in the third quarter, this measure was 10% higher than a year earlier.[1] The variance is explained by the results of the three aforementioned components.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[2] Premium Allocation Approach.
[3] To ensure comparability with 2023 results, Q3/2022 and Q4/2022 restated figures have been adjusted to reflect IFRS 9/17 ongoing refinements in methodologies.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Core net investment result† – The core net investment result corresponds to investment income net of finance expenses from contract liabilities and net of investment-related expenses that are part of core earnings. It includes all credit-related experience impacts. At $130 million in the third quarter, this result is 2% higher than in the same quarter of 2022.[4] Favourable items of note such as the impacts of the investment portfolio optimization and good performance from iA Auto Finance were offset by the negative impact of the yield curve inversion as a result of interest rate variations during the first half of 2023, which negatively impacted the core investment result by $9 million (after tax) in the third quarter of 2023. Also, higher revenues from last June's subordinated debt issuance had a positive impact on the core net investment result, but generated higher financing charges as mentioned below.

Core non-insurance activities† – Core non-insurance activities are revenues net of expenses for non-insurance activities, including but not limited to mutual funds, wealth distribution, insurance distribution, group insurance administrative services only (ASO) business and non-insurance dealer services activities. Core non-insurance activities amounted to $80 million during the third quarter, which is 10% higher than the result in the same period in 2022.[4] This performance is explained by the solid result from the wealth distribution affiliates and, to a lesser extent, to higher ASO revenues from Employee Plans. These favourable results were partially offset by lower earnings from the Dealer Services division in the U.S.

Core other expenses† – Core other expenses are expenses not attributable to either insurance contracts or non-insurance activities, including but not limited to corporate expenses and financing charges on debentures. Core other expenses amounted to $113 million in the third quarter, which compares to $98 million a year ago. This quarter's result includes higher financing charges in the Investment segment as a result of last June's subordinated debt issuance (which in return increased the core net investment result as mentioned above), as well as expenses in the Corporate segments for the digital transformation and the enhanced employee experience to support talent retention, and regulatory compliance projects, including with regard to Quebec's Law 25 on privacy.

Core income taxes† – Core income taxes represent the value of amounts payable under the tax laws and include both tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. The tax charge included in core earnings during the third quarter was $75 million, for an effective tax rate of 22.6%. This result is in line with management expectations.

Dividends/distributions on equity instruments† – Dividends and distributions on equity instruments amounted to $1 million in the third quarter and correspond to dividends on preferred shares issued by a subsidiary and distributions on other equity instruments.

All of these elements together constitute the core earnings result of $256 million for the third quarter of 2023, which is 6% higher than in the same period of 2022.

[4] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

E. Analysis According to the Financial Statements

The following analysis should be read in conjunction with the consolidated income statement presented in the last pages of this document and Note 19 "Segmented Information" in the Company's unaudited interim condensed consolidated financial statements.

REVENUES

The following table presents the composition of revenues by business segment.

Revenues by Business Segment

(In millions of dollars)	Third quarter											
	Insurance revenue			Net investment income			Other revenues			Total		
	2023	2022	Variation	2023	2022	Variation	2023	2022	Variation	2023	2022	Variation
Insurance, Canada	877	784	93	—	—	—	50	46	4	927	830	97
Wealth Management	234	197	37	33	17	16	304	286	18	571	500	71
US Operations	347	294	53	—	—	—	42	56	(14)	389	350	39
Investment	—	—	—	(2,598)	157	(2,755)	7	8	(1)	(2,591)	165	(2,756)
Corporate and consolidation adjustments	—	—	—	(8)	—	(8)	(22)	(23)	1	(30)	(23)	(7)
Total	1,458	1,275	183	(2,573)	174	(2,747)	381	373	8	(734)	1,822	(2,556)

Revenues decreased by $2,556 million for the third quarter of 2023 compared to the same period in 2022,[1] mainly due to the decrease in net investment income. The $2,747 million decrease in net investment income for the third quarter of 2023 compared to the third quarter of 2022[1] is largely due to a higher decrease (-$2,097 million in the third quarter of 2023 vs. -$442 million for the same period in 2022[1]) in fair value of bonds and a decrease in fair value of derivative financial instruments supporting the insurance contract liabilities. The decrease is mainly attributable to a larger increase in interest rates in 2023 than in 2022.[1]

INCOME TAXES

For the third quarter of 2023, the Company recorded an income tax expense of $13 million versus a tax recovery of $20 million for the same period in 2022.[1] These amounts are consistent with the variation in income before income taxes and the variation of tax-exempt income, as disclosed in Note 18 "Income Taxes" in the Company's unaudited interim condensed consolidated financial statements.

NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

Net income attributed to common shareholders totalled $55 million for the third quarter of 2023, compared to $1 million for the same period last year. The variation is primarily explained by the factors mentioned below:

- Business growth over the last 12 months, which had a favourable impact on insurance results
- Market-related impacts
- Non-recurring 2022 expenses

The $55 million for the third quarter of 2023 is generated mainly by the insurance service result of $232 million resulting from insurance revenue and net expenses from reinsurance contracts, mostly offset by insurance service expenses, and by a negative $44 million from the net investment result due to unfavourable variations in equity markets and interest rates. The decrease of $15 million in other operating expenses is mainly due to losses recorded in 2022 relating to the accounting interpretation of cloud computing and the adjustment of software.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

The following table presents a summary of iA Financial Corporation's financial results for the last eight quarters.

Selected Financial Data

	IFRS 17 and IFRS 9							IFRS 4 and IAS 39				
	2023			2022[1]				2022				2021
(In millions of dollars, unless otherwise indicated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues (Insurance revenue, net investment income and other revenues)	(734)	2,389	3,235	2,031	1,822	(2,348)	(3,101)	4,354	3,848	241	152	5,977
Net income attributed to common shareholders	55	196	270	181	1	152	(25)	229	215	222	151	209
Earnings per common share (in dollars)												
Basic	$0.55	$1.90	$2.59	$1.72	$0.01	$1.41	($0.23)	$2.18	$2.03	$2.07	$1.40	$1.95
Diluted	$0.54	$1.89	$2.58	$1.71	$0.01	$1.41	($0.23)	$2.17	$2.03	$2.06	$1.40	$1.94

RELATED PARTY TRANSACTIONS

There are no material related party transactions outside the normal course of business to report for the third quarter of 2023.

ACCOUNTING POLICIES AND MAIN ACCOUNTING ESTIMATES

The Company's third quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 "General Information" of these financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 "Material Accounting Policy Information" in section b) "Important Estimates, Assumptions and Judgments" of the unaudited interim condensed consolidated financial statements for the third quarter of 2023.

More information on new accounting policies applied and future changes in accounting policies is presented in Note 3 "Changes in Accounting Policies" and in Note 4 "Impact of IFRS 17 and IFRS 9 Adoption" of the unaudited interim condensed consolidated financial statements for the third quarter of 2023.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

F. Analysis of CSM Movement

The contractual service margin, or CSM, is an IFRS 17 metric that gives an indication of future profits and that is factored as available capital in the calculation of the solvency ratio.[1] However, this metric is not comprehensive as it does not consider required capital, non-insurance business or PAA[2] insurance business. Organic CSM growth is a component of organic capital generation, a more comprehensive metric.

The following table presents the evolution of the CSM.

At September 30, 2023, the CSM was $5.8 billion, up 2% over the last twelve-month period.

The organic CSM movement represents the ongoing CSM value creation calculated before the impact of non-organic items that add undue volatility to the total CSM, such as market variations. During the third quarter, the impact of new insurance business was $134 million and the organic financial growth was $59 million.[3] The insurance experience losses were $3 million and are mainly due to policyholder experience being slightly unfavourable in Canada and in the U.S. Also, the CSM recognized in the third quarter earnings was $152 million. Due to the combination of these items, the CSM increased organically by $38 million during the third quarter.

During the third quarter, non-organic items increased the CSM by $3 million, as the favourable impact of currency variations more than offset the negative impact of macroeconomic variations, mainly due to unfavourable equity performance.

As a result of organic and non-organic items, the CSM increased by $41 million during the third quarter of 2023.

CSM Movement Analysis - Consolidated

	Third quarter			Year-to-date at September 30		
(In millions of dollars, unless otherwise indicated)	**2023**	**2022[4]**	**Variation**	**2023**	**2022[4]**	**Variation**
CSM - Beginning of period	5,740	5,586	3%	5,574	5,507	1%
Organic CSM movement						
Impact of new insurance business	134	152		449	527	
Organic financial growth[5]	59[3]	63		190	191	
Insurance experience gains (losses)[6]	(3)	5		—	32	
CSM recognized for services provided	(152)	(132)		(452)	(387)	
Sub-total - Organic CSM movement	38	88	(57%)	187	363	(48%)
Non-organic CSM movement						
Impact of change in assumptions and management actions	—	37		(16)	48	
Impact of markets	(9)	(66)		37	(283)	
Currency impact	12	35		(1)	45	
Sub-total - Non-organic CSM movement	3	6		20	(190)	
Total - CSM movement	41	94		207	173	
CSM - End of period	5,781	5,680	2%	5,781	5,680	2%

[1] The CSM, excluding the CSM for segregated funds, counts as Tier 1 capital in the solvency ratio calculation.
[2] PAA: Premium Allocation Approach.
[3] For the calculation of organic financial growth, an improved methodology has been applied starting from the second quarter of 2023.
[4] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[5] Organic financial growth is the movement of the CSM from expected asset returns and from interest accreted based on locked-in discount rates at initial recognition.
[6] Insurance experience gains and losses correspond to non-financial experience that relates to future services (e.g., policyholder behaviour that differs from expectations) on non-onerous contracts.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

G. Financial Position

Capitalization†

(In millions of dollars)	September 30, 2023	June 30, 2023	December 31, 2022	September 30, 2022
Equity				
Share capital and contributed surplus	1,649	1,665	1,692	1,698
Preferred shares issued by a subsidiary and other equity instruments	375	375	525	525
Retained earnings and accumulated other comprehensive income	4,980	5,044	4,910	4,911
Total shareholders' equity	7,004	7,084	7,127	7,134
Debentures	1,499	1,898	1,500	1,499
Total capital structure	8,503	8,982	8,627	8,633

The Company's capital amounted to over $8.5 billion at September 30, 2023, down $479 million from June 30, 2023. The quarterly variation is primarily related to the $400 million debenture redemption outlined in the "Highlights" section of this document.

Solvency

(In millions of dollars, unless otherwise indicated)	September 30, 2023	June 30, 2023	December 31, 2022[1]	September 30, 2022[1]
Available capital				
Tier 1	4,830	5,078	2,013	2,159
Tier 2	3,451	3,724	2,364	2,202
Surplus allowance and eligible deposits	2,157	2,358	4,621	4,663
Total	10,438	11,160	8,998	9,024
Base solvency buffer	7,197	7,256	7,481	7,220
Solvency ratio†	145%	154%	126%	130%

The Company ended the third quarter of 2023 with a solvency ratio† of 145%, compared with 154% at the end of the previous quarter and 130%[1] a year earlier. This result is well above the Company's operating target of 120%. The nine percentage point decrease during the third quarter is mainly due to the $400 million debenture redemption outlined in the "Highlights" section of this document, the $93 million in share buybacks (NCIB) and unfavourable macroeconomic variations, including value adjustments to investment properties. These items were partly offset by the positive contribution of organic capital generation. The acquisition announced on October 3, 2023 of Vericity, a U.S. life insurance carrier and digital agency, is expected to reduce the Company's solvency ratio by three percentage points at closing, which is anticipated in the first half of 2024. Therefore, on a pro-forma basis at September 30, 2023, the solvency ratio is 142%.

During the third quarter, the Company organically generated $165 million in additional capital, for a total of $440 million during the first nine months of the year, and is therefore on track to achieve the Company's organic capital generation target of $600+ million in 2023, as indicated at the Investor Session held on March 28, 2023. Good, ongoing organic capital generation is the result of core earnings performance, continuous improvement in risk management practices and pricing discipline.

Financial Leverage

	September 30, 2023	June 30, 2023	December 31, 2022	September 30, 2022
Financial leverage ratio†,2	14.7%	17.3%	16.0%	15.8%
Coverage ratio†	13.2x	12.5x	5.7x[3]	N/A

The financial leverage ratio† decreased during the third quarter largely due to the debenture redemption outlined in the "Highlights" section of this document. The coverage ratio† was 13.2x on September 30, 2023 and was slightly higher than in June 30, 2023. Note that the calculation of this metric includes restated results for the last three months of 2022.[3]

[1] 2022 figures calculated according to the IFRS 4 accounting standard and the capital standard applicable in 2022.
[2] Calculated as: Debentures, preferred shares issued by a subsidiary and other equity instruments/(Capital structure + post-tax contractual service margin (CSM)†).
[3] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Book Value per Common Share[4] and Market Capitalization

	September 30, 2023	June 30, 2023	December 31, 2022	September 30, 2022
Book value per common share[4]	$65.25	$65.39	$63.00	$62.70
Number of common shares outstanding	101,576,043	102,624,809	104,772,775	105,410,363
Value per share at close	$85.20	$90.25	$79.27	$70.19
Market capitalization	$8,654M	$9,262M	$8,305M	$7,399M

Book value per common share[4] was $65.25 at September 30, 2023, up 4% year over year and relatively stable, with a slight $0.14 decrease during the quarter. During the third quarter, the contribution of retained earnings for the period was more than offset by the dividend payment to common shareholders and other items.

The number of common shares outstanding decreased by 1,048,766 during the quarter. This decrease is due to the Company's redemption and cancellation of 1,074,366 outstanding common shares under the NCIB program, which was partly offset by the exercise of stock options under the stock option plan for senior managers.

The Company's market capitalization was close to $8.7 billion at September 30, 2023, down nearly 7% in the third quarter, due primarily to the variation in the Company's common stock price. Despite decreasing during the quarter, the Company's market capitalization was up 17% over a 12-month period.

Under the current Normal Course Issuer Bid (NCIB), the Company can redeem, between November 14, 2022 and November 13, 2023, up to 5,265,045 common shares, representing approximately 5% of the 105,300,913 issued and outstanding common shares as at November 1, 2022. As mentioned earlier in the "Highlights" section, a total of 1,074,366 shares were redeemed and cancelled during the quarter, for a total value of $93 million. A total of 4,021,820 shares, or approximately 3.8% of the issued and outstanding common shares as at November 1, 2022, were redeemed between November 14, 2022 and September 30, 2023.

[4] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

H. Investments

Investment Mix				
(In millions of dollars, unless otherwise indicated)	**September 30, 2023**	**June 30, 2023**	**December 31, 2022**	**September 30, 2022**
Book value of investments	39,508	41,660	39,255	38,615
Allocation of investments by asset class				
Bonds	68.7%	69.7%	68.2%	68.6%
Stocks	9.9%	9.3%	10.3%	10.1%
Loans (including mortgages)	9.4%	8.9%	9.4%	9.8%
Investment properties	4.2%	4.2%	4.6%	4.7%
Cash and short-term investments	3.0%	3.6%	3.5%	3.0%
Other	4.8%	4.3%	4.0%	3.8%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio was nearly $40 billion at September 30, 2023, compared with close to $42 billion at June 30, 2023, reflecting, among other things, the unfavourable impact of macroeconomic and market conditions on the value of the bond portfolio. The above table shows the main asset classes that make up the Company's investment portfolio.

Quality of Investments				
(In millions of dollars, unless otherwise indicated)	**September 30, 2023**	**June 30, 2023**	**December 31, 2022**	**September 30, 2022**
Bonds – Proportion rated BB or lower	0.7%	0.6%	0.9%	1.0%
Mortgages – Proportion of securitized and insured loans[1]	19.8%	22.6%	22.9%	25.1%
Mortgages – Proportion of insured loans	49.8%	47.6%	46.8%	45.1%
Investment properties – Occupancy rate	85.9%	85.8%	88.3%	88.6%
Car loans – Net Impaired loans as a percentage of gross loans	0.40%	0.33%	0.35%	0.35%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	4.56%	4.75%	4.93%	4.27%

The indicators in the above table confirm the quality of the investment portfolio. For investment properties, the occupancy rate increased slightly this quarter and stands at a suitable level, above that of the Canadian office market.[2]

Derivative Financial Instruments				
(In millions of dollars, unless otherwise indicated)	**September 30, 2023**	**June 30, 2023**	**December 31, 2022**	**September 30, 2022**
Total notional amount ($B)	44	41	38	33
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	1,359	1,265	990	970
Negative fair value	1,550	832	1,465	1,612

The Company uses derivative financial instruments in the normal course of managing the risks associated with fluctuations in interest rates, stock markets, currencies and the fair value of invested assets. These instruments are composed of various types of contracts, including interest rate swaps, market index and exchange rate contracts, forward agreements, futures contracts, and market index and currency options.

Derivative financial instruments are used as part of the Company's hedging program designed to alleviate the sensitivity of segregated fund guarantees to interest rate and stock market fluctuations. They are also used to hedge the Company's foreign exchange and interest rate risks and as part of investment strategies to reduce the Company's risk profile.

[1] A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.
[2] Source: CBRE

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The positive fair value represents the amounts payable to the Company by the different counterparties. This amount fluctuates from one period to another according to changes in interest rates, equity markets and exchange rates. Conversely, negative fair value represents the amount payable by the Company to the different counterparties.

For more information, refer to Note 6 and Note 9 of the Company's unaudited interim condensed consolidated financial statements.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

I. Declaration of Dividend

The Board of Directors of iA Financial Corporation approved a quarterly dividend of $0.7650 per share on the Company's outstanding common shares, the same as that announced the previous quarter.

The Board of Directors of iA Insurance approved a quarterly dividend of $0.2875 per Non-Cumulative Class A Preferred Share – Series B. In the third quarter of 2023, iA Insurance paid no dividend to its sole common shareholder, iA Financial Corporation. In the fourth quarter of 2023, the Board of Directors of iA Insurance approved the declaration of a dividend of $200 million to its sole common shareholder, iA Financial Corporation.

Following are the amounts and dates of payment and closing of registers for the iA Financial Corporation common shares and iA Insurance preferred shares.

Declaration of Dividend

	Amount	Payment date	Closing date	
Common share – iA Financial Corporation	$0.7650	December 15, 2023	November 17, 2023	
Class A Preferred Share – Series B – iA Insurance	$0.2875	January 3, 2024	November 17, 2023	Non-cumulative dividend

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial or territorial tax legislation, all dividends paid by iA Financial Corporation on its common shares and by iA Insurance on its preferred shares are eligible dividends.

Reinvestment of Dividends

Registered shareholders wishing to enrol in the Company's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on December 15, 2023 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 10, 2023. Enrolment information is provided on iA Financial Group's website at ia.ca under *About iA,* in the *Investor Relations/Dividends* section. Common shares issued under the Company's DRIP will be purchased on the secondary market and no discount will apply.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

J. Risk Management - Update

The "Risk Management – Update" section of this Management's Discussion and Analysis contains certain information required under IFRS 7 *Financial Instruments: Disclosures* of the International Financial Reporting Standards (IFRS) regarding the nature and scope of the risks arising from financial instruments. This information, which appears in the shaded sections, is an integral part of the Unaudited Interim Condensed Consolidated Financial Statements for the period ended September 30, 2023, given that the standard permits cross-references between the Notes to the Financial Statements and the Management's Discussion and Analysis. Because of the references made to the financial statements, the terminology used in this section is generally aligned with what is found in the financial statements.

As at September 30, 2023, the Company updated some portions of its 2022 Annual Report "Risk Management" section. Considering the Unaudited Interim Condensed Consolidated Financial Statements are prepared in accordance with IAS 34 *Interim Financial Reporting* and therefore do not contain all the information required in complete annual financial statements, they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022 as well as the 2022 Annual Report, which were prepared in accordance with IFRS 4 and IAS 39. Thus, the Risk Management disclosure found in the 2022 Annual Report is relevant for the Unaudited Interim Condensed Consolidated Financial Statements as at September 30, 2023, except for the sections below, which have been updated. The Company's risk profile has not changed significantly with respect to strategic risk, credit risk, liquidity risk, model risk, operational risk, and legal, regulatory and reputational risk.

INSURANCE RISK

Insurance risk is the risk of financial loss arising from higher claims than anticipated during product design and pricing. This category is associated with the following risk factors:

Policyholder Behaviour – Risk of unfavourable variability in the level, trend or volatility of lapse rates or premium payment pattern compared to assumptions.

Mortality – Risk of unfavourable variability in the level, trend or volatility of mortality rates.

Morbidity – Risk of unfavourable variability in the level, trend or volatility which represents an increase in occurrence rates or a decrease in termination rates for disability or illness insurance claims.

Expenses – Risk of unfavourable variability in the cost of servicing and maintaining in-force policies and associated indirect expenses.

Other Insurance Risks – The Company is also exposed to other insurance risks, which do not have a significant impact on the Company's financial statements.

Insurance risk can occur at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when calculating the insurance contract liabilities (assets). The Company has put controls and processes in place at each of these stages to ensure appropriate management of insurance risk.

Every year, the appointed actuary of Industrial Alliance Insurance and Financial Services Inc., a subsidiary of the Company, values the policy liabilities for the Company's financial statements prepared in accordance with IFRS. He also ensures that the valuation conforms to accepted actuarial practice in Canada and that the Company's financial statements fairly present the results of the valuation.

Sensitivity Analysis – The significant assumptions used in the valuation of insurance contracts are policyholder behaviour, mortality, morbidity and expenses. The following December 31, 2022 sensitivity analysis, updated to consider the application of the IFRS 17 and IFRS 9 standards, shows the immediate impact on net income and equity, as well as on the contractual service margin of a reasonably possible permanent deterioration in these assumptions, which have the greatest impact on the estimates of future cash flows with all other assumptions unchanged. This analysis presents the sensitivities both before and after risk mitigation by reinsurance contracts. An improvement of the same percentage in those assumptions would have a similar impact, but in the opposite direction.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Immediate Sensitivity of Significant Assumptions Used For the Valuation of Insurance Contract Liabilities (Assets) Gross and Net of Reinsurance[1]

	As at December 31, 2022			
	Net income and Equity		Contractual service margin	
(In millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration[2]	30	30	(535)	(570)
Mortality				
Impact of 2% deterioration for insurance products[3]	(15)	(25)	(270)	(90)
Impact of 2% deterioration for annuity products[4]	5	5	(35)	(30)
Morbidity				
Impact of 5% deterioration[5]	(25)	(25)	(90)	(50)
Expenses				
Impact of 5% deterioration[6]	—	—	(100)	(100)

For more information on the management of insurance risk, refer to Note 11 of the Company's September 30, 2023 Unaudited Consolidated Financial Statements.

MARKET RISK

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of an insurance contract or a financial instrument will fluctuate due to variations in market risk factors. This category includes, among other things, interest rate and credit spread risk, equity risk and exchange rate risk.

The Company has established a risk appetite and tolerance statement along with investment policies that contain a variety of quantitative measures designed to limit the impact of these risk factors. These policies are reviewed periodically, and any modifications are submitted to the Board of Directors for approval. Investment management policy and investment policy compliance are monitored regularly, and the results are reported to the Board of Directors' Investment Committee at least quarterly.

Interest Rate and Credit Spread Risk – One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits, whose maturity date may be uncertain and potentially a long time in the future, such as death benefits and annuity payments. Interest rate and credit spread risk is the risk of financial loss associated with fluctuations in interest rates or credit spreads. It can occur if the asset cash flows cannot be reinvested at high enough interest rates compared to the interest rates and implied credit spreads on the corresponding liabilities, or if an asset needs to be liquidated in order to replicate the liability cash flows and therefore a loss in market value of the liquidated asset occurs due to rising interest rates or rising credit spreads. This risk depends on the Company's asset allocation, asset/liability positioning, as well as external factors that have a bearing on the markets, the nature of the built-in product guarantees and the policyholder options.

To mitigate these risks, the Company has developed a liability replicating process that considers the characteristics of the financial liabilities associated with each type of annuity and insurance product. Some of the important factors considered in the replicating process include the structure of projected cash flows and the degree of certainty with regard to their maturity, the type of return (fixed or variable), the existence of options or guarantees inherent in the assets and liabilities, and the availability of appropriate assets in the marketplace. This replication process then allows the Company to determine and select investment strategies to meet its overall risk-adjusted return objectives within its various risk appetite and tolerance limits.

Investment strategies are defined based on the characteristics of the financial liabilities associated with each product. Two of the Company's key strategies are described below.

[1] These sensitivities are rounded to the nearest 5 million dollars and represent immediate impacts of a change in assumptions. They are also adjusted to reflect the adjustability of products, when applicable.
[2] Assuming 90% of the expected lapse rates for lapse-supported products and 110% of the expected lapse rates for other products.
[3] Assuming 102% of expected mortality rates for products where an increase in mortality rates increases insurance contract liabilities (assets).
[4] Assuming 98% of expected mortality rates for products where a decrease in mortality rates increases insurance contract liabilities (assets).
[5] Assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active.
[6] Assuming 105% of expected expenses for servicing and maintaining in-force policies.

1- Total Portfolio Management (TPM) Strategy

This strategy relates to the vast majority of the Company’s general fund insurance contract liabilities (assets) and investment contract liabilities and deposits. It encompasses, among other things, individual and group insurance products, annuities, and guaranteed interest accounts. It mainly covers liabilities of all maturity types and liability cash flow structures. For this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets while maintaining strict asset/liability replicating criteria. Among other things, liability replicating portfolio techniques are used and combined with key rate and credit spread duration replicating limits to mitigate overall risk exposures. The Company has established interest rate risk and credit spread risk limits in its Risk Appetite and Tolerance Statement. Diversification is a key principle and belief guiding the overall asset allocation and exposure limits.

The Company uses high-quality assets, primarily made up of long-term fixed income securities (government, corporate and private debt) and non-fixed income assets (private equity, investment property, infrastructure, common and preferred shares, market indexes, market index options and investment fund units), to optimize the risk and return of this liability category. The asset allocation aims to achieve an optimal return, taking into account capital requirements, expectations regarding the interest rate structure and performance of the stock markets. At the same time, the strategy takes into account the constraints imposed by the Risk Appetite and Tolerance Statement and investment policies.

Derivative financial instruments can also be utilized to improve the portfolio’s asset/liability positioning or its risk-adjusted return.

2- Universal Life Policy Accounts Strategy

This strategy relates to the Company’s general fund insurance contract liabilities (assets) linked to Universal Life policy accounts. The returns on these liabilities are determined on the basis of a market or portfolio index. For these liabilities, the replicating process is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, to strictly replicate the returns credited to the underlying accounts.

For managed index accounts and managed accounts where the return varies based on a fund or an index, the impact on net income of a change in the stock markets applied to the assets would be negligible, since an equivalent change would be applied to the corresponding liabilities.

Ultimate Discount Rate Risk – The Company estimates interest rates beyond 30 years since these data are not observable on the market. To establish a discount rate curve, an ultimate discount rate is set and a grading methodology is applied between the last point of the observable data and the ultimate discount rate. An ultimate discount rate represents the sum of two assumptions: an ultimate risk-free rate and an ultimate illiquidity premium. Both assumptions may change from time to time and such variations have an effect on the net income of the Company.

Equity Risk – Equity risk represents the risk of financial loss resulting from a change in equity market values. The Company is exposed to this risk in various ways as part of its regular operations, through: a) the income on assets held in the general fund; b) the effects on insurance contract liabilities (assets) of Universal Life policy funds and of segregated fund products; and c) net revenues on assets under management and on assets under administration.

In order to ensure sound management of the market exposure, the Company’s Risk Appetite and Tolerance Statement and investment policies define quantitative and qualitative limits for the use of non-fixed income assets. The target asset mix in the form of non-fixed income assets is designed to maximize the Company’s risk-adjusted returns.

The investment policies allow the Company to use derivative financial instruments. The use of these instruments, however, must comply with the risk appetite and tolerance limits and investment policy limits, including a minimum credit rating for the counterparty financial institution.

During the period ended September 30, 2023, derivative financial instruments were used as part of yield enhancement strategies. The use of market index options allows the Company to maintain an exposure to stock markets while limiting potential financial losses. They were also used as part of the dynamic hedging program for segregated fund guarantees and to hedge the risk associated with Universal Life policy funds.

MARKET RISK IMMEDIATE SENSITIVITIES

Caution Regarding Immediate Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company’s assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Sensitivities include the impact of rebalancing equity and interest rate hedges as expected with the Company’s dynamic hedging program used for guarantees on segregated funds. They exclude any subsequent actions on the Company’s investment portfolio.

For solvency ratio sensitivities, it is assumed that no scenario switch occurs when estimating the impact on the interest rate risk under CARLI (CARLI interest rate risk is assessed under four different interest rate scenarios, and the scenario leading to the highest capital requirement is chosen as the worst scenario for each geographic region).

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one changes: changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

Immediate sensitivities refer to the instantaneous effects on asset and liability values, ignoring any effects on future revenues and expenses. They should be used with caution to estimate financial impacts from market variations for a quarter. Immediate sensitivities assume an immediate market variation followed by a normally expected market evolution for the rest of the quarter. In other words, immediate sensitivities could be roughly interpreted as the difference between an actual market variation for a quarter versus the expectation for this quarter. For example, for public equity markets where growth is normally expected, flat market values for a quarter would be equivalent to an immediate decline in market values.

Interest Rate and Credit Spread Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in risk-free interest rates as well as corporate bond and provincial government bond credit spreads is presented below. Each sensitivity assumes that all other assumptions remain unchanged. Considering that the Company manages these risks by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivities on a net basis.

Immediate Impact of an Immediate Parallel Shift of Interest Rates

	As at September 30, 2023		As at December 31, 2022[7]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[8]	75	(75)	50	(75)
Equity[8,9]	75	(75)	50	(50)
Contractual service margin[8,10]	(25)	25	(25)	25
Solvency ratio[11]	1.5% points	(1.5% points)	N/A[12]	N/A[12]

Immediate Impact of an Immediate Parallel Shift of Corporate Bond Credit Spreads

	As at September 30, 2023		As at December 31, 2022[7]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[8]	50	(50)	—	(25)
Equity[8,9]	50	(50)	—	(25)
Contractual service margin[8,10]	—	—	—	—
Solvency ratio[11]	(0.5% points)	0.5% points	N/A[12]	N/A[12]

Immediate Impact of an Immediate Parallel Shift of Provincial Government Bond Credit Spreads

	As at September 30, 2023		As at December 31, 2022[7]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[8]	—	—	(25)	—
Equity[8,9]	—	—	(25)	—
Contractual service margin[8,10]	(75)	75	(100)	75
Solvency ratio[11]	0.5% points	(0.5% points)	N/A[12]	N/A[12]

Ultimate Discount Rate Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in the ultimate discount rate assumption used to establish insurance contract liabilities (assets) is presented below. Each sensitivity assumes that all other assumptions remain unchanged.

[7] Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.
[8] These sensitivities are rounded to the nearest 25 million dollars.
[9] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
[10] The impact on contractual service margin is before tax.
[11] These sensitivities are rounded to the nearest 0.5 percentage point.
[12] The new CARLI capital guideline adapted to IFRS 17 and IFRS 9 was only effective starting January 1, 2023.

Immediate Impact of an Immediate Change in Ultimate Discount Rate Assumption Used For the Valuation of Insurance Contract Liabilities (Assets)

(In millions of dollars, unless otherwise indicated)	As at September 30, 2023		As at December 31, 2022	
	10 basis point decrease	10 basis point increase	10 basis point decrease	10 basis point increase
Net income[13]	(50)	50	(50)	60
Equity[13]	(50)	50	(50)	60
Contractual service margin[13,14]	—	—	—	—

Public Equity Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in public equity market values is presented below and assumes that all other assumptions remain unchanged. Considering that the Company manages this risk by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivity on a net basis.

Immediate Impact of an Immediate Change in Public Equity Market Values[15]

(In millions of dollars, unless otherwise indicated)	As at September 30, 2023			
	25% decrease	10% decrease	10% increase	25% increase
Net income[16]	(125)	(75)	75	175
Equity[16,17]	(125)	(75)	75	175
Contractual service margin[14,16]	(450)	(200)	150	400
Solvency ratio[18]	1.0% points	0.5% points	(1.0% points)	(1.5% points)

(In millions of dollars, unless otherwise indicated)	As at December 31, 2022			
	25% decrease	10% decrease	10% increase	25% increase
Net income[16]	(75)	(25)	25	75
Equity[16,17]	(75)	(25)	25	75
Contractual service margin[14,16]	(425)	(175)	200	500
Solvency ratio[18]	N/A[19]	N/A[19]	N/A[19]	N/A[19]

In order to measure its public equity sensitivity, the Company examined the impact of a 10% market variance at the end of the period, believing that this kind of variance was reasonable in the current market environment. A 25% market change is also disclosed to provide a wider range of potential impacts due to significant changes in public equity market levels.

Private Non-Fixed Income Asset Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in private non-fixed income assets' market values is presented below and assumes that all other assumptions remain unchanged. These impacts are only on financial instruments as insurance contracts are insensitive to these market values. Private non-fixed income assets include private equity, investment property and infrastructure.

Immediate Impact of an Immediate Change in Private Non-Fixed Income Assets' Market Values (Private Equity, Investment Property and Infrastructure)

(In millions of dollars, unless otherwise indicated)	As at September 30, 2023		As at December 31, 2022	
	10% decrease	10% increase	10% decrease	10% increase
Net income[16]	(300)	300	(300)	300
Equity[16,17]	(300)	300	(300)	300
Contractual service margin[14,16]	—	—	—	—
Solvency ratio[18]	(1.5% points)	1.5% points	N/A[19]	N/A[19]

[13] These sensitivities are rounded to the nearest 10 million dollars.
[14] The impact on contractual service margin is before tax.
[15] Preferred shares are excluded from the scope of these sensitivities' analysis.
[16] These sensitivities are rounded to the nearest 25 million dollars.
[17] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
[18] These sensitivities are rounded to the nearest 0.5 percentage point.
[19] The new CARLI capital guideline adapted to IFRS 17 and IFRS 9 was only effective starting January 1, 2023.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

MARKET RISK CORE EARNINGS SENSITIVITIES

Caution Regarding Core Earnings Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company's assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Also, they exclude any subsequent actions on the Company's investment portfolio.

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one changes: changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

Market Risk Core Earnings Sensitivities – An analysis of the Company's sensitivity to an immediate change in various factors is presented below. Each sensitivity assumes that all other assumptions and factors remain unchanged.

Impacts estimated below are mainly attributable to the following revenues and expenses that are directly impacted by the level of market indicators:

- expected return on non-fixed income asset investments;
- CSM recognition in earnings for segregated fund products;
- net revenues on assets under management (mutual funds) and on assets under administration (wealth management distribution affiliates); and
- expected return on fixed income assets and on expected liability finance expense.

Impacts on Future Quarter Core Earnings as at September 30, 2023

Risk factors	Description of shock	Impact on future core earnings in millions of dollars (after tax)
Public equity[20]	Immediate +5% change in market values	4
	Immediate -5% change in market values	(4)
Private non-fixed income assets (private equity, investment property and infrastructure)	Immediate +5% change in market values	3
	Immediate -5% change in market values	(3)
Interest rates	Immediate parallel shift of +10 bps on all rates	2
	Immediate parallel shift of -10 bps on all rates	(2)
Credit and swap spreads[21]	Immediate parallel shift of +10 bps on all rates	1
	Immediate parallel shift of -10 bps on all rates	(1)

These impacts represent impacts on core earnings for the next quarter. Impacts on the level of core earnings will be similar for future quarters if future equity market returns are as expected and if interest rates are stable. Moreover, core earnings for the current quarter would also be impacted by market movements during the current quarter, but only for these two effects: effect on CSM recognition in earnings for segregated fund products and effect on net revenues on assets under management (mutual funds) and on assets under administration (wealth distribution affiliates).

These core earnings sensitivities should be used with caution to estimate impacts of market movements as they do not reflect diversification between these risk factors, potential future management actions and investment portfolio re-optimization.

[20] Preferred shares are excluded from the scope of this sensitivity analysis.
[21] Credit spreads include corporate bond credit spreads and provincial government bond credit spreads.

K. Notice and General Information

INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes were made to the Company's internal control over financial reporting during the interim period ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-IFRS AND ADDITIONAL FINANCIAL MEASURES

iA Financial Corporation and iA Insurance (hereinafter referred to individually in this section as the "Company") report their financial results and statements in accordance with International Financial Reporting Standards ("IFRS"). They also publish certain financial measures or ratios that are not based on IFRS ("non-IFRS"). A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with the generally accepted accounting principles ("GAAP") used for the Company's audited financial statements. The Company uses non-IFRS measures when evaluating its results and measuring its performance. The Company believes that non-IFRS measures provide additional information to better understand its financial results and assess its growth and earnings potential, and that they facilitate comparison of the quarterly and full year results of the Company's ongoing operations. Since non-IFRS measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure. These non-IFRS measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS measures, there are no directly comparable amounts under IFRS.

Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure from the Canadian Securities Administrators ("Regulation 52-112") establishes disclosure requirements that apply, respectively, to each of the following categories of non-IFRS measures used by iA Financial Group:

- *Non-IFRS financial measures*, which depict the historical or expected future financial performance, financial position or cash flow, and with respect to their composition, exclude an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the Company's financial statements.
- *Non-IFRS ratios*, which are in the form of a ratio, fraction, percentage, or similar representation, have a non-IFRS financial measure as one or more of their components and are not disclosed in the Company's financial statements.
- *Supplementary financial measures*, which are disclosed on a periodic basis to depict historical or expected future financial performance, financial position, or cash flow and are not disclosed in the Company's financial statements.
- *Capital management measures*, which are financial measures intended to enable the reader to evaluate the Company's objectives, policies, and processes for managing its capital.
- *Segment measures*, which combine financial measures for two or more reportable segments of the Company and are not disclosed in the Company's financial statements.

Below is a description of the non-IFRS financial measures, non-IFRS ratios and supplementary financial measures used by the Company. Additional information is provided, along with a description of the reconciliation to the closest IFRS measure, where applicable.

Non-IFRS measures published by iA Financial Corporation in this document are:

- Return on common shareholders' equity (ROE):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated net income available to common shareholders by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity.

- Core earnings (IFRS 4):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Removes from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance:
    a. market-related impacts that differ from management's best estimate assumptions, which include impacts of returns on equity markets and changes in interest rates related to (i) management fees collected on assets under management or administration (MERs), (ii) universal life policies, (iii) the level of assets backing long-term liabilities, and (iv) the dynamic hedging program for segregated fund guarantees;
    b. assumption changes and management actions;

c. charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
d. amortization of acquisition-related finite life intangible assets;
e. non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
f. specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

Note: This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition. The changes to the definition of core earnings at the beginning of 2021 are consistent with the ongoing evolution of the business and help to better reflect and assess the underlying operating business performance, while maintaining consistency with the general concept of the metric and continuity with the previous definition.

- *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.
- *Reconciliation*: "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

- Core earnings (IFRS 17):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Removes from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance. Each of these items is classified as a supplementary financial measure and has no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, nor are reconciliations available:
    a. market-related impacts that differ from management's expectations, which include the impacts of equity and investment property markets, interest rates and exchange rate variations on the net investment result (including impacts on net investment income and on finance expenses from insurance and reinsurance contracts) and on the insurance service result (i.e., on losses and reversal of losses on onerous contracts accounted for using the variable fee approach measurement model). Management's expectations include:
       i. an expected long-term annual return (between 8% and 9% on average) on non-pass-through non-fixed income asset investments (public and private equity, investment properties, infrastructure and preferred shares);
       ii. that interest rates (including credit spreads) that are observable on the markets at the beginning of the quarter will remain unchanged during the quarter and that liability discount rates for the non-observable period will change as implied in the discount rate curve at the beginning of the quarter; and
       iii. that exchange rates at the beginning of the quarter will remain unchanged during the quarter;
    b. assumption changes and management actions;
    c. charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
    d. amortization of acquisition-related finite life intangible assets;
    e. non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
    f. specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

    Income taxes on items listed above are also removed from reported earnings. Core earnings include all credit-related experience impacts on reported earnings.
  - *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to common shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.
  - *Reconciliation*: "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

- Core earnings per common share (core EPS):
    - *Category under Regulation 52-112*: Non-IFRS ratio.
    - *Definition*: Obtained by dividing the core earnings by the diluted weighted average number of common shares.
    - *Purpose*: Used to better understand the Company's capacity to generate sustainable earnings and is an additional indicator for evaluating the Company's financial performance.
    - *Reconciliation*: "Earnings per common share (EPS)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

- Core return on common shareholders' equity (core ROE):
    - *Category under Regulation 52-112*: Non-IFRS ratio.
    - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated core earnings by the average common shareholders' equity for the period.
    - *Purpose*: Provides a general measure of the Company's efficiency in using equity, based on core earnings, and an additional indicator for evaluating the Company's financial performance.
    - *Reconciliation*: There is no directly comparable IFRS financial measure that is disclosed in the financial statements of the Company to which the measure relates.

- Components of the drivers of earnings (DOE), on a reported and core basis:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definition*: Presents earnings broken down by the following key drivers:
        a. *Insurance service result*, which is the sum of the following components (on a net-of-reinsurance basis when applicable):
            1. *Expected insurance earnings*, which represent the recurring insurance-related earnings on business in force during the reporting period. It is the sum of the following components:
                - Risk adjustment release, which is the change in risk adjustment for non-financial risk for risk expired.
                - CSM recognized for services provided, which is the contractual service margin recognized in net income for services provided during the period.
                - Expected earnings on PAA insurance business, which is the insurance service result (insurance revenue, net of insurance service expenses) for insurance contracts measured under the premium allocation approach, excluding estimated experience gains (losses).
            2. *Impact of new insurance business*, which is point-of-sale loss of writing new insurance business identified as onerous as per IFRS 17 during the period. The expected profit realized in the years after a contract is issued should cover the loss incurred at the time of issue. The gain of writing new insurance business identified as non-onerous as per IFRS 17 is recorded in the contractual service margin (not in net income).
            3. *Experience gains (losses)*, which are differences between expected and actual insurance claims and expenses as measured by IFRS 17. Also included are: 1) estimated experience gains (losses) on insurance claims and expenses for contracts measured under the premium allocation approach, 2) adjustments related to current and past services, 3) insurance experience that relates to future services for onerous contracts, and 4) market experience for onerous contracts measured under the variable-fee approach. Insurance experience gains (losses) correspond to experience gains (losses), excluding market experience for onerous contracts measured under the variable-fee approach.
            4. *Insurance assumption changes and management actions*, which is the impact on pre-tax net income resulting from changes, on onerous contracts, in non-financial methods and assumptions that relate to future services or other management actions. Changes in non-financial assumptions result from the Company ensuring the adequacy of its liabilities given the Company's own experience in terms of mortality, morbidity, lapse rates, expenses, and other factors. Management actions represent the impact of actions apart from the normal operation of the business, including but not limited to changes in methodology, model refinement and impacts of acquisitions, mergers and divestitures.
        b. *Net investment result*, which is the sum of the following components (on a net-of-reinsurance basis when applicable):
            1. *Core net investment result,* which is net investment income, net of finance expenses from contract liabilities and net of investment-related expenses that are part of core earnings. It includes all credit-related experience impacts. It excludes financing charges on debentures.
            2. *Market experience gains (losses)*, which are impacts on net investment income and on finance expenses from contract liabilities of actual market variations (e.g. equity markets, interest rates and exchanges rates) that differ from expectations.

3. *Financial assumption changes and other*, which is the impact on pre-tax net income resulting from changes in financial methods and assumptions. Changes in financial assumptions result from the Company ensuring the adequacy of its liabilities.

c. *Non-insurance activities*, which are revenues net of expenses for non-insurance activities such as, but not limited to, mutual funds, wealth distribution, insurance distribution, group insurance administrative services only (ASO) business and non-insurance dealer services activities.

d. *Other expenses*, which are expenses not attributable to either insurance contracts or non-insurance activities, such as, but not limited to, corporate expenses, amortization of acquisition-related intangible assets, financing charges on debentures and intangible asset and goodwill writedowns.

e. *Income taxes*, which represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts.

f. *Dividends/distributions on equity instruments*, which are dividends on preferred shares issued by a subsidiary and distributions on other equity instruments.

- *Purpose*: Provides additional information for evaluating the Company's financial performance and is an additional tool to help investors better understand the drivers of shareholder value creation.
- *Reconciliation*: There is no directly comparable IFRS financial measure for components of the DOE that is disclosed in the financial statements of the Company to which the measure relates.
  - "Insurance service result": Equal to the "Insurance service result" IFRS measure disclosed in the Company's financial statements.
  - "Net investment result": The "Net investment result" disclosed in the Company's financial statements is the most directly comparable IFRS financial measure. A reconciliation with this measure is presented in this document.

- CSM movement analysis:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Presents the movement of the contractual service margin (CSM) on a net-of-reinsurance basis, broken down as follows:

    a. *Organic CSM movement*, which excludes the impacts of items that create undue volatility or are non-representative of the underlying business performance from period to period and helps in better understanding the ongoing CSM value creation, in an approach similar to that of core earnings. It is the sum of the following components:

       1. *Impact of new insurance business*, which is the CSM established from non-onerous insurance contracts initially recognized in the period. It includes the impacts related to policy cancellations and acquisition expenses, and it excludes the impacts of unusual new reinsurance contracts on in-force business that are categorized as management actions.
       2. *Organic financial growth*, which is the movement of the CSM from 1) expected asset returns on underlying items (for insurance contracts measured under the variable-fee approach); and 2) interest accreted based on locked-in discount rates at initial recognition (for insurance contracts measured under the general measurement model).
       3. *Insurance experience gains (losses)*, which is non-financial experience that relates to future services (e.g., policyholder behaviour that differs from expectations) on non-onerous contracts.
       4. *CSM recognized for services provided*, which is the CSM recognized in net income for services provided during the period.

    b. *Non-organic CSM movement*, which is the sum of the following components:

       1. *Impact of changes in assumptions and management actions*, which is the impact on non-onerous contracts of changes in methods and assumptions that relate to future services or other management actions. Changes in assumptions result from the Company ensuring the adequacy of its liabilities. Management actions represent the impact of actions apart from the normal operation of the business, including but not limited to changes in methodology, model refinement and impacts of acquisitions, mergers and divestitures.
       2. *Impact of markets*, which represents the market experience for non-onerous contracts measured under the variable-fee approach. It is the impact on fulfilment cash flows of actual market variations (e.g., equity markets and interest rates) that differ from expectations.
       3. *Currency impact*, which is the impact of variations in exchange rates on the CSM, presented in Canadian dollars.

  - *Purpose*: Provides additional information to better understand the drivers of the changes in contractual service margin from one period to another.
  - *Reconciliation*: The total CSM movement equals the sum of the variation of the CSM for insurance contracts and the variation of the CSM for reinsurance contracts disclosed in the note titled "Insurance Contracts and Reinsurance Contracts" in the Company's financial statements.

- Net impaired loans as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of impaired loans net of allowance for credit losses expressed as a percentage of gross loans.
  - *Purpose*: An indicator of the quality of the loan portfolio.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Total allowance for credit losses (ACL) as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of ACL expressed as a percentage of gross loans.
  - *Purpose*: Provides a measure of the expected credit experience of the loan portfolio.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Dividend payout ratio:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The percentage of net income attributed to common shareholders, on a reported basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends.
  - *Reconciliation*: The dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the reported earnings per common share for the period.

- Core dividend payout ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The percentage of net income attributed to common shareholders, on a core earnings basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company's core revenues shareholders received in the form of dividends.
  - *Reconciliation*: The core dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the core earnings per common share for the period.

- Organic capital generation:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Excess capital generated in the normal course of business, excluding the impact of the macroeconomic environment, where excess capital is the amount of capital over and above the target ratio, calculated under the CARLI guideline.
  - *Purpose*: Provides a measure of the Company's capacity to generate excess capital in the normal course of business.

- Potential capital deployment or Capital available for deployment:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Amount of capital the Company can deploy for a transaction, taking into account all limits and constraints of the regulatory capital guideline and the Company's targets, assuming the transaction parameters to be the worst-case scenario.
  - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.

- Post-tax contractual service margin (CSM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Calculated as the difference between the contractual service margin (CSM) balance and the product obtained by multiplying the contractual service margin (CSM) balance for each legal entity by the applicable statutory tax rate.
  - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.
  - *Reconciliation*: "Contractual service margin (CSM)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Total payout ratio (trailing 12 months):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The sum of common dividends paid and common shares repurchased (buybacks) over the last twelve months divided by the net income available to common shareholders over the last twelve months.
  - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends over a twelve-month period.

- Sensitivity measures:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The impact of macroeconomic variations, such as interest rate and equity market variations, on other Company metrics, such as net income or the solvency ratio.
  - *Purpose*: Used to assess the Company's risk exposure to macroeconomic variations.

- Financial leverage measure – Debentures/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing total debentures by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.

- Financial leverage measure – Debentures + Preferred Shares issued by a subsidiary and other equity instruments/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary and other equity instruments by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.

- Financial leverage measure – Financial leverage ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary and other equity instruments by the sum of total debentures plus shareholders' equity and post-tax contractual service margin (CSM).
  - *Purpose*: Provides a measure of the Company's financial leverage.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Financial leverage measure – Coverage ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred shares issued by a subsidiary, and dividends and redemption premiums on preferred shares issued by a subsidiary (if applicable).
  - *Purpose*: Provides a measure of the Company's ability to meet liquidity requirements for obligations when they come due.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Capitalization:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The sum of the Company's equity and debentures.
  - *Purpose*: Provides an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: This measure is the sum of several IFRS measures.

- Solvency ratio:
  - *Category under Regulation 52-112*: In accordance with the Capital Adequacy Requirements Guideline – Insurance of Persons (CARLI) revised in January 2023 by the Autorité des marchés financiers ("AMF"), this financial measure is exempt from certain requirements of Regulation 52-112.
  - *Definition*: Calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.
  - *Purpose*: Provides a measure of the Company's solvency and allows the regulatory authorities to determine if an insurance company is sufficiently capitalized in relation to the minimum set by the Company's regulator.

- Assets under administration (AUA):
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* All assets with respect to which the Company acts only as an intermediary between a client and an external fund manager.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Assets under management (AUM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: All assets with respect to which the Company establishes a contract with a client and makes investment decisions for amounts deposited in this contract.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under management.
  - *Reconciliation*: "General fund assets" and "Segregated funds net assets" disclosed in the Company's financial statements are IFRS measures and components of the AUM calculation. A reconciliation is presented in this document.

- Individual Wealth Management mutual funds deposits, Group Savings and Retirement deposits, US Operations Dealer Services premium equivalents and Group Insurance Employee Plans ASO, investment contracts and premium equivalents and deposits:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Deposits refer to amounts received from clients under an investment contract. Deposits are not reflected in the Company's income statements.
    b. Premium equivalents refer to amounts related to service contracts or services where the Company is primarily an administrator but could become an insurer if a specific event were to happen. These amounts are not accounted for in "Net premiums".
  - *Purpose*: Premium equivalents and deposits are one of many measures used to assess the Company's ability to generate income from in-force and new business.

- Individual Insurance minimum and excess premium sales, Individual Wealth Management gross and net mutual fund sales, Group Insurance Employee Plans sales, US Operations Individual Insurance sales, Group Insurance Special Markets sales, Dealer Services P&C sales, Group Savings and Retirement sales of accumulation contracts and insured annuities, US Operations Dealer Services sales, iA Auto & Home sales and Dealer Services Creditor Insurance sales:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Individual Insurance minimum and excess premium sales are defined as first-year annualized premiums. Individual Wealth Management total sales (or gross sales) for general fund and segregated fund products correspond to the net premiums. Sales for mutual funds are defined as deposits and include primary market sales of ETFs. Individual Wealth Management net sales for segregated funds and mutual funds correspond to net entries (gross mutual fund sales less withdrawals and transfers). Group Insurance Employee Plans sales are defined as first-year annualized premiums, including premium equivalents (administrative services only).
    b. US Operations Individual Insurance sales are defined as first-year annualized premiums.
    c. Group Insurance Special Markets sales are defined as premiums before reinsurance.
    d. Dealer Services P&C sales are defined as direct written premiums (before reinsurance and cancellations).
    e. Group Savings and Retirement sales of accumulation contracts and insured annuities include gross premiums (before reinsurance) and premium equivalents, or deposits.
    f. US Operations Dealer Services sales are defined as direct written premiums (before reinsurance) and premium equivalents.
    g. iA Auto & Home sales are defined as direct written premiums.
    h. Dealer Services Creditor Insurance sales are defined as premiums before insurance and cancellations.
  - *Purpose*: Used to assess the Company's ability to generate new business and serve as additional tools to help investors better assess the Company's growth potential.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Net Premiums:
  - *Category under Regulation 52-112*: Supplementary financial measures
  - *Definition*:
    a. Individual Insurance net premiums, Group Insurance Employee Plans net premiums and US Operations Individual Insurance net premiums are defined as premiums reduced by premiums ceded to reinsurers and include both fund entries on new business written during the period and on in-force contracts.
    b. Dealer Services P&C net premiums, US Operations Dealer Services net premiums and iA Auto & Home net premiums are defined as direct written premiums less amounts ceded to a reinsurer.
    c. Group Insurance Special Markets net premiums and Dealer Services Creditor Insurance net premiums refer to gross premiums less amounts ceded to a reinsurer.

d. Group Savings and Retirement net premiums refer to net premium after reinsurance and exclude premium equivalents.

- *Purpose*: Premiums are one of many measures used to assess the Company's ability to generate income from in-force and new business.
- *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

RECONCILIATION OF SELECT NON-IFRS FINANCIAL MEASURES

Net investment result						
	Third quarter			**Year-to-date at September 30**		
(in millions of dollars, unless otherwise indicated)	**2023**	**2022**	**Variation**	**2023**	**2022**	**Variation**
Net investment result – IFRS Income Statements	-44	-88	44	372	-194	566
Investment income of wealth distribution affiliates *Income statements: Net investment result* *DOE: Non-insurance activities*	-27	-12	-15	-65	-32	-33
Investment expenses *Income statements: Other operating expenses* *DOE: Net investment result*	-1	-11	10	-24	-29	5
Other revenues and other operating expenses of iA Auto Finance *Income statements: Other revenues and other operating expenses* *DOE: Net investment result*	-21	-15	-6	-58	-37	-21
Income relating to the DSU hedging instrument *Income statements: Change in fair value of investment* *DOE: Other expenses*	2	0	2	2	0	2
Net investment result – non-IFRS Drivers of Earnings (DOE)	**-91**	**-126**	**35**	**227**	**-292**	**519**

FORWARD-LOOKING STATEMENTS

This document may contain statements relating to strategies used by iA Financial Group or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective", "goal", "guidance", "outlook" and "forecast", or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this document, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change.

Although iA Financial Group believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. In addition, certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.

- Material factors and risks that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic, operational and regulatory risks, such as: general business and economic conditions; level of inflation; level of competition and consolidation; changes in laws and regulations, including tax laws and changes made to capital and liquidity guidelines; actions by regulatory authorities that may affect the business or operations of iA Financial Group or its business partners; risks associated with the regional or global political and social environment; risks related to climate change including the transition to a low-carbon economy and iA Financial Group's ability to satisfy stakeholder expectations on environmental, social and governance issues; data and cyber risks; risks related to human resources; hedging strategy risks; liquidity of iA Financial Group, including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the occurrence of natural or man-made disasters, international conflicts, pandemic diseases (such as the COVID-19 pandemic) and acts of terrorism.

- Material factors and assumptions used in the preparation of financial outlooks include, but are not limited to: accuracy of estimates, assumptions and judgments under applicable accounting policies, and no material change in accounting standards and policies applicable to the Company; no material variation in interest rates; no significant changes to the Company's effective tax rate; no material changes in the level of the Company's regulatory capital requirements; availability of options for deployment of excess capital; credit experience, mortality, morbidity, longevity and policyholder behaviour being in line with

actuarial experience studies; investment returns being in line with the Company's expectations and consistent with historical trends; different business growth rates per business unit; no unexpected changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; no unexpected change in the number of shares outstanding; and the non-materialization of risks or other factors mentioned or discussed elsewhere in this document or found in the "Risk Management" section of the Company's Management's Discussion and Analysis for 2022 and the "Risk Management – Update" section of the Management's Discussion and Analysis for the periods ended March 31, June 30 and September 30, 2023 that could influence the Company's performance or results.

Economic and financial instability in a context of geopolitical tensions – Unfavourable economic conditions and financial instability are causing some concern. Central banks have hiked interest rates to combat last year's high inflation. The war in Ukraine, the Israel-Hamas conflict and tension in China are also causing instability in global markets. These events could result in significant financial volatility and test the Company's ability to anticipate and mitigate headwinds in its markets and negatively affect the Company's financial outlook, results and operations.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the Management's Discussion and Analysis for 2022, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2022, the "Risk Management – Update" section of the Management's Discussion and Analysis for the periods ended March 31, June 30 and September 30, 2023 and elsewhere in iA Financial Group's filings with the Canadian Securities Administrators, which are available for review at sedarplus.ca.

The forward-looking statements in this document reflect iA Financial Group's expectations as of the date of this document. iA Financial Group does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

DOCUMENTS RELATED TO THE FINANCIAL RESULTS

All documents related to iA Financial Corporation's and iA Insurance's financial results are available on the iA Financial Group website at ia.ca under *About iA,* in the *Investor Relations/Financial Reports* section. More information about the companies can also be found on the SEDAR+ website at sedarplus.ca, as well as in the Annual Information Form for iA Financial Corporation and for iA Insurance, which can also be found on the iA Financial Group website or the SEDAR+ website.

Consolidated Income Statements

(unaudited, in millions of Canadian dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2023	2022[1]	**2023**	2022[1]
Insurance service result				
Insurance revenue (Note 12)	**$ 1,458**	$ 1,275	**$ 4,193**	$ 3,755
Insurance service expenses (Note 12)	**(1,166)**	(963)	**(3,428)**	(2,858)
Net expenses from reinsurance contracts (Note 12)	**(60)**	(98)	**(89)**	(284)
	232	214	**676**	613
Net investment result				
Net investment income (Note 6)				
Interest and other investment income	**456**	525	**1,401**	1,357
Change in fair value of investments	**(3,029)**	(351)	**(1,832)**	(9,903)
	(2,573)	174	**(431)**	(8,546)
Finance income (expenses) from insurance contracts (Note 12)	**2,593**	(262)	**849**	8,372
Finance income (expenses) from reinsurance contracts (Note 12)	**(23)**	19	**62**	(3)
(Increase) decrease in investment contract liabilities and interest on deposits	**(41)**	(19)	**(108)**	(17)
	(44)	(88)	**372**	(194)
Investment income (expenses) from segregated funds net assets	**(950)**	(169)	**1,555**	(5,548)
Finance income (expenses) related to segregated funds liabilities (Note 12)	**950**	169	**(1,555)**	5,548
	—	—	**—**	—
	(44)	(88)	**372**	(194)
Other revenues	**381**	373	**1,128**	1,164
Other operating expenses	**(481)**	(500)	**(1,457)**	(1,422)
Other financing charges	**(19)**	(15)	**(51)**	(41)
Income before income taxes	**69**	(16)	**668**	120
Income tax (expense) recovery (Note 18)	**(13)**	20	**(135)**	22
Net income	**56**	4	**533**	142
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments (Note 15)	**(1)**	(3)	**(12)**	(14)
Net income attributed to common shareholders	**$ 55**	$ 1	**$ 521**	$ 128
Earnings per common share (in dollars) (Note 20)				
Basic[1]	**$ 0.55**	$ 0.01	**$ 5.05**	$ 1.19
Diluted[1]	**0.54**	0.01	**5.04**	1.19
Weighted average number of shares outstanding (in millions of units) (Note 20)				
Basic	**102**	106	**103**	107
Diluted	**103**	106	**104**	107
Dividends per common share (in dollars) (Note 14)	**0.77**	0.68	**2.21**	1.93

[1] The Consolidated Income Statement and the *Earnings per common share* for the quarter ended September 30, 2022 and for the nine months ended September 30, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022 and consequently the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Interim Condensed Consolidated Financial Statements.

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)	**2023**	2022[1]	**2023**	2022[1]
Net income	**$ 56**	$ 4	**$ 533**	$ 142
Other comprehensive income, net of income taxes				
Items that may be reclassified subsequently to net income:				
Net investment hedge				
Unrealized gains (losses) on currency translation in foreign operations	**63**	165	**(4)**	215
Hedges of net investment in foreign operations	**(40)**	(96)	**3**	(138)
	23	69	**(1)**	77
Items that will not be reclassified subsequently to net income:				
Revaluation surplus related to transfers to investment properties	**1**	—	**3**	—
Remeasurement of post-employment benefits	**10**	(14)	**1**	74
Total other comprehensive income	**34**	55	**3**	151
Comprehensive income attributed to shareholders	**$ 90**	$ 59	**$ 536**	$ 293

Income Taxes Included in Other Comprehensive Income

	Quarters ended September 30		Nine months ended September 30	
(unaudited, in millions of Canadian dollars)	**2023**	2022[1]	**2023**	2022[1]
Income tax recovery (expense) related to:				
Items that may be reclassified subsequently to net income:				
Hedges of net investment in foreign operations	**$ 6**	$ 16	**$ (1)**	$ 23
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	**(4)**	5	**(1)**	(26)
Total income tax recovery (expense) included in other comprehensive income	**$ 2**	$ 21	**$ (2)**	$ (3)

[1] The Consolidated Comprehensive Income Statement and the Income Taxes Included in Other Comprehensive Income for the quarter ended September 30, 2022 and for the nine months ended September 30, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022 and consequently the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Interim Condensed Consolidated Financial Statements.

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

Consolidated Statements of Financial Position

(unaudited, in millions of Canadian dollars, unless otherwise indicated)	**As at September 30 2023**	As at December 31 2022[1]	As at January 1 2022[1]
Assets			
Investments (Note 6)			
Cash and short-term investments	**$ 1,190**	$ 1,358	$ 1,546
Bonds	**27,128**	26,808	33,127
Stocks	**3,912**	4,028	3,877
Loans	**3,717**	3,704	3,870
Derivative financial instruments (Note 9)	**1,359**	990	917
Other invested assets	**534**	563	557
Investment properties	**1,668**	1,804	1,870
	39,508	39,255	45,764
Other assets	**3,039**	2,716	2,812
Insurance contract assets (Note 12)	**199**	215	123
Reinsurance contract assets (Note 12)	**2,286**	2,048	1,890
Fixed assets	**325**	337	369
Deferred income tax assets	**196**	112	111
Intangible assets	**1,843**	1,784	1,708
Goodwill	**1,335**	1,318	1,267
General fund assets	**48,731**	47,785	54,044
Segregated funds net assets (Note 10)	**39,122**	37,334	39,577
Total assets	**$ 87,853**	$ 85,119	$ 93,621
Liabilities			
Insurance contract liabilities (Note 12)	**$ 29,383**	$ 29,685	$ 37,072
Reinsurance contract liabilities (Note 12)	**191**	233	129
Investment contract liabilities and deposits	**5,479**	4,350	4,150
Derivative financial instruments (Note 9)	**1,550**	1,465	497
Other liabilities	**3,299**	3,063	3,013
Deferred income tax liabilities	**326**	362	526
Debentures	**1,499**	1,500	1,450
General fund liabilities	**41,727**	40,658	46,837
Insurance contract liabilities related to segregated funds (Note 12)	**28,188**	26,901	28,692
Investment contract liabilities related to segregated funds	**10,934**	10,433	10,885
Total liabilities	**$ 80,849**	$ 77,992	$ 86,414
Equity			
Share capital and contributed surplus	**$ 1,649**	$ 1,692	$ 1,723
Preferred shares issued by a subsidiary and other equity instruments (Note 15)	**375**	525	525
Retained earnings and accumulated other comprehensive income	**4,980**	4,910	4,959
	7,004	7,127	7,207
Total liabilities and equity	**$ 87,853**	$ 85,119	$ 93,621

[1] The Consolidated Statements of Financial Position as at December 31, 2022 and as at January 1, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022 and consequently the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Interim Condensed Consolidated Financial Statements.

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

Consolidated Equity Statements

	As at September 30, 2023						
	Participating policyholders' accounts	Common shares	Preferred shares issued by a subsidiary and other equity instruments	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
(unaudited, in millions of Canadian dollars)		(Note 14)	(Note 15)			(Note 16)	
Balance as at December 31, 2021	$ 48	$ 1,706	$ 525	$ 17	$ 4,963	$ (14)	$ 7,245
Impact of adopting IFRS 17 (Note 4)	(48)	—	—	—	(226)	—	(274)
Impact of adopting IFRS 9 (Note 4)	—	—	—	—	292	(56)	236
Balance as at January 1, 2022[1]	—	1,706	525	17	5,029	(70)	7,207
Net income	—	—	—	—	334	—	334
Other comprehensive income	—	—	—	—	—	84	84
Comprehensive income for the year	—	—	—	—	334	84	418
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	(7)	7	—
Stock option plan	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(3)	—	—	(3)
Issuance of common shares	—	19	—	—	—	—	19
Redemption of common shares	—	(50)	—	—	(163)	—	(213)
Redemption of preferred shares issued by a subsidiary	—	—	(250)	—	—	—	(250)
Issuance of other equity instruments	—	—	250	—	(3)	—	247
Dividends on common shares	—	—	—	—	(277)	—	(277)
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments	—	—	—	—	(25)	—	(25)
Other	—	—	—	—	1	—	1
	—	(31)	—	—	(474)	7	(498)
Balance as at December 31, 2022[1]	**—**	**1,675**	**525**	**17**	**4,889**	**21**	**7,127**
Impact of adopting IFRS 9 (Note 4)	**—**	**—**	**—**	**—**	**7**	**—**	**7**
Balance as at January 1, 2023	**—**	**1,675**	**525**	**17**	**4,896**	**21**	**7,134**
Net income	**—**	**—**	**—**	**—**	**533**	**—**	**533**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**3**	**3**
Comprehensive income for the period	**—**	**—**	**—**	**—**	**533**	**3**	**536**
Equity transactions							
Transfer of post-employment benefits	**—**	**—**	**—**	**—**	**1**	**(1)**	**—**
Stock option plan	**—**	**—**	**—**	**2**	**—**	**—**	**2**
Stock options exercised	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**
Issuance of common shares	**—**	**12**	**—**	**—**	**—**	**—**	**12**
Redemption of common shares	**—**	**(55)**	**—**	**—**	**(236)**	**—**	**(291)**
Redemption of preferred shares issued by a subsidiary	**—**	**—**	**(150)**	**—**	**—**	**—**	**(150)**
Dividends on common shares	**—**	**—**	**—**	**—**	**(227)**	**—**	**(227)**
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments	**—**	**—**	**—**	**—**	**(12)**	**—**	**(12)**
Other	**—**	**—**	**—**	**—**	**2**	**—**	**2**
	—	**(43)**	**(150)**	**—**	**(472)**	**(1)**	**(666)**
Balance as at September 30, 2023	**$ —**	**$ 1,632**	**$ 375**	**$ 17**	**$ 4,957**	**$ 23**	**$ 7,004**

[1] The Consolidated Equity Statements as at December 31, 2022 and as at January 1, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022 and consequently the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Interim Condensed Consolidated Financial Statements.

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

	As at September 30, 2022						
	Participating policyholders' accounts	Common shares	Preferred shares issued by a subsidiary and other equity instruments	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
(unaudited, in millions of Canadian dollars)		(Note 14)	(Note 15)			(Note 16)	
Balance as at December 31, 2021	$ 48	$ 1,706	$ 525	$ 17	$ 4,963	$ (14)	$ 7,245
Impact of adopting IFRS 17 (Note 4)	(48)	—	—	—	(226)	—	(274)
Impact of adopting IFRS 9 (Note 4)	—	—	—	—	292	(56)	236
Balance as at January 1, 2022[1]	—	1,706	525	17	5,029	(70)	7,207
Net income	—	—	—	—	142	—	142
Other comprehensive income	—	—	—	—	—	151	151
Comprehensive income for the period	—	—	—	—	142	151	293
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	74	(74)	—
Stock option plan	—	—	—	2	—	—	2
Stock options exercised	—	—	—	(2)	—	—	(2)
Issuance of common shares	—	13	—	—	—	—	13
Redemption of common shares	—	(38)	—	—	(119)	—	(157)
Redemption of preferred shares issued by a subsidiary	—	—	(250)	—	—	—	(250)
Issuance of other equity instruments	—	—	250	—	(3)	—	247
Dividends on common shares	—	—	—	—	(206)	—	(206)
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments	—	—	—	—	(14)	—	(14)
Other	—	—	—	—	2	—	2
	—	(25)	—	—	(266)	(74)	(365)
Balance as at September 30, 2022[1]	$ —	$ 1,681	$ 525	$ 17	$ 4,905	$ 7	$ 7,135

[1] The Consolidated Equity Statements as at September 30, 2022 and as at January 1, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022 and consequently the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Interim Condensed Consolidated Financial Statements.

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)	**2023**	2022[1]
Cash flows from operating activities		
Income before income taxes	**$ 668**	$ 120
Other financing charges	**51**	41
Income taxes paid, net of refunds	**(119)**	(220)
Operating activities not affecting cash:		
Expenses (income) from insurance contracts	**(1,614)**	(9,269)
Expenses (income) from reinsurance contracts	**27**	287
Expenses (income) from investment contracts and interest on deposits	**108**	17
Unrealized losses (gains) on investments	**1,845**	9,905
Provision for credit losses	**39**	38
Other depreciation	**214**	192
Other items not affecting cash	**43**	(7)
Operating activities affecting cash:		
Sales, maturities and repayments on investments	**18,057**	21,005
Purchases of investments	**(20,289)**	(22,695)
Change in assets/liabilities related to insurance contracts	**1,334**	990
Change in assets/liabilities related to reinsurance contracts	**(310)**	(238)
Change in liabilities related to investment contracts and deposits	**1,021**	255
Other items affecting cash	**(268)**	(221)
Net cash from (used in) operating activities	**807**	200
Cash flows from investing activities		
Acquisition of businesses, net of cash (Note 5)	**(28)**	—
Sales (purchases) of fixed and intangible assets	**(210)**	(208)
Net cash from (used in) investing activities	**(238)**	(208)
Cash flows from financing activities		
Issuance of common shares	**10**	11
Redemption of common shares (Note 14)	**(291)**	(157)
Redemption of preferred shares issued by a subsidiary (Note 15)	**(150)**	(250)
Issuance of other equity instruments (Note 15)	**—**	246
Issuance of debentures (Note 13)	**397**	298
Redemption of debentures (Note 13)	**(400)**	(250)
Reimbursement of lease liabilities[2]	**(15)**	(15)
Dividends paid on common shares	**(227)**	(206)
Dividends paid on preferred shares issued by a subsidiary and distributions on other equity instruments	**(14)**	(14)
Interest paid on debentures	**(46)**	(43)
Interest paid on lease liabilities	**(2)**	(3)
Net cash from (used in) financing activities	**(738)**	(383)
Foreign currency gains (losses) on cash	**1**	12
Increase (decrease) in cash and short-term investments	**(168)**	(379)
Cash and short-term investments at beginning	**1,358**	1,546
Cash and short-term investments at end	**$ 1,190**	$ 1,167
Supplementary information:		
Cash	**$ 643**	$ 401
Short-term investments including cash equivalents	**547**	766
Total cash and short-term investments	**$ 1,190**	$ 1,167

[1] The Consolidated Cash Flows Statement for the nine months ended September 30, 2022 reflects the adoption of IFRS 17 and IFRS 9 on January 1, 2022 and consequently the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Interim Condensed Consolidated Financial Statements.

[2] For the nine months ended September 30, 2023, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of $15 ($10 for the nine months ended September 30, 2022) of items not affecting cash, 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, 2023 and 2022 (unaudited) (in millions of Canadian dollars, unless otherwise indicated)

1 › General Information

iA Financial Corporation Inc. (iA Financial Corporation) is a holding company listed on the Toronto Stock Exchange and incorporated under the *Business Corporations Act* (Quebec). iA Financial Corporation and its subsidiaries (the "Company") offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, loans, 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, 2022, which are included in the 2022 Annual Report. Following the adoption of IFRS 17 and IFRS 9 mentioned in Note 3 and Note 4, the Company has applied new accounting policies for the preparation of these Financial Statements, which are described in Note 2. In addition, certain information presented annually have been added to these Financial Statements in order to update the relevant information to their understanding.

Publication of these Financial Statements was authorized for issue by the Company's Board of Directors on November 7, 2023.

2 › Material Accounting Policy Information

a) Basis of Presentation

The Company's financial statements are established according to International Financial Reporting Standards (IFRS) applicable to financial statements beginning on or after January 1, 2023. The IFRS are published by the International Accounting Standards Board (IASB) and are based on International Financial Reporting Standards, International Accounting Standards (IAS), and on interpretations developed by the IFRS Interpretations Committee (IFRS IC).

The financial statements are presented in millions of Canadian dollars. The Canadian dollar is the Company's functional and reporting currency. The presentation order of the items included in the Statements of Financial Position is based on liquidity. Each line item includes both current and non-current balances, if applicable.

b) Important Estimates, Assumptions and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and complementary information. Management has exercised its judgment, made estimates and established the assumptions described in the notes referred to below:

Determination of control for purposes of consolidation	Note 2, section c) "Basis of Consolidation and Method" Note 8 "Management of Financial Risks Associated with Financial Instruments and Insurance Contracts"
Fair value and impairment of financial instruments and fair value of investment properties	Note 2, section d) "Invested Assets and Net Investment Income" Note 6 "Invested Assets and Net Investment Income" Note 7 "Fair Value of Financial Instruments and Investment Properties" Note 8 "Management of Financial Risks Associated with Financial Instruments and Insurance Contracts"
Classification and measurement of insurance contracts, reinsurance contracts and financial instruments at transition to IFRS 17 and IFRS 9	Note 4 "Impact of IFRS 17 and IFRS 9 Adoption"
Classification of contracts and measurement of insurance contracts and reinsurance contracts	Note 2, section j) "Insurance Contracts and Reinsurance Contracts" Note 12 "Insurance Contracts and Reinsurance Contracts", section F) "Important Judgments in the Measurement of Insurance Contracts and Reinsurance Contracts"
Intangible assets and goodwill	Note 2, section g) "Intangible Assets" Note 2, section h) "Goodwill" Note 5 "Acquisition of Businesses"
Income taxes	Note 2, section m) "Income Taxes" Note 18 "Income Taxes"
Post-employment benefits	Note 2, section q) "Post-Employment Benefits" Note 21 "Post-Employment Benefits"
Determination of reportable operating segments and allocation methodology in the presentation of segmented information	Note 19 "Segmented Information"

Actual results could differ from management's best estimates. Estimates and assumptions are periodically reviewed according to changing circumstances and facts, and changes are recognized in the period in which the revision is made and in future periods affected by this revision. Material accounting policy information, estimates and assumptions are detailed in the following notes when it is meaningful and relevant.

c) Basis of Consolidation and Method

Entities over which the Company exercises control are consolidated. Management makes judgments in determining whether control exists, particularly in determining the extent to which the Company has the ability to exercise its power to generate variable returns. Entities are consolidated from the date control is obtained and deconsolidated on the date control ceases. The acquisition method is used to account for the acquisition of a subsidiary and the difference between the acquisition cost of the subsidiary and the fair value of the subsidiary's net identifiable assets acquired is recorded as goodwill. Intercompany balances and revenues and expenses for intercompany transactions are eliminated on consolidation.

The Company uses the equity method to record associated entities over which it has significant influence and joint ventures over which it has joint control. Significant influence is presumed to exist when the Company holds 20% or more of the voting rights in an entity but does not have control over that entity. A joint venture exists when the Company has joint control of a joint arrangement and has rights to the net assets of the arrangement. Joint control is the sharing of control under a contractual agreement and exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company records its share of the entity's net assets and financial results using uniform accounting policies for similar transactions and events.

d) Invested Assets and Net Investment Income

Invested assets include financial assets such as cash and short-term investments, bonds, stocks, loans, derivative financial instruments, other invested assets and investment properties. At initial recognition, all financial assets are recorded at fair value.

Financial assets are classified into one of the following categories:
- assets at fair value through profit or loss;
- assets at amortized cost using the effective interest method.

Financial assets are classified according to their business model. The business model reflects how the Company manages the assets in order to generate cash flows and achieve business objectives. Judgment is used in determining the business models.

The management and performance assessment of most of the Company's financial instruments are carried out on a fair value basis. Consequently, most of the financial instruments of the Company must be classified at fair value through profit or loss. Three major exceptions are car loans, other loans and accounts receivable, which are managed with the primary objective of holding them in order to collect contractual cash flows, and not selling them. As such, they are classified at amortized cost.

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making its assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement. If the Company determines that the contractual cash flows associated with a financial asset are not solely payments of principal and interest, or if the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company applies the trade date accounting method, which is the date on which the Company commits to purchase or sell assets. Transaction costs related to financial assets classified at fair value through profit or loss are recorded in the Income Statement as incurred. Transaction costs related to assets classified at amortized cost are capitalized and amortized in the Income Statement using the effective interest method.

Invested assets are accounted for using the methods described below.

i) Cash and Short-Term Investments

Cash and short-term investments consist of cash, payments in transit and fixed income securities held for short-term commitments. Cash, payments in transit and some fixed income securities are classified at amortized cost and accounted for at amortized cost using the effective interest method. Other fixed income securities are classified at fair value through profit or loss and accounted for at fair value.

ii) Bonds

Fair Value Through Profit or Loss

Bonds classified at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income.*

iii) Stocks

Fair Value Through Profit or Loss

Stocks classified at fair value through profit or loss are measured at fair value. Realized and unrealized gains and losses are recognized immediately in *Change in fair value of investments* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the time the Company has the right to receive payment.

iv) Loans

Mortgages

Fair Value Through Profit or Loss

Mortgages classified at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income.*

Securitization of Mortgages

Residential Mortgages

The Company has transferred the risks and rewards related to securitized loans. As part of the securitization of residential mortgages, the asset derecognition criteria are met and, consequently, the Company has derecognized these loans. The liability related to the amounts initially securitized remains recorded in *Other liabilities*. Interest expenses on liabilities are recorded in *Net investment income* in the Income Statement.

Multi-residential and Non-residential Mortgages

As part of the securitization of multi-residential and non-residential mortgages, since the Company retains substantially all risks and rewards related to the transferred mortgages, the asset derecognition criteria are not met. The Company continues to recognize multi-residential and non-residential mortgages in the Statement of Financial Position and a liability related to the amounts securitized is recorded in *Other liabilities*. Interest income on securitized loans continues to be recorded in *Interest and other investment income* in the Income Statement and interest expenses on liabilities are recorded in *Net investment income* in the Income Statement.

Car Loans and Other Loans

Amortized Cost

Car loans and other loans are classified at amortized cost and are carried at amortized cost using the effective interest method. The carrying amount of the assets is adjusted by any allowance for credit losses. Interest and realized gains or losses on disposition of car loans and other loans are accounted for in *Interest and other investment income* in the Income Statement. The allowance for credit losses is recognized and measured as described in section ix) "Impairment of Financial Assets" of the present note.

v) Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency, interest rates, credit risk and other market risks associated with specific assets and liabilities. Derivative financial instruments are classified at fair value through profit or loss. Therefore, they are initially recorded at fair value on the acquisition date and subsequently revalued at their fair value. Derivative financial instruments with a positive fair value are recorded as assets while derivative financial instruments with a negative fair value are recorded as liabilities. Changes in fair value are recorded in *Change in fair value of investments* in the Income Statement unless the derivative financial instruments are part of a qualified hedging relationship, as described below.

The Company has elected, as permitted under IFRS 9, to continue applying the hedge accounting requirements of IAS 39.

Hedge Accounting

When the Company determines that hedge accounting is appropriate, a hedging relationship is designated and documented from inception. Effectiveness of the hedge is valuated on inception and at the end of each financial reporting period for the duration of the hedge. Hedge accounting, which recognizes the offsetting effects of hedging instruments and hedged items the same way, can only be applied if the relationship is demonstrated to be effective. If it is established that the hedging instrument is no longer an effective hedge, if the hedging instrument is sold or if the expected transaction has ceased to be highly probable, the Company ceases to apply hedge accounting prospectively.

Fair Value Hedging

Changes in fair value of hedging instruments and changes in fair value of assets arising from the hedged risk are recorded in *Change in fair value of investments* in the Income Statement. At the same time, the gain or loss on the ineffective portion of the hedge is recorded in *Net income*.

Cash Flow Hedging

The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement in *Change in fair value of investments*. When accumulated gains and losses in *Other comprehensive income* in respect of the hedged item have an impact on results during the period, they are reclassified to the Income Statement, whereas when they affect the Statement of Financial Position, they are reclassified to the Statement of Financial Position.

Net Investment Hedge

The Company uses currency forward contracts as hedging items of foreign exchange risk related to net investments in foreign operations. The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement as *Change in fair value of investments.* Cumulative gains and losses in *Other comprehensive income* are reclassified in the Income Statement in the period in which the net investment in foreign operations is subject to a total or partial disposition.

vi) Other Invested Assets

Other invested assets include the investment in associates and joint ventures, bonds and investment fund units that are restricted investments and notes receivable. Notes receivable are classified at amortized cost and are accounted for at amortized cost using the effective interest method. Investments in associates and joint ventures are accounted for according to the equity method as described in section c) "Basis of Consolidation and Method" of the present note. Bonds and investment fund units that are restricted investments are classified at fair value through profit or loss.

vii) Investment Properties

Investment properties are properties owned by the Company that are not owner-occupied and that are held to earn rental income or capital appreciation. Investment properties are recognized at the transaction price plus transaction costs upon acquisition. These properties are subsequently valued at fair value, except in the case of properties under construction, when the fair value cannot be reliably assessed. These are recorded at unamortized cost until the fair value can be reliably assessed. The fair value excludes the fair value of the linearization of rents, which is recorded in *Other assets*. Changes in fair value are recognized in *Change in fair value of investments* in the Income Statement. Rental income is recognized in the Income Statement linearly according to the term of the lease, and operating expenses of properties are recorded in *Net investment income*.

When an own-use property is reclassified to investment properties, the property is revalued at fair value at the transfer date. The change in fair value is recorded in *Other comprehensive income.*

viii) Derecognition

A financial asset (or portion of a financial asset) is derecognized when the contractual rights to the cash flows from the financial asset expire, or if the Company transfers to a third party the financial asset and substantially all the risks and rewards of the financial asset. If the Company does not transfer or retain substantially all the risks and rewards of the financial asset and keeps control over the ceded asset, the Company accounts for the part of the asset it kept and recognizes a corresponding liability for the amount payable.

ix) Impairment of Financial Assets

At the end of each reporting period, the Company applies a three-stage impairment model to measure the allowance for credit losses on all financial assets classified at amortized cost. Off-balance sheet items subject to impairment assessment include financial guarantees and loan commitments. The expected credit losses model is forward looking. Measurement of the allowance for credit losses reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. The amount of the allowance for credit losses therefore reflects changes in credit risk since the initial recognition of the financial asset.

Determining the Stage

The expected credit losses model uses a three-stage impairment approach, based on the change in the credit quality of financial assets since initial recognition.

If, at the reporting date, the credit risk of non-impaired financial assets has not increased significantly since initial recognition, these financial assets are classified in Stage 1, and an allowance for credit losses, which is measured at each reporting date at an amount equal to 12-month expected credit losses, is recorded.

When there is a significant increase in credit risk since initial recognition, these non-impaired financial assets are migrated to Stage 2, and an allowance for credit losses, that is measured, at each reporting date, at an amount equal to lifetime expected credit losses, is recorded.

In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, in accordance with the expected credit losses model, the financial asset must be reverted to Stage 1.

When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Financial assets may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and their level of expected credit losses. Financial assets are always classified in the various stages of the impairment model based on the change in credit risk between the initial recognition date of the financial asset and the reporting date, and an analysis of evidence of impairment.

Definition of Default and Credit-Impaired Financial Asset

The definition of default used in the impairment model corresponds to the definition used for internal credit risk management purposes.

Regardless of the above analysis, the Company considers that default occurs when contractual payments on the financial asset are in arrears for more than 90 days, unless the Company has reasonable and justifiable information to demonstrate that a late default criterion is more appropriate.

A financial asset is considered credit-impaired when it is in default, unless the detrimental impact on estimated future cash flows is considered insignificant.

Measurement of the Allowance for Credit Losses

The allowance for credit losses reflects an unbiased amount, based on a probability-weighted present value of cash flow shortfalls, and takes into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The cash shortfall is the difference between all contractual cash flows owed to the Company and all the cash flows that the Company expects to receive.

The measurement of the allowance for credit losses is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely probability of default, loss given default and exposure at default. The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. For financial assets in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the financial asset. Expected remaining life is the maximum contractual period the Company is exposed to credit risk, including extension options which the borrower has a unilateral right to exercise.

The allowance for credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for credit losses, the Company uses the econometric models for credit risk projection. These models estimate the impact of macroeconomic variables on the various credit risk parameters. Macroeconomic variables used in the expected credit loss models include gross domestic product, unemployment rate and Bank of Canada overnight rate. The Company uses three scenarios (base, optimistic and pessimistic) to determine the allowance for credit losses and assigns to each scenario a probability of occurrence. Each macroeconomic scenario used in the allowance for credit losses calculation includes a projection of all relevant macroeconomic variables used in depreciation models for a three-year period. The Company may also make adjustments in some cases to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters. Incorporating forward-looking information is based on a set of assumptions and methodologies specific to credit risk and economic projections and therefore requires a high degree of judgment.

For credit-impaired financial assets that are individually material, measuring the allowance for credit losses does not require the use of credit risk parameters, but is based on an extensive review of the borrower's situation and the realization of collateral held. The measurement represents a probability-weighted present value, calculated using the effective interest rate, of cash flow shortfalls that takes into consideration the impact of various scenarios that may materialize and information about future economic conditions.

Recognition of the Allowance for Credit Losses

At each reporting date, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets and recognizes a loss allowance for such credit losses. When there is an impairment, the Company recognizes and presents the allowance for credit losses as described below, according to the different types of assets and their classification.

The allowance for credit losses for loans measured at amortized cost, such as car loans and other loans, is deducted from the gross carrying amount of the financial assets in the Statement of Financial Position and accounted for in *Net Investment income* in the Income Statement. If the credit risk on the financial asset at the end of the reporting period is low or has not increased significantly since initial recognition, the Company records an allowance for credit losses on this financial asset related to expected credit losses for the next 12 months. Conversely, the Company recognizes expected lifetime credit losses on the financial asset in the event of a significant increase in credit risk since initial recognition.

Write-offs

A financial asset and its related allowance for credit losses is normally written off in whole or in part when the Company considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Company have been exhausted or if the borrower is bankrupt or winding up and balances owing are not likely to be recovered.

e) Other Assets

Other assets mainly include investment income due and accrued, due from agents, accounts receivable, deferred sales commissions, income tax receivable and funds deposited in trust. Except for commitments related to securities purchased under reverse repurchase agreements, financial assets included in *Other assets* are classified at amortized cost and are subject to impairment as described in section d) ix) "Impairment of Financial Assets". Real estate held for resale (foreclosed properties) is measured at the lower of fair value less cost to sell and the carrying value of the underlying loans at foreclosure date. Funds deposited in trust represent amounts received from clients held in trust.

The Company purchases securities and, simultaneously, agrees to resell them in the short term, at a set price and date. Commitments related to securities purchased under reverse repurchase agreements are recorded at fair value through profit or loss. Interest on reverse repurchase operations is recorded in the Income Statement in *Net investment income*.

The Company is involved in a public-private type service agreement, which must be accounted for in accordance with IFRIC 12 *Service Concession Arrangements*. The concession service to be received increases based on the fair value of operational and maintenance services, recovery costs, administrative costs and financing costs, and decreases through payments received. The concession account receivable, included in *Accounts receivable*, is accounted for at amortized cost using the effective interest rate.

f) Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation and mainly include own-use properties, right-of-use assets and other items classified under fixed assets. Right-of-use assets consist of rental space and other assets arising from leases, recognized at the commencement date of the contract, which is when the leased asset is made available to the Company.

The Company calculates depreciation using the straight-line method. The depreciation period is based on the estimated useful life using the following periods:

Own-use property components	10	to	60 years
Right-of-use assets	2	to	30 years
Other	3	to	15 years

g) Intangible Assets
Intangible assets are composed of assets with finite and indefinite useful life and are initially recorded at cost.

Intangible assets with finite useful life primarily include capitalized software applications, distribution networks and customer relationships. These assets are depreciated linearly over their estimated useful life varying between 4 and 25 years. Useful life is reassessed each year and any depreciation expense is adjusted prospectively, if applicable. Finite life intangible assets are subject to impairment testing if there is evidence of impairment and losses in value are calculated and recorded on an individual basis for each asset.

Intangible assets with indefinite useful life primarily include fund management contracts and distribution networks. These assets are not subject to depreciation and are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized in the Income Statement under *Other operating expenses* when the carrying value exceeds the recoverable value. Intangible assets are considered to have indefinite useful lives when, based on analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash inflows for the Company.

h) Goodwill
Goodwill represents the difference between the acquisition cost and the fair value of identifiable assets, assumed liabilities and contingent liabilities of the acquired entities at the acquisition date. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill resulting from business combinations is presumed to have an indefinite life and is not amortized.

The Company allocates goodwill to a cash-generating unit (CGU) or to a group of CGUs (hereinafter referred to collectively as CGU), which is the smallest group of identifiable assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. To determine whether there is impairment, the Company compares for each CGU the net carrying value and the recoverable amount. The recoverable amount is the higher of the fair value less costs of sale and the value in use. The value in use of a CGU is the discounted value of expected future cash flows resulting from a CGU. When the assets and liabilities of the CGU have not changed significantly, the recoverable amount substantially exceeds the carrying value of the CGU and impairment is unlikely under current circumstances, the most recent detailed calculation of the recoverable amount of the CGU carried out during a prior period is used in the impairment test for the period considered. Goodwill impairments are recorded as *Other operating expenses* in the Income Statement and cannot be reversed subsequently.

i) Segregated Funds
Funds from group or individual annuities issued by the Company may be invested in segregated portfolios at the option of the policyholders. The underlying assets are registered in the name of the Company and the segregated funds policyholders have no direct access to the specific assets. The policyholders bear the risks and rewards of the funds' investment performance. The Company derives fee income from the management of its segregated funds. These revenues are accounted for in the Income Statement as *Insurance revenue* for annuities classified as insurance contracts and as *Other revenues* for annuities classified as investment contracts. Investment income and changes in fair value of the segregated funds net assets are presented in *Investment income (expenses) from segregated funds net assets.* The risks and rewards of the funds' investment performance are presented in the Income Statement as *Finance income (expenses) related to segregated funds liabilities.*

Segregated Funds Net Assets
Segregated funds net assets are accounted for separately from the total general fund assets in the Statement of Financial Position and investments constituting segregated funds net assets are accounted for at fair value. Fair value is determined according to market prices or, if market prices are not available, according to the estimated fair values that the Company has established.

Insurance Contract Liabilities Related to Segregated Funds and *Investment Contract Liabilities Related to Segregated Funds*
Liabilities related to insurance or investment contracts whose financial risk corresponds to the risk assumed by policyholders are presented separately from the total general fund liabilities in the Statement of Financial Position and are accounted for at the same amount as the fair value of the segregated funds net assets. Both types of contracts are presented distinctively depending of their nature. As *Insurance contract liabilities related to segregated funds* arise from insurance contracts with direct participation features, they are measured under the variable fee approach under IFRS 17. The *Investment contract liabilities related to segregated funds* are accounted for at amortized cost under IFRS 9 *Financial Instruments* as they are investment contracts.

Liabilities related to the segregated funds guarantees granted by the Company are included in *Insurance contract liabilities* in the Statement of Financial Position.

j) Insurance Contracts and Reinsurance Contracts

i) Classification of Contracts

Contracts issued by the Company are classified as insurance contracts, investment contracts or service contracts.

Insurance contracts, including reinsurance acceptances for which the Company accepts insurance risk from other companies, are contracts that contain a significant insurance risk. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholders and whose amount and timing are unknown. Insurance contracts are accounted for according to IFRS 17 *Insurance Contracts.*

Investment contracts are contracts that contain a financial risk and which do not include a significant insurance risk. The financial risk represents the risk of a possible future change in one or more of the following items: specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract. Investment contracts are accounted for according to IFRS 9 *Financial Instruments* and are described in section k) "Investment Contract Liabilities and Deposits" in this note.

Service contracts are contracts that do not contain any significant insurance risk and no financial risk and for which the Company offers administrative services. Service contracts also include the service components of investment contracts. Service contracts are accounted for according to IFRS 15 *Revenue from Contracts with Customers* and are further described in section p) "Other Revenues" in the present note.

Contracts are analyzed to determine whether these arrangements should be accounted for as insurance, investment or service contracts. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless criteria for derecognition are met.

In the normal course of business, the Company uses reinsurance to limit its risk exposure. Reinsurance refers to the transfer of insurance risk, in exchange for a compensation (premium), to one or more reinsurers who share the risks. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured.

All references to insurance contracts include insurance contracts issued and reinsurance acceptances by the Company and all references to reinsurance contracts correspond to reinsurance contracts held to reduce the Company's own risk.

ii) Separating Components from Insurance Contracts and from Reinsurance Contracts

At inception, insurance contracts and reinsurance contracts are analyzed to determine distinct components which are within the scope of another standard. Both derivatives embedded within insurance contracts to be separated and cash flows related to a distinct investment component must be accounted for according to IFRS 9 *Financial Instruments* as if they were stand-alone financial instruments, when applicable. Any promise to provide distinct goods or services other than insurance contract services, such as administration services, is accounted for according to IFRS 15 *Revenue from Contracts with Customers*. All remaining components of the insurance contract are within the scope of IFRS 17 *Insurance Contracts*.

Unseparated embedded derivatives, investment components and goods or services which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are accounted for together with the insurance component. Investment component is defined as an amount required to be repaid to a policyholder in all circumstances, regardless of whether an insured event occurs, such as cash surrender value, universal life funds and segregated funds. The Company assesses the existence of any such investment component for all of its contracts at inception.

iii) Level of Aggregation and Recognition

The Company has determined that the appropriate level of aggregation of its insurance contracts into portfolios results in the aggregation of its contracts according to its product lines since they present similar risks and are managed together. The product lines are composed of the main products and services offered by the Company's different operating segments. Every portfolio is divided into groups that can fall into one of three categories: onerous contracts, non-onerous contracts with no significant possibility of becoming onerous and the remaining non-onerous contracts. Groups are in turn divided into annual cohorts, established by the year of issue. The Company has determined that the product lines also represent the right level of aggregation of its reinsurance contracts into portfolios. Groups are split between net gain and net cost and have annual cohorts. The Company generally assigns contracts to the group by set of contracts, rather than on a contract-by-contract basis.

Portfolios determine the level at which contracts are grouped for presentation purposes in the Statement of Financial Position. Insurance contract portfolios which include the liabilities for remaining coverage (LRC) and the liabilities for incurred claims (LIC) for which the total shows an asset are presented separately from those that show a liability. The same split in the presentation is applicable to reinsurance contract portfolios.

The group determines the level at which recognition and measurement are carried out. Group of contracts are established on initial recognition and their composition is not reassessed subsequently. In general, groups of insurance contracts are recognized when issued. In the event that a group of contracts is onerous, it would be recognized as soon as facts and circumstances indicate that the group is onerous. Groups of reinsurance contracts are recognized from the earlier of the beginning of their coverage period and the date an onerous group of underlying insurance contracts is recognized. In the event that insurance contracts and reinsurance contracts are acquired in a transfer of contracts or a business combination, the date of acquisition corresponds to the date of recognition.

iv) Contract Boundaries

All future cash flows within the boundary of each contract in the group have to be considered to measure a group of contracts and they are reassessed at each reporting date.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide insurance contract services to the policyholder. Any renewal option available in the contract at inception is included in the contract boundaries if the Company is obliged to comply with it at the request of the policyholder. A substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks and can modify the pricing. Expected premiums or claims outside the contract boundary are not recognized as liabilities or assets, as they relate to future insurance contracts.

Cash flows are within the boundary of a reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks or has a substantive right to terminate the coverage.

v) Measurement

The Company must analyze the terms and conditions of each contract to determine whether or not they meet the conditions of a contract with direct participation features. Most of the Company's insurance contracts are contracts without direct participation features. Some of the Company's insurance contracts are classified as direct participating contracts because, at inception, the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items and the Company has the obligation to pay the policyholder an amount equal to the fair value of the underlying items less a variable fee in exchange for investment services.

The Company uses the general measurement model (GMM) to measure the majority of its insurance contracts without direct participation features and its reinsurance contracts. For direct participating insurance contracts, such as segregated funds included in annuity contracts and participating life insurance products, the Company uses the variable fee approach (VFA). As they have similarities, these two methods are usually described together and the term frequently used is "insurance contracts not measured under the PAA".

The Company has chosen to apply the simplified approach called the premium allocation approach (PAA) for certain insurance contracts and reinsurance contracts. Thus, the Company applies the PAA for contracts whose coverage period at inception is one year or less, and for contracts longer than one year for which the measurement of the LRC does not differ materially from the measurement that would be determined by applying the GMM. Auto and home, extended warranties in the United States and special markets products are principally the ones using the PAA.

The Company has chosen to assess the accounting estimates entering into the measurement of insurance contracts and reinsurance contracts on a quarter-to-quarter basis instead of on a year-to-date basis, which means that the accounting estimates made in previous interim financial statements will not be changed. This choice applies to all groups of insurance contracts and reinsurance contracts.

i. Insurance Contracts Not Measured Under the PAA

Initial Measurement

On initial recognition, the measure of a group of insurance contracts not measured under the PAA corresponds to the total of the fulfilment cash flows and the contractual service margin.

Fulfilment Cash Flows

The fulfilment cash flows comprise estimates of future cash flows that the Company expects to fulfil insurance contracts, an adjustment to reflect the time value of money and the financial risk related to those cash flows, plus a risk adjustment for non-financial risk.

The estimates of future cash flows include all cash flows that are within the contract boundary including but not limited to premiums, claims and other insurance service expenses, surrender value options, policy loans which correspond to the unpaid capital balance that are fully secured by the cash surrender value on the insurance contracts on which the respective loans are made, and an allocation of insurance acquisition cash flows. Insurance acquisition cash flows, which consist of the costs of selling, underwriting and starting a group of insurance contracts, are directly included in the initial measurement of the group within the fulfilment cash flows.

The discount rate adjusting the estimates of future cash flows to reflect time value of money and the financial risk related to those 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.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

Contractual Service Margin

The contractual service margin (CSM) is a component of the liability of the group of insurance contracts which represents an unearned profit the Company will recognize as it provides insurance contract services in the future. On initial recognition of a group of insurance contracts, the CSM is measured as the excess, if any, of the expected present value of cash inflows over cash outflows within the boundary of the contract after adding the risk adjustment for non-financial risk. If the total is a net inflow, the group is non-onerous and no income or expenses arise from the initial recognition of the group. If the total is a net outflow, the group is onerous and no CSM is established for the group, a loss is immediately recognized in the Income Statement and a loss component is created in the LRC.

Loss Component

The loss component of the LRC determines the maximum amount of fulfilment cash flows that could subsequently be accounted for in the Income Statement as a reversal of losses on onerous contracts in the *Insurance service expenses* and which would be excluded from the *Insurance revenue*.

Contracts Acquired

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date. If the total is a net outflow, the group is onerous and a loss is immediately recognized in the Income Statement for contracts acquired in a transfer. If the contracts are acquired in a business combination, the net outflow is rather an adjustment to goodwill or to a gain on a bargain purchase.

Subsequent Measurement

At each reporting date, the carrying amount of a group of insurance contracts not measured under the PAA is the sum of the LRC and the LIC. The LRC comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and the remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not been paid, including claims that have been incurred but have not been reported.

Fulfilment Cash Flows

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

Changes in fulfilment cash flows relating to future services are offset by an equivalent amount in the CSM when the group is non-onerous (see "Contractual Service Margin" section below) whereas they are recognized under *Insurance service result* in the Income Statement for onerous groups. Changes in fulfilment cash flows relating to current or past services are recognized under *Insurance service result*. Changes in the effects of the time value of money and financial risk (on estimates of future cash flows and on the risk adjustment for non-financial risk) are recognized under *Net investment result* for contracts measured under the GMM. However, for contracts measured under the VFA, those changes are instead offset by an equivalent variation of the CSM, except for items covered by the risk mitigation option.

For contracts measured under the GMM, in order to have a consistent accounting treatment of the estimates of future cash flows and of the risk adjustment for non-financial risk, the Company has made the accounting policy choice to disaggregate the changes in the risk adjustment for non-financial risk. Therefore, the effects of the time value of money and financial risk are recognized in *Net investment result* instead of being recognized under *Insurance service result* (for current services) or offset by the CSM (for future services).

Contractual Service Margin

The subsequent measurement of the CSM is different depending on whether the GMM or VFA is used.

Insurance Contracts Without Direct Participation Features

Under the GMM, the carrying amount of the CSM at each reporting date is the balance at the beginning of the reporting period, plus the CSM of new contracts added to the group during the period and the interest accreted at discount rates at initial recognition on the carrying amount of the CSM during the period, adjusted by the changes in fulfilment cash flows relating to future services and by the effect of currency exchange differences on the CSM if applicable, less the amount recognized as insurance revenue due to the services provided in the period.

The changes in fulfilment cash flows relating to future services (mentioned above in the "Fulfilment Cash Flows" section) that adjust the CSM include experience adjustments arising from premiums received in the period that relate to future services, changes in estimates of the present value of future cash flows in the LRC at discount rates at initial recognition and not related to the time value of money nor financial risk, differences between investment components expected to be payable in the period versus the actual investment components that become payable in the period, and changes in risk adjustment for non-financial risk that relate to future services.

Direct Participating Insurance Contracts

Under the VFA, the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items that adjust the fulfilment cash flows do not adjust the CSM and are instead recognized in the Income Statement as these changes do not relate to future services.

The carrying amount of the CSM at each reporting date assessed under the VFA is the balance at the beginning of the reporting period, plus the CSM of new contracts added to the group during the period, adjusted by the changes in the amount of the Company's share of the fair value of the underlying items related to future service and by the changes in fulfilment cash flows that do not vary based on the returns on underlying items related to future services, except for items covered by the risk mitigation option, less the amount recognized as insurance revenue because of the services provided in the period.

The changes in fulfilment cash flows that do not vary based on the returns on underlying items that adjust the CSM are mostly the same as those specified in the section above for insurance contracts without direct participation features and are however measured at current discount rates. Moreover, they comprise the changes in the effect of the time value of money and financial risk that do not arise from underlying items, except for items covered by the risk mitigation option which are included in *Finance income (expenses) from insurance contracts*.

The changes in fulfilment cash flows that do not adjust the CSM are instead recognized in the Income Statement. These are changes in the Company's variable fee in the event that it exceeds the CSM resulting in a loss in the Income Statement, and also the changes in the effects of time value of money and financial risk allowed by the risk mitigation option that are included in *Finance income (expenses) from insurance contracts*. Indeed, the Company has made the accounting policy choice to use the risk mitigation option for cash flows that are covered by the dynamic hedging program used by the Company to mitigate financial risk arising from financial guarantees through the use of derivative and non-derivative financial instruments measured at fair value through profit or loss. Consequently, the effects of time value of money and financial risk on the Company's share of the fair value of the underlying items and on fulfilment cash flows covered by the dynamic hedging program are not recognized in the CSM.

Loss Component

Groups of contracts that were not onerous at initial recognition can subsequently become onerous if assumptions and experience changes and therefore a loss component of the LRC is afterwards established for those groups. The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows between the loss component of the LRC and the LRC excluding the loss component. When the loss component reaches zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

ii. Reinsurance Contracts Not Measured Under the PAA

The measurement of reinsurance contracts applying the GMM is similar to that of insurance contracts without direct participation features, with the exception of the following:

Initial Measurement

Fulfilment Cash Flows

For reinsurance contracts, the estimates of present value of the future cash flows are consistent with the assumptions of the underlying insurance contracts and contain an adjustment for the effect of the non-performance risk of the reinsurer. The risk adjustment for non-financial risk represents the amount of risk being transferred to the reinsurer, which is determined by the Company.

Contractual Service Margin

On initial recognition of a group of reinsurance contracts, the CSM represents a net cost or a net gain on purchasing the reinsurance and is accounted for in the Statement of Financial Position. The CSM is measured as the opposite amount of the sum of the fulfilment cash flows (estimates of discounted future cash flows plus a risk adjustment for non-financial risk) and the income recognized in the Income Statement for recovery of a loss recognized on onerous underlying contracts. Nevertheless, if a net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, the cost is immediately recognized in the Income Statement as an expense.

Loss-Recovery Component

A loss-recovery component of the asset for remaining coverage (ARC) included in the reinsurance assets is established for a group of reinsurance contracts for which onerous underlying insurance contracts had a loss recognized on initial recognition and is adjusted when further onerous underlying insurance contracts are added to a group. The loss-recovery component determines the maximum amount that could subsequently be accounted for in the Income Statement as reversal of recoveries of losses from reinsurance contracts.

Contracts Acquired

For reinsurance contracts acquired in a transfer of contracts or a business combination, the consideration paid for the contracts is used as a proxy of the premiums paid at the date of initial recognition. For reinsurance contracts covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying the amount of the loss component that relates to the underlying contracts at the date of acquisition by the percentage of claims on the underlying contracts at the date of acquisition that the Company expects to recover from the reinsurance contract. The amount of a loss-recovery component arising from reinsurance contracts acquired in a business combination is recognized as part of goodwill or as a gain on a bargain purchase, and is accounted for as income in the Income Statement when it arises from a transfer.

Subsequent Measurement

At each reporting date, the carrying amount of a group of reinsurance contracts is the sum of the ARC and the asset for incurred claims (AIC). The ARC comprises the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date. The AIC includes the fulfilment cash flows for incurred claims and amounts recoverable that have not been received from the reinsurer, including claims that have been incurred but have not been reported.

Fulfilment Cash Flows

The fulfilment cash flows of a group of reinsurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognized on the same pattern as the underlying contracts depending on whether they are onerous or non-onerous. Similar to insurance contracts measured under the GMM, the Company has made the accounting choice to disaggregate the changes in the risk adjustment for non-financial risk to recognize the effects of the time value of money and financial risk under *Net investment result,* in *Finance income (expenses) from reinsurance contracts.*

Contractual Service Margin

Under the GMM, the carrying amount of the CSM at each reporting date is the balance at the beginning of the reporting period adjusted for the variation in the period regarding the CSM of new contracts added to the group, the interest accreted at discount rates at initial recognition on the carrying amount of the CSM, the changes in fulfilment cash flows relating to future services except those relating to the onerous underlying ceded contracts that are recognized in the Income Statement, the effect of currency exchange differences on the CSM (if applicable) and the amount recognized in the Income Statement relating to services received in the period. The CSM is also adjusted for income recognized to cover a loss on initial recognition of an onerous group of underlying contracts and for reversals of a loss-recovery component related to the changes on onerous groups of underlying contracts. Changes in fulfilment cash flows arising from the underlying ceded contracts that have been recognized in the Income Statement as well as changes in the non-performance risk of the reinsurer assessed at each reporting date are recognized in the Income Statement and do not adjust CSM.

Loss-Recovery Component

The loss-recovery component is subsequently adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts and shall not exceed the portion of the carrying amount of the loss component that the Company expects to recover from the group of reinsurance contracts.

iii. Insurance Contracts Measured Under the PAA

Initial Measurement

On initial recognition, the carrying value of the LRC of a group that is not onerous is the total of the premiums received less any insurance acquisition cash flows at that date. The Company has chosen to include the insurance acquisition cash flows in the initial measurement of the LRC of the group.

For contracts longer than one year, the LRC is discounted to reflect the time value of money and financial risk using discount rates at initial recognition. For contracts with a coverage period of one year or less, there is no significant financing component related to the LRC and there is no adjustment for time value of money and financial risk.

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. In such case, a loss is immediately recognized in the Income Statement for the net outflow and a loss component of the LRC is created for the group.

Subsequent Measurement

At each reporting date, the carrying amount of a group of insurance contracts measured under the PAA is the sum of the LRC and the LIC.

The LRC at the beginning of the period is adjusted for the variations related to the period for the premiums received, the insurance acquisition cash flows paid, the amount recognized as insurance revenue for the services provided, the amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense for the group and an adjustment for time value of money and the effect of financial risk for contracts with a significant financing component.

Similar to insurance contracts not measured under the PAA, the LIC includes the fulfilment cash flows for incurred claims and expenses that have not been paid, including claims that have been incurred but have not been reported.

Loss Component

If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group. By the end of the coverage period of the group of contracts, the loss component will reach zero.

iv. Reinsurance Contracts Measured Under the PAA

The Company applies the same accounting policies to measure a group of reinsurance contracts as a group of insurance contracts measured under the PAA, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, the amount is recognized directly in the carrying amount of the ARC instead of the adjustment to the CSM that is required for reinsurance contracts not measured under the PAA.

vi) Derecognition and Contract Modification

An insurance contract is derecognized when it is extinguished, whether because the rights and obligations relating to the contract have expired, are discharged or are cancelled. On derecognition of a contract from within a group of contracts not measured under the PAA, the fulfilment cash flows allocated to the group are reduced by derecognizing the present value of the future cash flows and risk adjustment for non-financial risk that relate to the rights and obligations. The CSM of the group is then adjusted for the change in the fulfilment cash flows, except for changes allocated to a loss component. The number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognized from the group.

A contract modification may lead to a derecognition under certain conditions such as substantial changes to the contract boundary, or contract conditions that require the modified contract to be included in a different group or to use a different model for the measurement. Consequently, the modified contract is recognized as a new contract.

When a contract modification is not treated as a derecognition because neither of the criteria are met, the amounts paid or received for the modification to the contract are considered as changes in estimates of fulfilment cash flows of the LRC.

vii) Presentation in the Income Statement

Insurance Revenue

Insurance Contracts Not Measured Under PAA

At each reporting date, the Company recognizes insurance revenue in the Income Statement as it satisfies its performance obligations which consists in providing services under groups of insurance contracts, including investment services for managing underlying items on behalf of policyholders for direct participating insurance contracts. The amounts recognized during the period relating to the services provided correspond to the total of the changes in the LRC in the period that relate to services for which the Company expects to receive consideration. Insurance revenue is principally composed of recognition of the CSM for services provided, changes in the risk adjustment for non-financial risk relating to current services and release of expected claims and other insurance service expenses incurred in the period. In addition, a portion of revenue is recognized in a systematic way based on the passage of time for the recovery of the insurance acquisition cash flows. The release of the CSM into insurance revenue is done by equally allocating the CSM at the end of the period to each coverage unit provided in the current period and those expected to be provided in the future within the contract boundary.

Insurance Contracts Measured Under PAA

For contracts measured under the PAA, the insurance revenue for the period is the amount of expected premium receipts allocated for services provided in the period. For contracts with a coverage period of one year or less, the Company allocates the expected premium receipts on the basis of the passage of time since this represents the expected pattern of release of risk during the coverage period. For contracts with a coverage period longer than one year, the allocation to each period is made on the basis of the expected timing of incurred insurance service expenses.

Insurance Service Expenses

Insurance service expenses are composed principally of incurred claims and other insurance service expenses, amortization of insurance acquisition cash flows and losses on onerous contracts and reversals of such losses.

Net Expenses from Reinsurance Contracts

The Company has chosen to present income and expenses from reinsurance contracts, other than finance income and expenses from reinsurance contracts, under a single net amount as *Net expenses from reinsurance contracts* under *Insurance service result*, which corresponds to the net basis of the allocation to the Income Statement of reinsurance premium paid and the amounts recoverable from reinsurers. The allocation of reinsurance premiums paid is recognized in the Income Statement as the Company receives services under groups of reinsurance contracts. The amounts recovered from reinsurers comprise cash flows related to claims or benefit experience of the underlying contracts. The CSM amortization reflects the expected pattern of underwriting of the underlying contracts because the level of services provided depends on the number of underlying contracts in force.

Finance Income and Expenses from Insurance Contracts and from Reinsurance Contracts

For contracts measured under the GMM and when there is a significant financing component in contracts measured under the PAA, finance income and expenses from insurance contracts and from reinsurance contracts consider the effects of the time value of money, financial risks and their variations during the period on the carrying amount of groups of insurance contracts and of groups of reinsurance contracts.

For contracts measured under the VFA, it comprises changes in the fair value of underlying items, excluding deposits and withdrawals, and changes arising from the effect of the time value of money and financial risk on onerous contracts since these effects cannot be offset by the CSM. As mentioned in the "Direct Participating Insurance Contracts" sub-section, *Finance income (expenses) from insurance contracts* includes the effects of time value of money and financial risk on the Company's share of the fair value of the underlying items and on fulfilment cash flows covered by the dynamic hedging program as allowed by the risk mitigation option. Segregated funds finance income and expenses amounts are presented distinctively in the Income Statement as *Finance income (expenses) related to segregated funds liabilities.* Moreover, the presentation regarding segregated funds is described in section i) "Segregated Funds" above.

The Company has made the accounting policy choice to include the finance income or expenses from insurance contracts and from reinsurance contracts in the Income Statement and therefore does not disaggregate these between the Income Statement and the Other Comprehensive Income Statement. This accounting policy is consistent with the fact that the related financial assets are managed on a fair value basis and measured and accounted for at fair value through profit or loss in the Income Statement.

Investment Components and Premium Refunds

Amounts received and payments related to investment components as well as premium refunds which meet the definition of an investment component only affect the insurance contract liabilities or assets and therefore do not have an impact on the Income Statement.

k) Investment Contract Liabilities and Deposits

Investment contract liabilities relate to contracts that do not include a significant insurance risk but that contain a financial risk. These contracts are initially carried at fair value less transaction costs directly related to the establishment of the contracts and are subsequently measured at amortized cost. The liability is derecognized when it is extinguished, whether because all the obligations relating to this type of contract have been performed, cancelled or have expired.

Deposits are classified as financial liabilities at amortized cost and are initially recognized at fair value. Subsequently, client deposits are measured at amortized cost using the effective interest rate method. Interest calculated on the effective interest rate is recognized in the Income Statement and presented in (*Increase) decrease in investment contract liabilities and interest on deposits.*

l) Other Liabilities

Other liabilities are primarily made up of post-employment benefits, amounts on deposit for products other than insurance contracts, accounts payable, short-selling securities and securitization liabilities. Financial liabilities included in *Other liabilities* are classified as financial liabilities at amortized cost, except for short-selling securities, securitization liabilities and securities sold under repurchase agreements, which are classified at fair value through profit or loss. Securitization liabilities and securities sold under repurchase agreements have been designated at fair value through profit or loss since they are part of a group of financial assets and financial liabilities whose management and performance are evaluated on a fair value basis.

Under securities sold under repurchase agreements, the Company sells securities and, simultaneously, agrees to repurchase them in the short term, at a set price and date. Commitments related to securities acquired under repurchase agreements are recorded at fair value through profit or loss. Interest on repurchase operations is recorded in the Income Statement under *Net investment income*.

Liabilities classified or designated at fair value are recorded at fair value in the Statement of Financial Position. Realized and unrealized gains and losses are recognized in *Change in fair value of investments* in the Income Statement. For designated financial liabilities, when change in fair value is attributable to a change in the Company's own credit risk, the change of value is presented in the Comprehensive Income Statements. A financial liability is derecognized when the obligation related to the financial liability is settled, cancelled or expires.

Lease liabilities are recognized, from the commencement date of the contract, at the discounted value of the lease payments that have not yet been paid, discounted at the interest rate implicit in the lease, or if this rate is not available, at the incremental borrowing rate. After their initial recognition, lease liabilities are recorded at amortized cost using the effective interest method and the related interest expense is recognized in *Other financing charges* in the Income Statement. Lease liabilities exclude amounts relating to variable lease payments or payments for which the Company is reasonably certain not to exercise. The Company has elected to recognize lease payments for short-term and low-value contracts on a straight-line basis over the lease term in *Other operating expenses* and in *Insurance service expenses*.

m) Income Taxes

The income tax expense includes current taxes and deferred taxes. The calculation of current income tax expense is based on taxable income for the year. Current tax assets and liabilities for the current and previous periods are measured at the amount expected to be paid to or received from tax authorities using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred income taxes result from temporary differences between the assets' and liabilities' carrying value and their value for tax purposes, using those rates enacted or substantively enacted applicable to the periods the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences subject to certain exceptions, carry forward for unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which these assets can be utilized. The Company assesses all available evidence, both positive and negative, to determine the amount of deferred tax assets to be recognized.

Deferred tax liabilities are recognized for all taxable temporary differences, subject to certain exceptions in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset them, for the same legal entity and levied by the same taxation authority, and if the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The current and deferred taxes are presented in the Income Statement except when they relate to items that are recognized in *Other comprehensive income* or directly in equity. In this case, they are presented in the Comprehensive Income Statement and the Equity Statement respectively.

The Company is subject to income tax laws in Canada and the United States. Tax laws are complex and may be subject to different interpretations by the Company and by the tax authority. The provision for income taxes and deferred income taxes represents the Company's interpretation of the tax laws and estimates of current and future tax consequences of the transactions and events during the period. In addition, future events, such as changes in tax laws, tax regulations or the interpretations of such laws or regulations could have a material effect on the amounts of the tax expense, the deferred income tax and the effective tax rate during the year in which they occur.

n) Debentures

The Company has chosen to classify its debentures as financial liabilities at amortized cost. The fair value, net of related transaction costs, is used to initially recognize the debentures. Debentures are subsequently measured at amortized cost using the effective interest method. Interest calculated according to the effective interest method and premiums paid on redemption of debentures are recognized in the Income Statement and presented as *Other financing charges.*

o) Foreign Exchange Conversion

Transactions in foreign currencies are converted into the functional currency at the rate in effect when each transaction takes place. Monetary items in the Statement of Financial Position are converted at the end-of-period exchange rate. Non-monetary items in the Statement of Financial Position that are measured at fair value are converted at the end-of-period exchange rate, while non-monetary items that are measured at historical cost are converted at the exchange rate in effect when each transaction takes place. Gains and losses on foreign currency conversions are recognized in the Income Statement.

The financial statements of certain entities of the group, whose functional currency (the currency of the principal economic environment in which the entity operates) differs from the parent company, are converted into the reporting currency. Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the end-of-period exchange rate. Revenues and expenses are translated at the average rate. Gains and losses on foreign currency and hedge results of some of these investments are accounted for in *Other comprehensive income, net of income taxes.*

p) Other Revenues

Other revenues mainly come from contracts that meet the definition of service contracts and especially include fees earned from the management of the Company's mutual fund assets and the Company's segregated fund assets relating to investment contracts, as well as commissions from intermediary activities, administration income and administrative services only (ASO) income. Other revenues are recognized based on the considerations specified in the contract with the customer and exclude any amounts received on behalf of third parties. The nature of the activities included in other revenues represents a single performance obligation (service) which consists of a series of similar services provided to the same customer. The Company recognizes other revenues in the Income Statement over time when services are rendered and when it is unlikely that they will be reversed.

q) Post-Employment Benefits

The Company has established defined benefit plans and provides certain post-retirement benefits to eligible employees. In some cases, eligible retirees have to pay a portion of premiums for these benefits. The cost of the retirement plans is determined using the Projected Unit Credit Method and management's best estimate regarding the discount rate, salary increases, mortality and expected health care costs. Defined benefit costs are divided into four components: service cost, net interest and administrative expense, which are shown in the Income Statement as *Other operating expenses* and *Insurance service expenses,* and revaluations, which are presented in *Other comprehensive income.*

The revaluations of defined benefit net liabilities (assets) include the actuarial gain or loss, the yield on plan assets (excluding amounts included in net interest on the defined benefit net liabilities (assets)) and the variation of the asset ceiling on a capitalized benefit plan, if applicable, and are recognized immediately as *Other liabilities (Other assets)* in the Statement of Financial Position and in *Other comprehensive income* on the other side. The Company decided to transfer the amounts recorded in *Other comprehensive income* to *Retained earnings*. The cost of past service is recognized in *Net income* in the period in which there has been a change, reduction or liquidation of the pension plan. The net interest is calculated by multiplying the defined benefit net liabilities (assets) at the beginning of the period by the discount rate. The difference between defined benefit assets and defined benefit obligations under defined benefit plans is recognized as an asset or liability in the Statement of Financial Position. The discount rate used to determine obligations under defined benefit plans is based on the market interest rate at the valuation date for debt securities with high quality and cash flows in line with forecast benefit payments.

In accordance with IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*, the Company must determine whether the assets of a capitalized plan provide an economic benefit to the Company through refunds from the plan or as a reduction in future contributions to the plan. If not, the net liabilities (assets) resulting from the obligation in respect of defined benefits must reflect the ceiling on the capitalized plan assets.

r) Stock-Based Compensation

i) Stock Option Plan

The stock option plan is accounted for as a transaction which is settled in equity. The cost of stock options granted is calculated using the fair value method. Fair value of options is estimated at the grant dates taking into account a forfeiture rate and using the graded vesting method. The cost of stock options is accounted for as a remuneration expense included in *Other operating expenses* in the Income Statement. The corresponding amount is recorded in the Company's *Contributed surplus* in the Equity Statement. For options that are cancelled before vesting, the remuneration expense that has previously been recognized is reversed. When options are exercised, contributed surplus is reversed and the shares issued are credited to share capital. Stock-based compensation is recognized at the grant date for grants to management personnel who are eligible to retire on the grant date and over the period from the date of grant to the date of retirement eligibility for grants to management personnel who will become eligible to retire during the vesting period.

ii) Share Purchase Plan for Employees

The Company's cash contribution is charged to the Income Statement as *Other operating expenses* and *Insurance service expenses* in the period the common shares are purchased.

iii) Deferred Share Units Plan

Measurement of deferred share units, which are settled in cash, is based on the value of the Company's common shares. When a grant is made, the Company recognizes a remuneration expense in the Income Statement and a liability equivalent to the fair value of the Company's common shares in the Statement of Financial Position. This liability is revalued at the end of each reporting period and on the settlement date according to the value of the Company's common shares and the change in fair value is recorded in *Other operating expenses* in the Income Statement.

iv) Mid-Term Incentive Plan and Time-Based and Performance-Based Restricted Share Unit Plan

Measurement of these plans, which are settled in cash, is based on the value of the Company's common shares. At the end of each reporting period, the Company records a remuneration expense in the Income Statement and a liability in the Statement of Financial Position, equal to the average fair value of the Company's common shares for the reference period. This expense is amortized linearly according to the estimated number of shares expected to be vested at the end of the vesting period. Changes in the fair value of liabilities are recorded in *Other operating expenses* and *Insurance service expenses* in the Income Statement.

v) Restricted Share Units Plan

The restricted share units plan is accounted for as a share-based payment transaction that is settled in cash. Its valuation is based on the fair value of the common shares of a subsidiary of the Company, which, for the purposes of the plan, is deemed to wholly own certain other subsidiaries of the group which are not under its control. Fair value is determined using equity valuation models. Based on the estimated number of restricted share units expected to be vested, the Company recognizes the remuneration expense in *Other operating expenses* in the Income Statement and the corresponding liability in the Statement of Financial Position for the vesting period. At the end of each reporting period and on the settlement date, the liability is remeasured based on the fair value of the common shares of the subsidiary and the change is recorded in *Other operating expenses* in the Income Statement.

3 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2023.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 17 *Insurance Contracts*	*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 this standard were also published in June 2020 and December 2021 with the objective to help entities to prepare for its implementation. 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 key principles of IFRS 17 are that the Company: • identifies as insurance contracts those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder; • separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards; • presents, measures and recognizes insurance contracts and reinsurance contracts separately; • recognizes and measures groups of insurance contracts at present value of the future cash flows; these cash flows incorporate all of the available information about the fulfilment cash flows, plus the risk adjustment and the contractual service margin (CSM); • recognizes the profit from a group of insurance contracts over the period for which the Company provides insurance coverage, and as the Company is released from risk. If a group of contracts is expected to be onerous over the remaining coverage period, the Company recognizes the loss immediately; • presents insurance revenue, insurance service expenses and insurance finance expenses separately, excluding investment components; • discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows. *Impact*: The Company has applied this new standard as at January 1, 2023 and the impact is described in Note 4 "Impact of IFRS 17 and IFRS 9 Adoption".
IFRS 9 *Financial Instruments*	*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. *Impact*: The Company has applied this new standard as at January 1, 2023 and the impact is described in Note 4 "Impact of IFRS 17 and IFRS 9 Adoption".
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 apply prospectively. *Impact:* No significant impact on the Company's 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 apply prospectively. *Impact:* No impact on the Company's 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 apply on a modified retrospective basis. *Impact*: No impact on the Company's financial statements. *Description:* On May 23, 2023, the IASB published an amendment to IAS 12 *Income Taxes*. The amendment *International Tax Reform – Pillar Two Model Rules* provides a temporary exception from recognizing and disclosing information about deferred tax assets and liabilities arising from the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development (OECD). This mandatory exception applies immediately and retrospectively. The amendment also introduces targeted disclosure requirements for periods in which Pillar Two legislation is enacted or substantively enacted. These disclosure requirements apply prospectively to annual financial statements beginning on or after January 1, 2023. *Impact:* The Company does not recognize nor disclose information about deferred tax assets and liabilities arising from the OECD's Pillar Two Model Rules, as required by the exception provided for in this amendment. The Company is actively monitoring legislative developments in the Canadian government's implementation of the OECD's Pillar Two Model Rules in order to evaluate the impact of this amendment on its 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.

Standards or amendments	Description of the standards or amendments
IAS 1 *Presentation of 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.
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.
IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*	*Description:* On May 25, 2023, the IASB published an amendment to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures.* The amendment *Supplier Finance Arrangements* requires entities to disclose information about supplier finance arrangements and their effects on liabilities, cash flows and exposure to liquidity risk in order to increase transparency on this type of arrangement. The provisions of this amendment will apply prospectively 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.
IAS 21 *The Effects of Changes in Foreign Exchange Rates*	*Description:* On August 15, 2023, the IASB published an amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates.* The amendment *Lack of Exchangeability* specifies when a currency is exchangeable and when it is not, how to determine the exchange rate when a currency is not exchangeable, and the additional information required to be disclosed when a currency is not exchangeable. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2025. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.

4 › Impact of IFRS 17 and IFRS 9 Adoption

The initial and simultaneous application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* as at January 1, 2023, had a limited effect on the Company's equity at transition on January 1, 2022, resulting in a $10 increase in shareholders' equity.

Reconciliation of the Consolidated Statement of Financial Position as at January 1, 2022

The following table presents the impact of the IFRS 17 and IFRS 9 standards on the Consolidated Statement of Financial Position at the transition date. Refer to the sub-sections titled "Impact of the Adoption of IFRS 17" and "Impact of the Adoption of IFRS 9" below to have more information.

(in millions of dollars)	As at December 31, 2021	IFRS 17 adjustments	IFRS 9 adjustments	As at January 1, 2022
Investments	$ 45,651	$ (182)	$ 295	$ 45,764
Insurance and reinsurance contract assets	2,210	(194)	(3)	2,013
Segregated funds net assets	39,577	—	—	39,577
Other	7,221	(956)	2	6,267
Total assets	$ 94,659	$ (1,332)	$ 294	$ 93,621
Insurance, reinsurance and investment contract liabilities and deposits	$ 37,117	$ 4,234	$ —	$ 41,351
Insurance and investment contract liabilities related to segregated funds	39,577	—	—	39,577
Other	10,720	(5,292)	58	5,486
Total liabilities	$ 87,414	$ (1,058)	$ 58	$ 86,414
Participating policyholders' accounts	$ 48	$ (48)	$ —	$ —
Total shareholders' equity	7,197	(226)	236	7,207
Total equity	$ 7,245	$ (274)	$ 236	$ 7,207

As a result of the application of IFRS 17 and IFRS 9, described in the following sections, the net income attributed to common shareholders for the year ended December 31, 2022 resulted in a decrease from $817 to $309, and the earnings per common share (basic) for the year ended December 31, 2022 decreased from 7.68 dollars to 2.90 dollars. These results are in the context of the transition of the Company's invested asset portfolio from an asset-liability matching strategy adapted to the previous standards to an asset-liability matching strategy adapted to the new standards. This transition was occurring in 2022 and was not fully completed as at December 31, 2022, and this contributed to higher net income volatility in 2022, as the measurement is now done under the new standards. Therefore, the difference in the net income attributed to common shareholders is mainly explained by the different impacts of macroeconomic variations under the new applicable standards (IFRS 17 and IFRS 9) and the previous standards (IFRS 4 and IAS 39) in force before the transition.

Impact of the Adoption of IFRS 17

The impacts of the adoption of IFRS 17 have been recognized through adjustments to *Retained earnings* and *Participating policyholders' accounts* and are disclosed in the Consolidated Equity Statements. The *Retained earnings* as at January 1, 2022 have been decreased by an amount of $226 related to the new principles of recognition and measurement of insurance contract liabilities, that is, $310 before the adjustment of $84 on deferred income tax net assets. In addition, IFRS 17 has led to some reclassifications between insurance and reinsurance contract assets, insurance, reinsurance and investment contract liabilities, other assets, other liabilities and participating policyholders' accounts which had no impact on shareholders' equity. The amount of $48 for participating policyholders' accounts is now included in insurance contract liabilities. At the time of transition, in order to group items with a similar nature together, the Company elected to reclassify in *Investment contract liabilities and deposits* an amount of $2,087 relating to amounts that the Company owes to clients which were in *Other liabilities* before the application of the new standards. All these reclassifications can be found in the *IFRS 17 adjustments* column in the table above.

As IFRS 17 adoption resulted in significant changes to the accounting of insurance contracts and reinsurance contracts, certain comparative figures have been restated and the Company has prepared its opening Statement of Financial Position as at January 1, 2022. As determined in the IFRS 17 transition provisions, the Company has not presented the effects of the initial application of IFRS 17 on each financial statement line item affected in these financial statements.

The nature and main impacts of the changes in accounting policies are summarized below. More detailed information regarding accounting policy choices is described in Note 2 "Material Accounting Policy Information".

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied retrospectively to the extent practicable. On transition date, January 1, 2022, the Company:

- identified, recognized and measured each group of insurance contracts and reinsurance contracts as if IFRS 17 had always applied unless impracticable;
- derecognized any existing balances that would not exist had IFRS 17 always applied. *Outstanding premiums*, *Due from reinsurers* and an amount of $566 for *Deferred sales commissions* that were included in *Other assets*, as well as *Unearned premiums*, *Due to reinsurers, Other insurance contract liabilities* and *Fair value of purchased business in force* that were presented in *Other liabilities* are no longer presented separately. These items are henceforth included, for each portfolio, as *Insurance contract assets*, *Insurance contract liabilities*, *Reinsurance contract assets* or *Reinsurance contract liabilities*;
- recognized any resulting net difference directly in equity.

The Company has applied two different approaches to measure the contracts at the transition date: the full retrospective approach and the fair value approach.

a) Full Retrospective Approach

On transition to IFRS 17, the Company has applied the full retrospective approach, unless impracticable. The full retrospective approach has been applied to all groups of insurance contracts and reinsurance contracts evaluated under the premium allocation approach and to direct participating insurance contracts issued on or after January 1, 2020.

For most groups of contracts, the full retrospective approach was impracticable, since reasonable and supportable information to apply this approach was not available without undue cost or effort. Indeed, the historical data to be used in the calculation of insurance contract liabilities at the date of initial recognition have not been collected in accordance with the requirements of the new standard, which are more granular than before, and due to technological and system limitations. Moreover, the full retrospective approach requires the use of significant accounting estimates and management's assumptions consistent with the information that would have been available on the date of initial recognition, which could not be made without the use of hindsight.

b) Fair Value Approach

Consequently, the Company has applied the fair value approach to most groups of contracts, i.e., almost all insurance contracts and reinsurance contracts issued before January 1, 2022, including groups of insurance contracts with direct participation features to which the risk mitigation option was applied. In determining fair value, the Company has applied the requirements of IFRS 13 *Fair Value Measurement*, except for the demand deposit floor requirement. Management exercises its judgment and uses estimations to determine the fair value. The contractual service margin (or the loss component) of the liability for remaining coverage at the transition date is the difference between the fair value of the group of insurance contracts and the fulfilment cash flows of the group measured at that date.

The Company used the appraisal value approach to calculate the fair value of the insurance contracts and reinsurance contracts at the transition date. This valuation technique, a common method applied across the Canadian industry, establishes the price that a prospective buyer is willing to pay to purchase a block of business acquired as part of a transfer or in a business combination. The fair value obtained with this approach represents the amount of assets that would be required to take over the obligations of these contracts, and thus takes into account the fulfilment cash flows plus the compensation required by this prospective buyer to assume these liabilities.

The calculation of the fair value involves assumptions to represent what a market participant would use to value the insurance contracts. Those assumptions were added to the ones used in measuring the fulfilment cash flows. Mainly, fulfilment cash flows were adjusted to include a reasonable level of operating expenses not related to insurance service that a market participant would expect to incur, as well as an expected compensation, based on the capital requirements, for taking the risks inherent with the insurance contracts. Also, initial market interest rates have been used, but adjusted for their evolution over time for future reinvestment in order to consider the reinvestment risk a market participant would have to face.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to identify any discretionary cash flows for insurance contracts without direct participation features.

The discount rate for groups of contracts applying the fair value approach was determined at the transition date and also corresponds to the discount rate at initial recognition for these groups of insurance contracts.

At transition, for groups of contracts under the fair value approach, the Company has aggregated contracts issued more than one year apart in the same group as reliable information to aggregate contracts issued within one year was not available.

Impact of the Adoption of IFRS 9

Before the adoption of IFRS 9, the Company was applying IAS 39 *Financial Instruments*. The IFRS 9 requirements related to classification and measurement, as well as those related to impairment, have been applied retrospectively through adjustments to the Financial Position Statement amounts. The Company has elected to apply the classification overlay to restate its comparative information, as permitted by an amendment to IFRS 17. The impacts of IFRS 9 adoption were recognized through adjustments to *Retained earnings and accumulated other comprehensive income,* resulting in an increase of $236 of the shareholders' equity as at January 1, 2022 and a subsequent increase of $7 of the shareholders' equity as at January 1, 2023.

The nature and main impacts of the changes in accounting policies are summarized below. More detailed information regarding accounting policy choices is described in Note 2 "Material Accounting Policy Information".

Classification Overlay

The classification overlay has been applied to all financial assets, including derecognized assets in the comparative period. The Company applied impairment requirements of IFRS 9 for the comparative period. The change of classification as at January 1, 2022 has been applied using the projected classification on January 1, 2023. No further change of classification for financial assets has been made as at January 1, 2023.

Classification and Measurement of Financial Instruments

Financial assets can be classified into three categories: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. An entity can make the irrevocable election at initial recognition to designate a financial instrument at fair value through profit or loss. The classification is generally based on the business model in which a financial asset is managed along with its contractual cash flow characteristics. IFRS 9 eliminates the previous categories of held to maturity, loans and receivables and available for sale.

The Company has established that short-term investments, bonds and mortgages are managed and their performance is evaluated on a fair value basis, therefore they must be classified at fair value through profit or loss. For cash, car loans and other loans, the objective is to collect the contractual cash flows only, so they must be classified at amortized cost.

Hedge Accounting

At the transition date as at January 1, 2022, the Company ended the following fair value hedge accounting relationships: interest rate risk hedging for financial assets classified as available for sale, and currency rate risk hedging for financial assets classified as available for sale. It also ended the following cash flow hedge relationship: currency rate risk hedging on financial assets denominated in foreign currency. The hedge accounting relationship that the Company terminated was accounted for the same way as the reclassification of the financial asset accounted for previously as available for sale.

At the date of first application as at January 1, 2023, the Company ended its fair value hedge accounting relationship on interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The balance was reclassified against the balance of the financial liabilities.

Effect of Initial Application

Classification of Financial Instruments

The following table presents the classifications and carrying amounts of financial assets as previously established in accordance with IAS 39, as well as the new classifications and new carrying amounts established in accordance with IFRS 9, where applicable:

	January 1, 2022			
	Carrying value under		Classification under	
(in millions of dollars)	IAS 39	IFRS 9	IAS 39	IFRS 9
Financial assets				
Cash	$ 1,330	$ 1,330	Loans and receivables	Amortized cost
Short-term investments	216	216	Held for trading	At fair value through profit or loss
Bonds	24,929	24,929	Designated at fair value through profit or loss	At fair value through profit or loss
Bonds	4,795	4,795	Available for sale	At fair value through profit or loss
Bonds	255	255	Held to maturity	At fair value through profit or loss
Bonds	2,886	3,148	Loans and receivables	At fair value through profit or loss
Stocks	3,357	3,357	Designated at fair value through profit or loss	At fair value through profit or loss
Stocks	549	520	Available for sale	At fair value through profit or loss
Mortgages	89	89	Designated at fair value through profit or loss	At fair value through profit or loss
Mortgages	1,805	1,877	Loans and receivables	At fair value through profit or loss
Car loans and other loans[1]	1,056	1,904	Loans and receivables	Amortized cost
Derivative financial instruments	917	917	Held for trading	At fair value through profit or loss
Other invested assets – Notes receivable	6	6	Loans and receivables	Amortized cost
Other invested assets – Restricted bonds and investment fund units	92	92	Available for sale	At fair value through profit or loss
Other assets – Securities purchased under reverse repurchase agreements	—	—	Loans and receivables	At fair value through profit or loss
Total	$ 42,282	$ 43,435		

[1] As at January 1, 2022, of the $1,040 originally reported in *Policy loans* under IAS 39 as at December 31, 2021, an amount of $858 has been reclassified in *Car loans and other loans* and an amount of $182 has been reclassified in *Insurance contract liabilities (assets)*.

Other invested assets shown in the Statement of Financial Position also include investments in associates and joint ventures.

	January 1, 2023			
(in millions of dollars)	**Carrying value under**		**Classification under**	
Financial liabilities	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Other liabilities – Securitization liabilities	$ 453	**$ 443**	At amortized cost	Designated at fair value through profit or loss
Other liabilities – Securities sold under repurchase agreements	—	**—**	At amortized cost	Designated at fair value through profit or loss
Other liabilities – Short-selling securities	956	**956**	Held for trading	At fair value through profit or loss
Total	$ 1,409	**$ 1,399**		

The financial assets included in *Other assets* and the financial liabilities included in *Other liabilities* that are not mentioned in the tables above were respectively classified under IAS 39 as loans and receivables and at amortized cost, and are classified at amortized cost under IFRS 9. There is no change in classification for debentures, investment contract liabilities and deposits, and investment contract liabilities related to segregated funds.

Impairment of Financial Instruments

IFRS 9 replaces the incurred loss model of IAS 39 with a forward-looking expected credit loss model. The new impairment model applies to financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. Impaired financial instruments classified as available for sale, held to maturity or loans and receivables under IAS 39 and now classified at fair value through profit or loss under IFRS 9 have impairment reflected through their change of fair value and, as a result, are no longer impaired through a loss allowance.

The following table presents the reconciliation of the allowance for credit losses established in accordance with IAS 39 with the one established in accordance with IFRS 9:

	January 1, 2022		
(in millions of dollars)	Allowance for credit losses under IAS 39	Impairment adjustment	Allowance for credit losses under IFRS 9
Financial assets			
Car loans and other loans	$ (28)	$ (10)	$ (38)
Total	$ (28)	$ (10)	$ (38)

Reconciliation of the Carrying Value under IFRS 9

The following table presents the reconciliation of the carrying value from IAS 39 to IFRS 9 by type of financial assets and by classification:

(in millions of dollars)		**Bonds – Available for sale**	**Bonds – Held to maturity**	**Bonds – Loans and receivables**	**Stocks – Available for sale**	**Mortgages – Loans and receivables**	**Other invested assets – Bonds and restricted investment funds**
Under IAS 39	Balance as at December 31, 2021	$ 4,795	$ 255	$ 2,886	$ 549	$ 1,805	$ 92
IFRS 9 adjustments	Measurement	—	—	262	(29)[1]	72	—
At fair value through profit or loss under IFRS 9	Balance as at January 1, 2022	4,795	255	3,148	520	1,877	92
	Change in carrying value	(340)	(153)	(330)	(40)	(363)	(20)
At fair value through profit or loss under IFRS 9	**Balance as at January 1, 2023**	**$ 4,455**	**$ 102**	**$ 2,818**	**$ 480**	**$ 1,514**	**$ 72**

[1] The amount of $29 relates to embedded derivatives that are no longer separated from the host contract since transition to IFRS 9. This is a reclassification between financial assets and financial liabilities with no effect on retained earnings at transition.

Financial instruments classified as held for trading or designated at fair value through profit or loss under IAS 39 are now classified at fair value through profit or loss. There is no change in carrying amounts for those instruments.

Financial instruments classified as loans and receivables under IAS 39 and subsequently classified at amortized cost under IFRS 9 have no change in carrying amount other than the calculated impairment.

Financial liabilities classified at amortized cost under IAS 39 and subsequently designated at fair value through profit or loss under IFRS 9 have a $10 decrease in carrying amount. The change comes from the difference between the amortized cost value and the fair value of the instruments on January 1, 2023.

Impact on *Retained Earnings and Accumulated Other Comprehensive Income*

All adjustments related to measurement and impairment are presented in the opening *Retained earnings and accumulated other comprehensive income* due to the retrospective application to January 1, 2022 and to January 1, 2023.

The following table presents the reconciliation of the opening *Retained earnings and accumulated other comprehensive income*:

(in millions of dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2021	$ 4,963	$ (14)	$ 4,949
Impact of adopting IFRS 17 excluding the participating policyholders' accounts	(226)	—	(226)
Impact of adopting IFRS 9			
Adjustments related to classification and measurement	403	(69)	334
Adjustments related to impairment	(10)	—	(10)
Other	—	(3)	(3)
Income tax adjustments	(101)	16	(85)
	292	(56)	236
Balance as at January 1, 2022	5,029	(70)	4,959
Balance as at December 31, 2022	**4,889**	**21**	**4,910**
Impact of adopting IFRS 9			
Adjustments related to classification and measurement	**10**	**—**	**10**
Income tax adjustments	**(3)**	**—**	**(3)**
	7	**—**	**7**
Balance as at January 1, 2023	**$ 4,896**	**$ 21**	**$ 4,917**

5 › Acquisition of Businesses

On June 1, 2023, the Company acquired, through one of its subsidiaries, a 100% interest in Continental-National, LLC, for an amount of $28 and a contingent consideration of up to $8. Continental-National, LLC is an agency specializing in the distribution of vehicle warranties through vehicle dealerships in the United States.

The preliminary allocation of the purchase price resulted in the recognition of goodwill of $18 and intangible assets of $17. Goodwill is deductible for tax purposes.

Revenues and net income of the acquired company did not have a significant impact on the Company's financial results.

Allocation of the purchase price could be adjusted to reflect new information obtained about facts and circumstances that existed at the acquisition date within a period not to exceed 12 months.

6 › Invested Assets and Net Investment Income

a) Carrying Value and Fair Value

	As at September 30, 2023				
(in millions of dollars)	At fair value through profit or loss	At amortized cost	Other	Total	Fair value
Cash and short-term investments	$ 351	$ 839	$ —	$ 1,190	$ 1,190
Bonds					
Governments	8,319	—	—	8,319	
Municipalities	796	—	—	796	
Corporate and other	18,013	—	—	18,013	
	27,128	—	—	27,128	27,128
Stocks					
Common	2,341	—	—	2,341	
Preferred	442	—	—	442	
Stock indexes	276	—	—	276	
Investment fund units	853	—	—	853	
	3,912	—	—	3,912	3,912
Loans					
Mortgages					
Insured mortgages					
Multi-residential	1,021	—	—	1,021	
Non-residential	2	—	—	2	
	1,023	—	—	1,023	
Conventional mortgages					
Multi-residential	210	—	—	210	
Non-residential	237	—	—	237	
	447	—	—	447	
	1,470	—	—	1,470	
Car loans	—	1,367	—	1,367	
Other loans	—	880	—	880	
	1,470	2,247	—	3,717	3,711
Derivative financial instruments	1,359	—	—	1,359	1,359
Other invested assets	50	2	482	534	534
Investment properties	—	—	1,668	1,668	1,701
Total investments	$ 34,270	$ 3,088	$ 2,150	$ 39,508	$ 39,535

	As at December 31, 2022				
(in millions of dollars)	At fair value through profit or loss	At amortized cost	Other	Total	Fair value
Cash and short-term investments	$ 238	$ 1,120	$ —	$ 1,358	$ 1,358
Bonds					
Governments	8,522	—	—	8,522	
Municipalities	685	—	—	685	
Corporate and other	17,601	—	—	17,601	
	26,808	—	—	26,808	26,808
Stocks					
Common	2,461	—	—	2,461	
Preferred	485	—	—	485	
Stock indexes	289	—	—	289	
Investment fund units	793	—	—	793	
	4,028	—	—	4,028	4,028
Loans					
Mortgages					
Insured mortgages					
Multi-residential	1,107	—	—	1,107	
Non-residential	3	—	—	3	
	1,110	—	—	1,110	
Conventional mortgages					
Multi-residential	220	—	—	220	
Non-residential	262	—	—	262	
	482	—	—	482	
	1,592	—	—	1,592	
Car loans	—	1,184	—	1,184	
Other loans	—	928	—	928	
	1,592	2,112	—	3,704	3,730
Derivative financial instruments	990	—	—	990	990
Other invested assets	72	2	489	563	563
Investment properties	—	—	1,804	1,804	1,837
Total investments	$ 33,728	$ 3,234	$ 2,293	$ 39,255	$ 39,314

Other invested assets are made up of bonds and investment fund units that represent restricted investments, notes receivable and investments in associates and joint ventures. Bonds and investment fund units are classified at fair value through profit or loss. Notes receivable are classified at amortized cost. 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, 2023 and as at December 31, 2022. The carrying value of these investments as at September 30, 2023 is $482 ($489 as at December 31, 2022). The share of net income and comprehensive income for the nine months ended September 30, 2023 amounts to $6 ($27 for the nine months ended September 30, 2022).

c) Net Investment Income

	Quarters ended September 30		Nine months ended September 30	
(in millions of dollars)	**2023**	2022	**2023**	2022
Interest and other investment income				
Interest	**$ 400**	$ 325	**$ 1,150**	$ 922
Dividends	**28**	98	**161**	257
Derivative financial instruments	**16**	3	**73**	(2)
Net rental income	**21**	21	**64**	63
Provision for credit losses	**(12)**	(19)	**(39)**	(38)
Other income and expenses	**3**	97	**(8)**	155
	456	525	**1,401**	1,357
Change in fair value of investments				
Cash and short-term investments	**3**	2	**13**	2
Bonds	**(2,097)**	(442)	**(1,551)**	(7,457)
Stocks	**14**	(113)	**64**	(554)
Loans	**(7)**	(15)	**(10)**	(115)
Derivative financial instruments	**(880)**	355	**(232)**	(1,633)
Investment properties	**(106)**	(58)	**(154)**	(72)
Other	**44**	(80)	**38**	(74)
	(3,029)	(351)	**(1,832)**	(9,903)
Total net investment income	**$ (2,573)**	$ 174	**$ (431)**	$ (8,546)

7 › 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 – Notional 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.

Loans – The fair value of mortgages and car loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for comparable loans and adjusted for credit risk and terms. Other loans are carried at amortized cost. They are guaranteed and may be repaid at any time. The fair value of other loans approximates their carrying value due to their nature.

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.

Other Invested Assets – The fair value of other invested assets is determined according to the type of invested assets. Fair value of notes receivable and investments in associates and joint ventures is approximately the same as the carrying value due to the nature of these elements. Bonds which are restricted investments 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. Investment fund units which are restricted investments are evaluated at the net asset value published by the fund manager.

Other Assets – The fair value of securities purchased under reverse repurchase agreements is measured at the consideration paid plus accrued interest. The fair value of other 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 9 "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, securities sold under repurchase agreements, securitization liabilities and mortgage debt, is approximately the same as the carrying value due to their short-term nature.

Short-selling securities, classified at fair value through profit or loss, 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 securities sold under repurchase agreements is measured at the consideration received plus accrued interest.

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 September 30, 2023, the fair value of the mortgage debt is $3 ($3 as at December 31, 2022). It is secured by an investment property with a carrying value of $52 ($42 as at December 31, 2022), bearing interest of 2.370% and maturing on September 27, 2028. The interest expense on the mortgage debt is less than $1 (less than $1 for the nine months ended September 30, 2022).

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.

Investment Contract Liabilities and Deposits and *Investment Contract Liabilities Related to Segregated Funds* – The fair value of these investment contracts is determined using the parameters of the agreement concluded between the Company and the policyholder for this type of contract. Investment contract liabilities represent the balance that is due to the policyholder. The fair value of demand deposits for which maturity is not determined is assumed to be their carrying value. The estimated fair value of fixed-rate term deposits is determined by discounting contractual cash flows at current interest rates offered on the market for deposits with similar terms and risks.

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 significant 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, 2023			
(in millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Cash and short-term investments	$ —	$ 351	$ —	$ 351
Bonds				
Governments	—	8,226	93	8,319
Municipalities	—	796	—	796
Corporate and other	—	15,177	2,836	18,013
	—	24,199	2,929	27,128
Stocks	1,506	334	2,072	3,912
Mortgages	—	1,470	—	1,470
Derivative financial instruments	111	1,248	—	1,359
Other invested assets	—	50	—	50
Investment properties	—	—	1,668	1,668
General fund investments recognized at fair value	1,617	27,652	6,669	35,938
Other assets	—	9	—	9
Segregated funds financial instruments and investment properties	30,180	7,985	829	38,994
Total financial assets at fair value	$ 31,797	$ 35,646	$ 7,498	$ 74,941

	As at December 31, 2022[1]			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments	$ —	$ 238	$ —	$ 238
Bonds				
Governments	—	8,422	100	8,522
Municipalities	—	685	—	685
Corporate and other	—	14,925	2,676	17,601
	—	24,032	2,776	26,808
Stocks	1,515	346	2,167	4,028
Mortgages	—	1,592	—	1,592
Derivative financial instruments	37	952	1	990
Other invested assets	—	72	—	72
Investment properties	—	—	1,804	1,804
General fund investments recognized at fair value	1,552	27,232	6,748	35,532
Segregated funds financial instruments and investment properties	28,157	8,117	802	37,076
Total financial assets at fair value	$ 29,709	$ 35,349	$ 7,550	$ 72,608

[1] During the nine months ended September 30, 2023, the Company modified the presentation of fair value hierarchy information to upgrade according to practices observed on the market. Data for the year ended December 31, 2022 have been reclassified to comply with the current period's presentation. An amount of $2,150 of governments bonds (presented in governments bonds designated at fair value through profit or loss and in available for sale as well as in segregated funds financial instruments and investment properties) and an amount of $15 of other invested assets have therefore been reclassified from Level 1 to Level 2 as at December 31, 2022. In addition, the Company modified the presentation of an amount of $25 as at December 31, 2022 from corporate bonds to mortgages to comply with their contractual nature and the current period's presentation. This adjustment modified Levels 2 and 3 by the same amount. The reclassifications had no impact on the net income of the Company.

There were no transfers from Level 1 to Level 2 during the nine months ended September 30, 2023 (none for the year ended December 31, 2022).

There were no transfers from Level 2 to Level 1 during the nine months ended September 30, 2023 (none for the year ended December 31, 2022).

There were no transfers from Level 2 to Level 3 during the nine months ended September 30, 2023 ($23 for the year ended December 31, 2022). Transfers for the year ended December 31, 2022 were related to segregated funds financial instruments for $15 and bonds for $8. The fair value of segregated funds financial instruments and bonds was measured at the quoted market price obtained through brokers. However, their price had remained unchanged for more than 30 days which, according to the Company's internal policy, resulted in a transfer.

Transfers from Level 3 to Level 2 during the nine months ended September 30, 2023 amount to $12 ($8 for the year ended December 31, 2022). These transfers were related to bonds. The fair value of these bonds was measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments and was based on a price obtained less than 30 days prior.

There were no transfers from Level 1 to Level 3 during the nine months ended September 30, 2023 ($2 for the year ended December 31, 2022). Transfers for the year ended December 31, 2022 were related to segregated funds financial instruments. The fair value of these instruments was measured at the quoted market price obtained through brokers. However, the price of these financial instruments had remained unchanged for more than 30 days which, according to the Company's internal policy, resulted in a transfer.

There were no transfers from Level 3 to Level 1 during the nine months ended September 30, 2023 (none for the year ended December 31, 2022).

During the nine months ended September 30, 2023 and during the year ended December 31, 2022, the Company made Level 3 transfers from owner-occupied properties to investment properties in relation to a change in use of the properties. The fair value of the properties at the transfer dates was assessed at $14 ($53 for the year ended December 31, 2022). The revaluation adjustments of $3 before tax ($3 after tax) have been recorded in the Comprehensive Income Statement in *Revaluation surplus related to transfers to investment properties* ($26 before tax ($22 after tax) for the year ended December 31, 2022).

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

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

	Nine months ended September 30, 2023						
(in millions of dollars)	**Balance as at December 31, 2022**	**Realized and unrealized gains (losses) included in net income**	**Purchases**	**Sales and settlements**	**Transfers into (out of) Level 3 and reclassifications**	**Balance as at September 30, 2023**	**Total unrealized gains (losses) included in net income on investments still held**
Bonds	**$ 2,776**	**$ (163)**	**$ 441**	**$ (113)**	**$ (12)**	**$ 2,929**	**$ (167)**
Stocks	**2,167**	**(75)**	**143**	**(163)**	**—**	**2,072**	**(22)**
Derivative financial instruments	**1**	**(1)**	**—**	**—**	**—**	**—**	**—**
Investment properties	**1,804**	**(154)**	**42**	**(38)**	**14**	**1,668**	**(154)**
General fund investments recognized at fair value	**6,748**	**(393)**	**626**	**(314)**	**2**	**6,669**	**(343)**
Segregated funds financial instruments and investment properties	**802**	**9**	**76**	**(58)**	**—**	**829**	**4**
Total	**$ 7,550**	**$ (384)**	**$ 702**	**$ (372)**	**$ 2**	**$ 7,498**	**$ (339)**

	Year ended December 31, 2022						
(in millions of dollars)	Balance as at January 1, 2022	Realized and unrealized gains (losses) included in net income	Purchases	Sales and settlements	Transfers into (out of) Level 3 and reclassifications	Balance as at December 31, 2022	Total unrealized gains (losses) included in net income on investments still held
Bonds	$ 3,048	$ (556)	$ 690	$ (406)	$ —	$ 2,776	$ (556)
Stocks	1,830	166	276	(105)	—	2,167	168
Derivative financial instruments	3	(2)	—	—	—	1	(2)
Investment properties	1,870	(139)	23	(3)	53	1,804	(139)
General fund investments recognized at fair value	6,751	(531)	989	(514)	53	6,748	(529)
Segregated funds financial instruments and investment properties	508	46	258	(27)	17	802	39
Total	$ 7,259	$ (485)	$ 1,247	$ (541)	$ 70	$ 7,550	$ (490)

For the nine months ended September 30, 2023, an amount of $42 ($23 for the year ended December 31, 2022) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties* and an amount of $14 ($53 for the year ended December 31, 2022) presented in *Transfers into (out of) Level 3 and reclassifications* corresponds to reclassifications 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, 2022).

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 *Net investment income* in the Income Statement, except for those related to segregated funds net assets, which are presented in *Investment income (expenses) from segregated funds net assets* in the Income Statement.

Valuation for Level 3 Assets

The main unobservable input used in valuation of bonds as at September 30, 2023 corresponds to credit and liquidity risk premiums ranging from 0.80% to 8.29% (1.31% to 3.09% as at December 31, 2022). The credit and liquidity risk premiums are the difference between the expected yield of an asset and the risk-free rate of return. The difference is called a spread and represents an extra compensation for the risk of default of the borrower and the lack of active markets to sell the financial assets. If all other factors remain constant, a decrease (increase) in credit and liquidity risk premiums will lead to an increase (decrease) in fair value of bonds.

The main unobservable input used in valuation of stocks as at September 30, 2023 corresponds to the net asset value provided by the general partner of the limited partnership investments or the manager of the funds, and the range is 100% of the net asset value of the shares owned by the Company. The net asset value is the estimated fair value of the asset minus the fair value of the liability divided by the number of shares outstanding of a fund or a limited partnership. The financial statements from which the net asset value is collected by the Company are audited annually.

The main unobservable inputs used in the valuation of the investment properties as at September 30, 2023 are the discount rate, which is between 5.75% and 8.75% (5.00% and 8.25% as at December 31, 2022) and the terminal capitalization rate, which is between 5.00% and 7.50% (4.25% and 7.25% as at December 31, 2022). 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.

Fair Value Disclosed in the Notes

The Company classifies and measures certain financial instruments at amortized cost. The fair value of these financial instruments is disclosed in the notes. The following table shows the hierarchy level of such fair values:

	As at September 30, 2023			
(in millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Classified at amortized cost				
Car loans and other loans	**$ —**	**$ 2,241**	**$ —**	**$ 2,241**
Total of assets whose fair value is disclosed in the notes	**$ —**	**$ 2,241**	**$ —**	**$ 2,241**

	As at December 31, 2022			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Classified at amortized cost				
Car loans and other loans	$ —	$ 2,138	$ —	$ 2,138
Total of assets whose fair value is disclosed in the notes	$ —	$ 2,138	$ —	$ 2,138

Financial Liabilities

The following table presents the fair value of 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, 2023			
(in millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Other liabilities				
Short-selling securities	**$ 743**	**$ 239**	**$ —**	**$ 982**
Securitization liabilities	**—**	**362**	**—**	**362**
Derivative financial instruments	**31**	**1,519**	**—**	**1,550**
Total of liabilities classified at fair value through profit or loss	**$ 774**	**$ 2,120**	**$ —**	**$ 2,894**
Classified at amortized cost				
Other liabilities				
Mortgage debt	**$ —**	**$ 3**	**$ —**	**$ 3**
Debentures	**—**	**1,409**	**—**	**1,409**
Total of liabilities classified at amortized cost	**$ —**	**$ 1,412**	**$ —**	**$ 1,412**

	As at December 31, 2022			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Short-selling securities	$ 734	$ 222	$ —	$ 956
Derivative financial instruments	6	1,459	—	1,465
Total of liabilities classified at fair value through profit or loss	$ 740	$ 1,681	$ —	$ 2,421
Classified at amortized cost				
Other liabilities				
Securitization liabilities	$ —	$ 443	$ —	$ 443
Mortgage debt	—	3	—	3
Debentures	—	1,407	—	1,407
Investment contract liabilities and deposits	—	4,259	—	4,259
Investment contract liabilities related to segregated funds	—	10,433	—	10,433
Total of liabilities classified at amortized cost	$ —	$ 16,545	$ —	$ 16,545

	As at January 1, 2022			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Short-selling securities	$ 94	$ 168	$ —	$ 262
Derivative financial instruments	79	418	—	497
Total of liabilities classified at fair value through profit or loss	$ 173	$ 586	$ —	$ 759
Classified at amortized cost				
Other liabilities				
Securitization liabilities	$ —	$ 780	$ —	$ 780
Mortgage debt	—	71	—	71
Debentures	—	1,484	—	1,484
Investment contract liabilities and deposits	—	4,026	—	4,026
Investment contract liabilities related to segregated funds	—	10,885	—	10,885
Total of liabilities classified at amortized cost	$ —	$ 17,246	$ —	$ 17,246

8 › Management of Financial Risks Associated with Financial Instruments and Insurance Contracts

Effective risk management rests on identifying, assessing, measuring, understanding, managing, monitoring and communicating the risks to which the Company is exposed to in the course of its operations. Risk management is comprised of a series of objectives, policies and procedures that are approved by the Board of Directors and enforced by managers. The main risk management policies and procedures are subject to review annually, or more frequently when deemed relevant. More information regarding the principles, responsibilities, key measures and management practices of the Company's risk management of financial instruments is provided in the shaded portion of the "Risk Management" section of the 2022 Management's Discussion and Analysis on pages 45 to 56 as well as in the shaded portion of the "Risk Management – Update" section of the Management's Discussion and Analysis for the Third Quarter of 2023 regarding some changes to how the Company manages or measures its market risk. The shaded information in these pages is considered an integral part of these financial statements.

a) Market Risk

Market risk represents the risk that the fair value or future cash flows of an insurance contract or a financial instrument will fluctuate due to variations in market risk factors. This category includes, among other things, interest rate and credit spread risk, equity risk and exchange rate risk.

Interest Rate and Credit Spread Risk

One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits, whose maturity date may be uncertain and potentially a long time in the future, such as death benefits and annuity payments. Interest rate and credit spread risk is the risk of financial loss associated with fluctuations in interest rates or credit spreads. The uncertainty related to interest rate fluctuation is that economic losses or gains can occur following the disinvestment or reinvestment of future cash flows, which could impact financial instruments and insurance contracts.

The Company manages interest rate and credit spread risk through risk management and investment policies which are updated periodically. To properly manage the interest rate and credit spread risk and fund availability, the Company maintains an asset portfolio that closely replicates its liabilities until they expire as well as their risk profiles. Assets are chosen based on amount, cash flow and return in order to correspond to the characteristics of the replicated liabilities. The Company also uses derivative financial instruments as complementary management tools. The accounting policies for derivative financial instruments used for replication correspond to those used for the underlying items. Therefore, any change in the fair value of assets held for replication purposes will have an impact on the financial position of the Company and on its ability to honour its obligations. This impact will be partly offset by a variation of the replicated liabilities, based on their own characteristics. The Company's insurance contract liabilities (assets) primarily encompass insurance products and annuities which are very long-term commitments. The Company favours an investment strategy that aims to achieve a balance between optimizing after-tax return and capital protection since it is impossible to apply a complete replication strategy due to a lack of availability of fixed income securities for such maturities. Residual interest rate risk is consistent with internal risk management and investment policies.

Some insurance contracts issued by the Company contain interest rate guarantees, for which the Company hedges its more volatile exposure using derivative financial instruments. The Company does not have a significant concentration of interest rate risk arising from these guarantees.

Ultimate Discount Rate Risk

The Company estimates interest rates beyond 30 years since these data are not observable on the market. To establish a discount rate curve, an ultimate discount rate is set and a grading methodology is applied between the last point of the observable data and the ultimate discount rate. An ultimate discount rate represents the sum of two assumptions: an ultimate risk-free rate and an ultimate illiquidity premium. Both assumptions may change from time to time and such variations have an effect on the net income of the Company.

Equity Risk

Equity risk represents the risk of financial loss resulting from a change in equity market values. The Company is exposed to this risk in various ways as part of its regular operations, through: a) the income on assets held in the general fund; b) the effects on insurance contract liabilities (assets) of Universal Life policy funds and of segregated fund products; and c) net revenues on assets under management and on assets under administration.

a) i) Market Risk Immediate Sensitivities

Interest Rate and Credit Spread Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in risk-free interest rates as well as corporate bond and provincial government bond credit spreads is presented below. Each sensitivity assumes that all other assumptions remain unchanged. Considering that the Company manages these risks by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivities on a net basis. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following tables present the immediate impact of an immediate parallel shift (rounded to the nearest 25 million dollars) of:

Interest rates

	As at September 30, 2023		As at December 31, 2022	
(in millions of dollars)	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	**$ 75**	**$ (75)**	$ 50	$ (75)
Equity	**75**	**(75)**	50	(50)
Contractual service margin	**(25)**	**25**	(25)	25

Corporate bond credit spreads

	As at September 30, 2023		As at December 31, 2022	
(in millions of dollars)	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	**$ 50**	**$ (50)**	$ —	$ (25)
Equity	**50**	**(50)**	—	(25)
Contractual service margin	**—**	**—**	—	—

Provincial government bond credit spreads

	As at September 30, 2023		As at December 31, 2022	
(in millions of dollars)	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	**$ —**	**$ —**	$ (25)	$ —
Equity	**—**	**—**	(25)	—
Contractual service margin	**(75)**	**75**	(100)	75

Interest rate, corporate bond credit spread and provincial government bond credit spread sensitivities as at December 31, 2022 are not fully representative of the September 30, 2023 risk profile as the transition of the Company's invested asset portfolio for asset-liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.

Ultimate Discount Rate Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in the ultimate discount rate assumption used to establish insurance contract liabilities (assets) is presented below. Each sensitivity assumes that all other assumptions remain unchanged. The impact on contractual service margin is before tax.

The following table presents the immediate impact of an immediate change in the ultimate discount rate assumption (rounded to the nearest 10 million dollars):

	As at September 30, 2023		As at December 31, 2022	
(in millions of dollars)	**10 basis point decrease**	**10 basis point increase**	10 basis point decrease	10 basis point increase
Net income	**$ (50)**	**$ 50**	$ (50)	$ 60
Equity	**(50)**	**50**	(50)	60
Contractual service margin	**—**	**—**	—	—

Public Equity Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in public equity market values is presented below and assumes that all other assumptions remain unchanged. Considering that the Company manages this risk by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivity on a net basis. Preferred shares are excluded from the scope of these sensitivities' analysis. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following tables present the immediate impact of an immediate change in public equity market values (rounded to the nearest 25 million dollars):

	As at September 30, 2023			
(in millions of dollars)	**25% decrease**	**10% decrease**	**10% increase**	**25% increase**
Net income	**$ (125)**	**$ (75)**	**$ 75**	**$ 175**
Equity	**(125)**	**(75)**	**75**	**175**
Contractual service margin	**(450)**	**(200)**	**150**	**400**

	As at December 31, 2022			
(in millions of dollars)	25% decrease	10% decrease	10% increase	25% increase
Net income	$ (75)	$ (25)	$ 25	$ 75
Equity	(75)	(25)	25	75
Contractual service margin	(425)	(175)	200	500

In order to measure its public equity sensitivity, the Company examined the impact of a 10% market variance at the end of the period, believing that this kind of variance was reasonable in the current market environment. A 25% market change is also disclosed to provide a wider range of potential impacts due to significant changes in public equity market levels.

Private Non-Fixed Income Asset Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in private non-fixed income asset market values is presented below and assumes that all other assumptions remain unchanged. These impacts are only on financial instruments as insurance contracts are insensitive to these market values. Private non-fixed income assets include private equity, investment property and infrastructure. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following table presents the immediate impact of an immediate change in private non-fixed income asset market values on private equity, investment property and infrastructure (rounded to the nearest 25 million dollars):

	As at September 30, 2023		As at December 31, 2022	
(in millions of dollars)	**10% decrease**	**10% increase**	10% decrease	10% increase
Net income	**$ (300)**	**$ 300**	$ (300)	$ 300
Equity	**(300)**	**300**	(300)	300
Contractual service margin	**—**	**—**	—	—

b) Credit Risk

Credit risk represents the risk of financial loss arising from a deterioration in credit quality or failure of a counterparty to meet its commitments when due.

This risk originates mainly from credit granted in the form of loans and corporate bonds, but also from exposure to derivative financial instruments and to reinsurers that share our policyholder commitments. The maximum credit risk associated with financial instruments corresponds to the carrying value of financial instruments presented in the Statement of Financial Position, except for the investments in associates and joint ventures.

The Company has adopted a reinsurance risk management policy as mentioned in Note 11 "Management of Insurance Risk" which avoids the concentration of risk. Amounts recoverable from reinsurers are estimated in a consistent manner with the underlying insurance contract liabilities (assets) and in accordance with the reinsurance contracts. Although the Company has reinsurance agreements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's reinsurance agreements are diversified such that the Company is not dependent on a single reinsurer or any single reinsurance contract.

b) i) Credit Quality Indicators
Bonds by Investment Grade

(in millions of dollars)	**As at September 30, 2023**	As at December 31, 2022
AAA	**$ 2,360**	$ 2,291
AA	**7,440**	7,926
A	**10,507**	9,985
BBB	**6,638**	6,357
BB and lower	**183**	249
Total	**$ 27,128**	$ 26,808

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 $1,901 as at September 30, 2023 ($1,846 as at December 31, 2022).

Loans

(in millions of dollars)	**As at September 30, 2023**	As at December 31, 2022
Insured mortgages	**$ 1,023**	$ 1,110
Conventional mortgages	**447**	482
Car loans and other loans	**2,247**	2,112
Total	**$ 3,717**	$ 3,704

The credit quality of loans is assessed internally, on a regular basis, when the review of the portfolio is carried out.

b) ii) Allowance for Credit Losses

To manage credit risk, the Company evaluates, among other things, the ability of the borrower to ensure current and future contractual payments of principal and interest. The Company follows up monthly to ensure that cash flows stipulated in the contract are recovered in a timely manner and takes the necessary action to address the outstanding amounts. In addition, the Company identifies the borrowers that may have an unstable financial situation and classifies each loan at amortized cost under one of the following quality lists:

Watch list – The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the borrower require monitoring.

List of borrowers on the monitor list – The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the borrower require increased monitoring. A loan is moved from the watch list to the list of borrowers on the monitor list when changes in facts and circumstances of the borrower increase the likelihood that the loan will suffer a loss-generating event in the near future.

List of impaired loans – The collection of current and future contractual payments of principal and interest is no longer assured. Loans classified at amortized cost are presented net of an allowance for credit losses.

Significant Increase in Credit Risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, the Company bases its assessment on the change in default risk over the expected life of the financial instrument, which requires important judgment. To this end, the Company compares the probability of default of the financial instrument at the reporting date with the probability of default at the date of initial recognition. In making this assessment, the Company considers quantitative and qualitative information as well as information about future economic conditions to the extent that it affects the assessment of the financial instrument's probability of default.

Regardless of the outcome of the above assessment, all financial instruments that are 30 days or more past due are generally considered to have experienced a significant increase in credit risk and they are migrated to Stage 2, even if the other criteria do not indicate that a significant increase in credit risk has occurred.

Main Macroeconomic Factors

The following table shows the macroeconomic factors used to estimate the allowance for credit losses on loans. For each scenario, namely, the base scenario, optimistic scenario and pessimistic scenario, the average values of the macroeconomic factors over the next 12 months (used for Stage 1 allowance for credit losses calculations) and over the remaining forecast period (used for Stage 2 allowance for credit losses calculations) are presented below.

	As at September 30, 2023					
	Base scenario		Optimistic scenario		Pessimistic scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Unemployment rate	**5.9%**	**6.2%**	**5.3%**	**5.5%**	**6.8%**	**6.5%**
Real GDP growth rate	**1.0%**	**1.9%**	**1.8%**	**2.9%**	**0.1%**	**1.4%**
Bank of Canada overnight rate	**4.1%**	**3.0%**	**2.8%**	**1.5%**	**4.9%**	**4.0%**

An increase in the unemployment rate or the Bank of Canada overnight rate will generally lead to a higher allowance for credit losses, whereas an increase in real GDP growth rate will generally lead to a lower allowance for credit losses.

As indicated in the IFRS 7 standard, the Company has not presented the information on the main macroeconomic factors used to estimate the allowance for credit losses on loans as at December 31, 2022, considering this information does not need to be presented for periods before the date of the initial application of IFRS 9.

Sensitivity Analysis of Allowance for Credit Losses on Non-Impaired Car Loans

The following table shows a comparison of the Company's allowance for credit losses on non-impaired car loans (Stage 1 and Stage 2) based on the probability weightings of three scenarios with allowance for credit losses resulting from simulations of each scenario weighted at 100%:

	As at September 30, 2023
(in millions of dollars)	Allowance for credit losses on non-impaired car loans
Balance as at September 30, 2023	**$ 57**
Scenarios	
100% base	**57**
100% optimistic	**52**
100% pessimistic	**62**

As indicated in the IFRS 7 standard, the Company has not presented the sensitivity analysis of the allowance for credit losses on non-impaired car loans as at December 31, 2022, considering this information does not need to be presented for periods before the date of the initial application of IFRS 9.

Allowance for Credit Losses by Stage

The following table presents the gross carrying value and the allowance for credit losses by stage:

	As at September 30, 2023							
	Non-impaired				Impaired			
	Stage 1		Stage 2		Stage 3		Total	
(in millions of dollars)	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses
Car loans	**$ 1,244**	**$ (44)**	**$ 174**	**$ (13)**	**$ 14**	**$ (8)**	**$ 1,432**	**$ (65)**
Other loans	**881**	**(1)**	**—**	**—**	**—**	**—**	**881**	**(1)**

	As at December 31, 2022							
	Non-impaired				Impaired			
	Stage 1		Stage 2		Stage 3		Total	
(in millions of dollars)	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses
Car loans	$ 1,080	$ (40)	$ 153	$ (13)	$ 12	$ (8)	$ 1,245	$ (61)
Other loans	929	(1)	—	—	—	—	929	(1)

The following table presents the reconciliation of the allowance for credit losses for car loans:

	As at September 30, 2023			
	Non-impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
(in millions of dollars)	12 months	Lifetime	Lifetime	Total
Allowance for credit losses as at December 31, 2022	**$ 40**	**$ 13**	**$ 8**	**$ 61**
Transfers[1]				
In (out) Stage 1	**11**	**(9)**	**(2)**	**—**
In (out) Stage 2	**(10)**	**12**	**(2)**	**—**
In (out) Stage 3	**—**	**(7)**	**7**	**—**
Net remeasurement of allowance for credit losses[2]	**(12)**	**5**	**32**	**25**
Purchases and originations	**20**	**—**	**—**	**20**
Derecognition[3]	**(5)**	**(1)**	**—**	**(6)**
Provision for credit losses	**4**	**—**	**35**	**39**
Write-offs	**—**	**—**	**(40)**	**(40)**
Recoveries	**—**	**—**	**5**	**5**
Allowance for credit losses as at September 30, 2023	**$ 44**	**$ 13**	**$ 8**	**$ 65**

[1] Stage transfers deemed to have taken place at the beginning of the quarter in which the transfers occurred.

[2] Includes the net remeasurement of allowance for credit losses (after transfers) attributable mainly to changes in volume and in credit quality of existing car loans as well as to changes in risk parameters and model assumptions.

[3] Reversals of allowance for credit losses arising from full or partial repayments (excluding write-offs and disposals).

	As at December 31, 2022			
	Non-impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
(in millions of dollars)	12 months	Lifetime	Lifetime	Total
Allowance for credit losses as at January 1, 2022	$ 30	$ 3	$ 4	$ 37
Transfers[1]				
In (out) Stage 1	11	(9)	(2)	—
In (out) Stage 2	(12)	14	(2)	—
In (out) Stage 3	—	(7)	7	—
Net remeasurement of allowance for credit losses[2]	—	13	39	52
Purchases and originations	17	—	—	17
Derecognition[3]	(6)	(1)	—	(7)
Provision for credit losses	10	10	42	62
Write-offs	—	—	(47)	(47)
Recoveries	—	—	9	9
Allowance for credit losses as at December 31, 2022	$ 40	$ 13	$ 8	$ 61

[1] Stage transfers deemed to have taken place at the beginning of the quarter in which the transfers occurred.

[2] Includes the net remeasurement of allowance for credit losses (after transfers) attributable mainly to changes in volume and in credit quality of existing car loans as well as to changes in risk parameters and model assumptions.

[3] Reversals of allowance for credit losses arising from full or partial repayments (excluding write-offs and disposals).

Considering their nature, *Other loans* have a negligible allowance for credit losses due to their low credit risk.

The following table presents the gross carrying value and the allowance for credit losses related to car loans by stage:

	As at September 30, 2023			
	Non-impaired		**Impaired**	
(in millions of dollars)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Car loans[1]				
Low risk[2]	**$ 1,194**	**$ 163**	**$ —**	**$ 1,357**
Medium risk[2]	**47**	**10**	**—**	**57**
High risk[2]	**3**	**1**	**—**	**4**
Impaired	**—**	**—**	**14**	**14**
Gross carrying value	**1,244**	**174**	**14**	**1,432**
Allowance for credit losses	**44**	**13**	**8**	**65**
Carrying value	**$ 1,200**	**$ 161**	**$ 6**	**$ 1,367**

[1] The credit risk rating is reflective of a nonprime lender's risk perception.

[2] Low risk is considered near prime, medium risk is nonprime and high risk is subprime.

As indicated in the IFRS 7 standard, the Company has not presented the information on the gross carrying value and the allowance for credit losses by stage as at December 31, 2022, considering this information does not need to be presented for periods before the date of the initial application of IFRS 9.

Maximum Exposure to Credit Risk on Impaired Car Loans
The Company mitigates credit risk by registering a security interest/lien on the underlying car being financed. As at September 30, 2023, the maximum exposure to credit risk of impaired car loans is $14 and the expected collateral value is 40% of this amount.

As indicated in the IFRS 7 standard, the Company has not presented the information on the maximum exposure to credit risk of impaired car loans, the percentage of exposure covered by guarantees and the main type of collateral held as at December 31, 2022, considering this information does not need to be presented for periods before the transition date to IFRS 9.

Foreclosed Properties
During the nine months ended September 30, 2023, the Company did not take possession of any properties it held as collateral on mortgages (none for the year ended December 31, 2022). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in *Other assets*.

9 › 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, 2023 is $1,343 ($974 as at December 31, 2022). 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, 2023					
	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	**$ 647**	**$ 221**	**$ 67**	**$ 935**	**$ 6**	**$ (33)**
Futures contracts	**461**	**—**	**—**	**461**	**15**	**—**
Options	**5,963**	**—**	**—**	**5,963**	**200**	**(63)**
Currency contracts						
Swap contracts	**36**	**254**	**5,623**	**5,913**	**190**	**(112)**
Forward contracts	**7,535**	**—**	**—**	**7,535**	**26**	**(75)**
Options	**294**	**81**	**—**	**375**	**4**	**(4)**
Interest rate contracts						
Swap contracts	**553**	**4,911**	**9,251**	**14,715**	**917**	**(650)**
Futures contracts	**88**	**—**	**—**	**88**	**—**	**(1)**
Forward contracts	**8,240**	**200**	**—**	**8,440**	**—**	**(612)**
Other derivative contracts	**2**	**2**	**—**	**4**	**1**	**—**
Total	**$ 23,819**	**$ 5,669**	**$ 14,941**	**$ 44,429**	**$ 1,359**	**$ (1,550)**

	As at December 31, 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	$ 945	$ —	$ 80	$ 1,025	$ 16	$ (23)
Futures contracts	455	—	—	455	15	—
Options	1,499	—	—	1,499	28	(7)
Currency contracts						
Swap contracts	142	197	5,342	5,681	235	(138)
Forward contracts	5,401	456	—	5,857	40	(27)
Options	254	38	—	292	6	(6)
Interest rate contracts						
Swap contracts	434	4,407	8,901	13,742	603	(750)
Futures contracts	2	—	—	2	—	—
Forward contracts	8,618	698	—	9,316	46	(514)
Other derivative contracts[1]	1	3	—	4	1	—
Total	$ 17,751	$ 5,799	$ 14,323	$ 37,873	$ 990	$ (1,465)

[1] Embedded derivatives are not separated from the host contract since transition to IFRS 9. Embedded derivatives had a negative value of $5 on December 31, 2022.

	As at September 30, 2023		
	Notional amount	**Fair value**	
(in millions of dollars)		**Positive**	**Negative**
Derivative financial instruments not designated as hedge accounting	**$ 42,303**	**$ 1,359**	**$ (1,521)**
Net investment hedge	**2,126**	**—**	**(29)**
Total of derivative financial instruments	**$ 44,429**	**$ 1,359**	**$ (1,550)**

	As at December 31, 2022		
	Notional amount	Fair value	
(in millions of dollars)		Positive	Negative
Derivative financial instruments not designated as hedge accounting	$ 35,482	$ 977	$ (1,456)
Net investment hedge	2,103	11	—
Fair value hedges			
Interest risk	288	2	(9)
Total of derivative financial instruments	$ 37,873	$ 990	$ (1,465)

The Company has elected, as permitted under IFRS 9, to continue applying the hedge accounting requirements of IAS 39 *Financial Instruments.*

At the transition date to IFRS 9, the Company ended certain hedging relationships, which did not have a significant impact on the Financial Statements. See Note 4 "Impact of IFRS 17 and IFRS 9 Adoption".

Net Investment Hedge
As at September 30, 2023, 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 (less than 1 year as at December 31, 2022) and an average CAD/USD exchange rate of 0.7400 (0.7382 as at December 31, 2022). 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, 2023 and 2022, the Company did not recognize any ineffectiveness.

Fair Value Hedge
Interest Rate Risk Hedging
On January 1, 2023, the Company ended a fair value hedging relationship which aimed to reduce its exposure to changes in interest rates on financial liabilities at amortized cost. The Company used interest rate swap contracts that had maturities of less than 1 year to 6 years as at December 31, 2022. For the nine months ended September 30, 2022, the Company recognized a loss of $9 on the hedging instruments and a gain of $9 on the hedged items. Thus, the Company did not recognize any ineffectiveness.

10 › Segregated Funds Net Assets

Policyholders can select from a variety of segregated funds. Although the underlying assets are registered in the name of the Company and the segregated funds policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated funds policyholder bears the risk and rewards of the funds' investment performance. However, the Company offers guarantees on some contracts and is exposed to market risk as a result of these guarantees. The Company's exposure to financial loss from segregated fund products is limited to the value of these guarantees and the related liabilities are recorded in *Insurance contract liabilities*. For contracts that generate insurance risk, the amount due to policyholders that corresponds to the segregated funds net assets is recorded as *Insurance contract liabilities related to segregated funds*. For contracts that do not generate insurance risk, the amount due to policyholders that corresponds to the segregated funds net assets is recorded as *Investment contract liabilities related to segregated funds*.

The table below comprises the underlying items for insurance contracts with direct participation features related to segregated funds as well as those for investment contracts related to segregated funds, which is the segregated funds net assets, and shows the composition. The fair value of the underlying items for insurance contracts with direct participation features, which are calculated under the variable fee approach, is equivalent to the *Insurance contract liabilities related to segregated funds* in Note 12 "Insurance Contracts and Reinsurance Contracts", and the fair value of the underlying items for investment contracts related to segregated funds, which are accounted for at amortized cost, is equivalent to the *Investment contract liabilities related to segregated funds* in the Statement of Financial Position.

(in millions of dollars)	**As at September 30, 2023**	As at December 31, 2022
Assets		
Cash and short-term investments	**$ 1,011**	$ 1,583
Bonds	**6,611**	6,416
Stocks and investment funds	**31,505**	29,465
Mortgages	**54**	56
Investment properties	**—**	13
Derivative financial instruments	**—**	11
Other assets	**305**	168
	39,486	37,712
Liabilities		
Accounts payable and accrued expenses	**364**	378
Net assets	**$ 39,122**	$ 37,334

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

	Quarters ended September 30		**Nine months ended September 30**	
(in millions of dollars)	**2023**	2022	**2023**	2022
Balance at beginning	**$ 40,016**	$ 35,625	**$ 37,334**	$ 39,577
Add:				
Amounts received from policyholders	**1,564**	1,326	**4,847**	5,317
Interest, dividends and other investment income	**201**	164	**628**	631
Change in fair value of investments	**(1,151)**	(333)	**927**	(6,179)
	40,630	36,782	**43,736**	39,346
Less:				
Amounts withdrawn by policyholders	**1,312**	1,137	**4,047**	3,347
Operating expenses	**196**	176	**567**	530
	1,508	1,313	**4,614**	3,877
Balance at end	**$ 39,122**	$ 35,469	**$ 39,122**	$ 35,469

11 › Management of Insurance Risk

Insurance risk is the risk of financial loss arising from higher claims than anticipated during product design and pricing. It may arise at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when calculating the *Net insurance contract liabilities (assets).*

When designing and pricing products, insurance risk may result from inappropriate pricing resulting in insufficient returns as compared to the Company's profitability objectives. This risk may be due to a poor estimate of the future experience regarding several factors, such as policyholder behaviour, mortality, morbidity and expenses. Insurance risk may also arise when the selection of the risks to be insured or the settlement of claims is inconsistent with the design and pricing of the product. When calculating the *Net insurance contract liabilities (assets)*, a financial loss could arise in the event of inadequate use of experience results to establish assumptions.

The Company has put controls and processes in place at each of these stages to ensure appropriate management of insurance risk.

Insurance Risk

Policyholder Behaviour – Risk of unfavourable variability in the level, trend or volatility of lapse rates or premium payment pattern compared to assumptions.

Mortality – Risk of unfavourable variability in the level, trend or volatility of mortality rates.

Morbidity – Risk of unfavourable variability in the level, trend or volatility which represents an increase in occurrence rates or a decrease in termination rates for disability or illness insurance claims.

Expenses – Risk of unfavourable variability in the cost of servicing and maintaining in-force policies and associated indirect expenses.

Other Insurance Risks – The Company is also exposed to other insurance risks, which do not have a significant impact on the Company's financial statements.

Every year, the appointed actuary of Industrial Alliance Insurance and Financial Services Inc. (iA Insurance), a subsidiary of the Company, values the policy liabilities for the Company's financial statements prepared in accordance with IFRS. He also ensures that the valuation conforms to accepted actuarial practice in Canada and that the Company's financial statements fairly present the results of the valuation.

Sensitivity Analysis

The significant assumptions used in the valuation of insurance contracts are policyholder behaviour, mortality, morbidity and expenses. The following December 31, 2022 sensitivity analysis, updated to consider the application of the IFRS 17 and IFRS 9 standards, shows the immediate impact on net income and equity as well as on the contractual service margin of a reasonably possible permanent deterioration in these assumptions, which have the greatest impact on the estimates of future cash flows with all other assumptions unchanged. This analysis presents the sensitivities both before and after risk mitigation by reinsurance contracts. An improvement of the same percentage in those assumptions would have a similar impact, but in the opposite direction.

The following table presents the immediate sensitivities of significant assumptions used for the valuation of insurance contract liabilities (assets), gross and net of reinsurance. These sensitivities are adjusted to reflect the adjustability of products, when applicable, and are rounded to the nearest 5 million dollars.

	As at December 31, 2022			
	Net income and Equity		Contractual service margin	
(in millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration	$ 30	$ 30	$ (535)	$ (570)
Mortality				
Impact of 2% deterioration for insurance products	(15)	(25)	(270)	(90)
Impact of 2% deterioration for annuity products	5	5	(35)	(30)
Morbidity				
Impact of 5% deterioration	(25)	(25)	(90)	(50)
Expenses				
Impact of 5% deterioration	—	—	(100)	(100)

The 10% deterioration of policyholder behaviour assumption is expressed assuming 90% of the expected lapse rates for lapse-supported products and 110% of the expected lapse rates for other products.

The 2% deterioration of mortality assumption related to insurance products is expressed assuming 102% of expected mortality rates for products where an increase in mortality rates increases insurance contract liabilities (assets), while the one related to annuity products is expressed assuming 98% of expected mortality rates for products where a decrease in mortality rates increases insurance contract liabilities (assets).

The 5% deterioration of morbidity assumption is expressed assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active.

The 5% deterioration of expenses assumption is expressed assuming 105% of expected expenses for servicing and maintaining in-force policies.

12 › Insurance Contracts and Reinsurance Contracts

A) Changes in Insurance Contract and Reinsurance Contract Balances

a) Carrying Amount of Portfolios of Insurance Contracts and Reinsurance Contracts

	As at September 30, 2023			
(in millions of dollars)	**Insurance, Canada**	**Wealth Management**	**US Operations**	**Total**
Insurance contracts				
Insurance contract liabilities	**$ 20,957**	**$ 5,130**	**$ 3,296**	**$ 29,383**
Insurance contract liabilities related to segregated funds	**—**	**28,188**	**—**	**28,188**
	20,957	**33,318**	**3,296**	**57,571**
Insurance contract assets	**199**	**—**	**—**	**199**
Reinsurance contracts				
Reinsurance contract assets	**175**	**49**	**2,062**	**2,286**
Reinsurance contract liabilities	**191**	**—**	**—**	**191**

	As at December 31, 2022			
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Total
Insurance contracts				
Insurance contract liabilities	$ 21,590	$ 4,885	$ 3,210	$ 29,685
Insurance contract liabilities related to segregated funds	—	26,901	—	26,901
	21,590	31,786	3,210	56,586
Insurance contract assets	215	—	—	215
Reinsurance contracts				
Reinsurance contract assets	176	52	1,820	2,048
Reinsurance contract liabilities	233	—	—	233

	As at January 1, 2022			
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Total
Insurance contracts				
Insurance contract liabilities	$ 28,422	$ 5,462	$ 3,188	$ 37,072
Insurance contract liabilities related to segregated funds	—	28,692	—	28,692
	28,422	34,154	3,188	65,764
Insurance contract assets	123	—	—	123
Reinsurance contracts				
Reinsurance contract assets	169	67	1,654	1,890
Reinsurance contract liabilities	129	—	—	129

b) Roll-Forward of Net Insurance Contract Liabilities (Assets) by Remaining Coverage and Incurred Claims

	As at September 30, 2023					
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component	Loss component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Insurance contract liabilities	$ 27,026	$ 237	$ 2,197	$ 216	$ 9	$ 29,685
Insurance contract assets	(272)	3	54	—	—	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	—	—	26,901
Net insurance contract liabilities (assets) at beginning	53,655	240	2,251	216	9	56,371
Insurance service result						
Insurance revenue						
Contracts under the fair value transition approach	(1,969)	—	—	—	—	(1,969)
Other contracts	(2,224)	—	—	—	—	(2,224)
	(4,193)	—	—	—	—	(4,193)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(52)	2,166	881	7	3,002
Amortization of insurance acquisition cash flows	411	—	—	—	—	411
Losses and reversal of losses on onerous contracts	—	40	—	—	—	40
Changes to liabilities for incurred claims	—	—	(29)	10	(6)	(25)
	411	(12)	2,137	891	1	3,428
Finance expenses (income) from insurance contracts	348	9	9	(1)	—	365
Amounts recognized in net income	(3,434)	(3)	2,146	890	1	(400)
Investment components and premium refunds	(3,382)	—	3,382	—	—	—
Effect of change in exchange rates	(6)	—	—	—	—	(6)
	(3,388)	—	3,382	—	—	(6)
Cash flows						
Premiums received, net of premium refunds	9,106	—	—	—	—	9,106
Claims and other insurance service expenses paid, including investment components	—	—	(5,477)	(873)	—	(6,350)
Insurance acquisition cash flows	(1,349)	—	—	—	—	(1,349)
	7,757	—	(5,477)	(873)	—	1,407
Net insurance contract liabilities (assets) at end	54,590	237	2,302	233	10	57,372
Balance at end						
Insurance contract liabilities	26,659	234	2,247	233	10	29,383
Insurance contract assets	(257)	3	55	—	—	(199)
Insurance contract liabilities related to segregated funds	28,188	—	—	—	—	28,188
Net insurance contract liabilities (assets) at end	$ 54,590	$ 237	$ 2,302	$ 233	$ 10	$ 57,372

	As at December 31, 2022					
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component	Loss component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Insurance contract liabilities	$ 34,689	$ 4	$ 2,231	$ 142	$ 6	$ 37,072
Insurance contract assets	(188)	—	65	—	—	(123)
Insurance contract liabilities related to segregated funds	28,692	—	—	—	—	28,692
Net insurance contract liabilities (assets) at beginning	63,193	4	2,296	142	6	65,641
Insurance service result						
Insurance revenue						
Contracts under the fair value transition approach	(3,193)	—	—	—	—	(3,193)
Other contracts	(1,945)	—	—	—	—	(1,945)
	(5,138)	—	—	—	—	(5,138)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(11)	2,643	988	7	3,627
Amortization of insurance acquisition cash flows	332	—	—	—	—	332
Losses and reversal of losses on onerous contracts	—	245	—	—	—	245
Changes to liabilities for incurred claims	—	—	(96)	(1)	(4)	(101)
	332	234	2,547	987	3	4,103
Finance expenses (income) from insurance contracts	(11,330)	1	(89)	(2)	—	(11,420)
Amounts recognized in net income	(16,136)	235	2,458	985	3	(12,455)
Investment components and premium refunds	(3,409)	—	3,409	—	—	—
Effect of change in exchange rates	211	1	9	2	—	223
	(3,198)	1	3,418	2	—	223
Cash flows						
Premiums received, net of premium refunds	11,584	—	—	—	—	11,584
Claims and other insurance service expenses paid, including investment components	—	—	(5,921)	(913)	—	(6,834)
Insurance acquisition cash flows	(1,788)	—	—	—	—	(1,788)
	9,796	—	(5,921)	(913)	—	2,962
Net insurance contract liabilities (assets) at end	53,655	240	2,251	216	9	56,371
Balance at end						
Insurance contract liabilities	27,026	237	2,197	216	9	29,685
Insurance contract assets	(272)	3	54	—	—	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	—	—	26,901
Net insurance contract liabilities (assets) at end	$ 53,655	$ 240	$ 2,251	$ 216	$ 9	$ 56,371

c) Roll-Forward of Net Insurance Contract Liabilities (Assets) by Measurement Component

The following tables disclose the reconciliation by measurement component for insurance contracts not measured under the PAA:

	As at September 30, 2023					
	Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual service margin**			**Total**
(in millions of dollars)			**Contracts under the fair value transition approach**	**Other contracts**	**Total contractual service margin**	
Balance at beginning						
Insurance contract liabilities	**$ 19,538**	**$ 2,973**	**$ 4,708**	**$ 496**	**$ 5,204**	**$ 27,715**
Insurance contract assets	**(324)**	**27**	**5**	**77**	**82**	**(215)**
Insurance contract liabilities related to segregated funds	**26,901**	**—**	**—**	**—**	**—**	**26,901**
Net insurance contract liabilities (assets) at beginning	**46,115**	**3,000**	**4,713**	**573**	**5,286**	**54,401**
Insurance service result						
Changes that relate to current services						
Contractual service margin recognized for services provided	**—**	**—**	**(331)**	**(103)**	**(434)**	**(434)**
Change in risk adjustment for non-financial risk for risk expired	**—**	**(225)**	**—**	**—**	**—**	**(225)**
Experience adjustments	**71**	**—**	**—**	**—**	**—**	**71**
Changes that relate to future services						
Contracts initially recognized in the period	**(662)**	**255**	**—**	**446**	**446**	**39**
Changes in estimates that adjust the contractual service margin	**(231)**	**(7)**	**260**	**(22)**	**238**	**—**
Changes in estimates that result in losses and reversal of losses on onerous contracts	**—**	**—**	**—**	**—**	**—**	**—**
Changes that relate to past services						
Changes to liabilities for incurred claims	**(29)**	**—**	**—**	**—**	**—**	**(29)**
	(851)	**23**	**(71)**	**321**	**250**	**(578)**
Finance expenses (income) from insurance contracts	**396**	**(73)**	**(51)**	**16**	**(35)**	**288**
Amounts recognized in net income	**(455)**	**(50)**	**(122)**	**337**	**215**	**(290)**
Effect of change in exchange rates	**(2)**	**—**	**(1)**	**—**	**(1)**	**(3)**
Cash flows	**1,122**	**—**	**—**	**—**	**—**	**1,122**
Net insurance contract liabilities (assets) at end	**46,780**	**2,950**	**4,590**	**910**	**5,500**	**55,230**
Balance at end						
Insurance contract liabilities	**18,931**	**2,923**	**4,578**	**809**	**5,387**	**27,241**
Insurance contract assets	**(339)**	**27**	**12**	**101**	**113**	**(199)**
Insurance contract liabilities related to segregated funds	**28,188**	**—**	**—**	**—**	**—**	**28,188**
Net insurance contract liabilities (assets) at end	**$ 46,780**	**$ 2,950**	**$ 4,590**	**$ 910**	**$ 5,500**	**$ 55,230**

	As at December 31, 2022					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin			Total
(in millions of dollars)			Contracts under the fair value transition approach	Other contracts	Total contractual service margin	
Balance at beginning						
Insurance contract liabilities	$ 26,404	$ 3,579	$ 5,559	$ —	$ 5,559	$ 35,542
Insurance contract assets	(197)	32	8	34	42	(123)
Insurance contract liabilities related to segregated funds	28,692	—	—	—	—	28,692
Net insurance contract liabilities (assets) at beginning	54,899	3,611	5,567	34	5,601	64,111
Insurance service result						
Changes that relate to current services						
Contractual service margin recognized for services provided	—	—	(473)	(54)	(527)	(527)
Change in risk adjustment for non-financial risk for risk expired	—	(286)	—	—	—	(286)
Experience adjustments	(64)	—	—	—	—	(64)
Changes that relate to future services						
Contracts initially recognized in the year	(967)	323	—	696	696	52
Changes in estimates that adjust the contractual service margin	46	389	(321)	(114)	(435)	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	552	(366)	—	—	—	186
Changes that relate to past services						
Changes to liabilities for incurred claims	(102)	6	—	—	—	(96)
	(535)	66	(794)	528	(266)	(735)
Finance expenses (income) from insurance contracts	(10,711)	(693)	(94)	9	(85)	(11,489)
Amounts recognized in net income	(11,246)	(627)	(888)	537	(351)	(12,224)
Effect of change in exchange rates	61	16	34	2	36	113
Cash flows	2,401	—	—	—	—	2,401
Net insurance contract liabilities (assets) at end	46,115	3,000	4,713	573	5,286	54,401
Balance at end						
Insurance contract liabilities	19,538	2,973	4,708	496	5,204	27,715
Insurance contract assets	(324)	27	5	77	82	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	—	—	26,901
Net insurance contract liabilities (assets) at end	$ 46,115	$ 3,000	$ 4,713	$ 573	$ 5,286	$ 54,401

d) Roll-Forward of Net Reinsurance Contract Assets (Liabilities) by Remaining Coverage and Incurred Claims

	As at September 30, 2023					
	Assets for remaining coverage		Assets for incurred claims			
	Excluding loss-recovery component	Loss-recovery component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Reinsurance contract assets	$ 1,986	$ 3	$ 68	$ (15)	$ 6	$ 2,048
Reinsurance contract liabilities	(364)	82	49	—	—	(233)
Net reinsurance contract assets (liabilities) at beginning	1,622	85	117	(15)	6	1,815
Net expenses from reinsurance contracts						
Allocation of reinsurance premiums paid	(876)	—	—	—	—	(876)
Amounts recoverable from reinsurers	—	(6)	472	322	(1)	787
	(876)	(6)	472	322	(1)	(89)
Finance income (expenses) from reinsurance contracts	56	1	1	4	—	62
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Amounts recognized in net income	(820)	(5)	473	326	(1)	(27)
Effect of change in exchange rates	(4)	—	—	1	—	(3)
Cash flows						
Premiums paid	964	—	—	—	—	964
Amounts received	—	—	(441)	(213)	—	(654)
	964	—	(441)	(213)	—	310
Net reinsurance contract assets (liabilities) at end	1,762	80	149	99	5	2,095
Balance at end						
Reinsurance contract assets	2,082	5	95	99	5	2,286
Reinsurance contract liabilities	(320)	75	54	—	—	(191)
Net reinsurance contract assets (liabilities) at end	$ 1,762	$ 80	$ 149	$ 99	$ 5	$ 2,095

	As at December 31, 2022					
	Assets for remaining coverage		Assets for incurred claims			
	Excluding loss-recovery component	Loss-recovery component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Reinsurance contract assets	$ 1,803	$ 1	$ 56	$ 24	$ 6	$ 1,890
Reinsurance contract liabilities	(220)	—	91	—	—	(129)
Net reinsurance contract assets (liabilities) at beginning	1,583	1	147	24	6	1,761
Net expenses from reinsurance contracts						
Allocation of reinsurance premiums paid	(1,235)	—	—	—	—	(1,235)
Amounts recoverable from reinsurers	—	84	525	356	(1)	964
	(1,235)	84	525	356	(1)	(271)
Finance income (expenses) from reinsurance contracts	(116)	—	(1)	2	1	(114)
Effect of changes in non-performance risk of reinsurers	(1)	—	—	—	—	(1)
Amounts recognized in net income	(1,352)	84	524	358	—	(386)
Effect of change in exchange rates	129	—	4	(12)	—	121
Cash flows						
Premiums paid	1,262	—	—	—	—	1,262
Amounts received	—	—	(558)	(385)	—	(943)
	1,262	—	(558)	(385)	—	319
Net reinsurance contract assets (liabilities) at end	1,622	85	117	(15)	6	1,815
Balance at end						
Reinsurance contract assets	1,986	3	68	(15)	6	2,048
Reinsurance contract liabilities	(364)	82	49	—	—	(233)
Net reinsurance contract assets (liabilities) at end	$ 1,622	$ 85	$ 117	$ (15)	$ 6	$ 1,815

e) Roll-Forward of Net Reinsurance Contract Assets (Liabilities) by Measurement Component

The following tables disclose the reconciliation by measurement component for reinsurance contracts not measured under the PAA:

	As at September 30, 2023					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin			Total
(in millions of dollars)			Contracts under the fair value transition approach	Other contracts	Total contractual service margin	
Balance at beginning						
Reinsurance contract assets	$ 769	$ 58	$ 10	$ (29)	$ (19)	$ 808
Reinsurance contract liabilities	(738)	774	(179)	(90)	(269)	(233)
Net reinsurance contract assets (liabilities) at beginning	31	832	(169)	(119)	(288)	575
Net expenses from reinsurance contracts						
Changes that relate to current services						
Contractual service margin recognized for services received	—	—	12	6	18	18
Change in risk adjustment for non-financial risk for risk expired	—	(46)	—	—	—	(46)
Experience adjustments	72	—	—	—	—	72
Changes that relate to future services						
Contracts initially recognized in the period	(32)	39	—	(6)	(6)	1
Changes in recoveries of losses on onerous underlying contracts that adjust the contractual service margin	—	—	(1)	(1)	(2)	(2)
Changes in estimates that adjust the contractual service margin	3	(5)	(9)	11	2	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	(4)	(1)	—	—	—	(5)
Changes that relate to past services						
Changes to amounts recoverable on incurred claims	1	(1)	—	—	—	—
	40	(14)	2	10	12	38
Finance income (expenses) from reinsurance contracts	33	(26)	(1)	(4)	(5)	2
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Amounts recognized in net income	73	(40)	1	6	7	40
Effect of change in exchange rates	(2)	—	—	—	—	(2)
Cash flows	33	—	—	—	—	33
	31	—	—	—	—	31
Net reinsurance contract assets (liabilities) at end	135	792	(168)	(113)	(281)	646
Balance at end						
Reinsurance contract assets	788	59	16	(26)	(10)	837
Reinsurance contract liabilities	(653)	733	(184)	(87)	(271)	(191)
Net reinsurance contract assets (liabilities) at end	$ 135	$ 792	$ (168)	$ (113)	$ (281)	$ 646

	As at December 31, 2022					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin			Total
(in millions of dollars)			Contracts under the fair value transition approach	Other contracts	Total contractual service margin	
Balance at beginning						
Reinsurance contract assets	$ 865	$ 39	$ (25)	$ —	$ (25)	$ 879
Reinsurance contract liabilities	(1,338)	1,090	119	—	119	(129)
Net reinsurance contract assets (liabilities) at beginning	(473)	1,129	94	—	94	750
Net expenses from reinsurance contracts						
Changes that relate to current services						
Contractual service margin recognized for services received	—	—	(3)	2	(1)	(1)
Change in risk adjustment for non-financial risk for risk expired	—	(58)	—	—	—	(58)
Experience adjustments	(103)	—	—	—	—	(103)
Changes that relate to future services						
Contracts initially recognized in the year	(56)	75	—	(16)	(16)	3
Changes in recoveries of losses on onerous underlying contracts that adjust the contractual service margin	—	—	(1)	(1)	(2)	(2)
Changes in estimates that adjust the contractual service margin	341	22	(261)	(102)	(363)	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	191	(110)	—	—	—	81
Changes that relate to past services						
Changes to amounts recoverable on incurred claims	(2)	(1)	—	—	—	(3)
	371	(72)	(265)	(117)	(382)	(83)
Finance income (expenses) from reinsurance contracts	57	(227)	3	(1)	2	(168)
Effect of changes in non-performance risk of reinsurers	(1)	—	—	—	—	(1)
Amounts recognized in net income	427	(299)	(262)	(118)	(380)	(252)
Effect of change in exchange rates	54	2	(1)	(1)	(2)	54
Cash flows	23	—	—	—	—	23
	77	2	(1)	(1)	(2)	77
Net reinsurance contract assets (liabilities) at end	31	832	(169)	(119)	(288)	575
Balance at end						
Reinsurance contract assets	769	58	10	(29)	(19)	808
Reinsurance contract liabilities	(738)	774	(179)	(90)	(269)	(233)
Net reinsurance contract assets (liabilities) at end	$ 31	$ 832	$ (169)	$ (119)	$ (288)	$ 575

B) Insurance Revenue

	Quarters ended September 30		Nine months ended September 30	
(in millions of dollars)	**2023**	2022	**2023**	2022
Contracts not measured under the premium allocation approach				
Changes in liabilities for remaining coverage				
Contractual service margin recognized for services provided	**$ 147**	$ 134	**$ 434**	$ 394
Change in risk adjustment for non-financial risk for risk expired	**76**	72	**225**	216
Expected incurred claims and other insurance service expenses	**714**	666	**2,043**	2,032
Recovery of insurance acquisition cash flows	**83**	41	**222**	78
	1,020	913	**2,924**	2,720
Contracts measured under the premium allocation approach	**438**	362	**1,269**	1,035
Total insurance revenue	**$ 1,458**	$ 1,275	**$ 4,193**	$ 3,755

C) Effect of Contracts Initially Recognized

The following tables present the effect on the measurement components arising from the initial recognition of insurance contracts and reinsurance contracts not measured under the PAA:

a) Insurance Contracts

	Nine months ended September 30, 2023				
	Contracts issued		Contracts acquired		
(in millions of dollars)	**Non-Onerous**	**Onerous**	**Non-Onerous**	**Onerous**	**Total**
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	**$ 3,364**	**$ 601**	**$ —**	**$ —**	**$ 3,965**
Insurance acquisition cash flows	**991**	**116**	**—**	**—**	**1,107**
	4,355	**717**	**—**	**—**	**5,072**
Estimates of present value of future cash inflows	**(5,013)**	**(721)**	**—**	**—**	**(5,734)**
Risk adjustment for non-financial risk	**212**	**43**	**—**	**—**	**255**
Contractual service margin	**446**	**—**	**—**	**—**	**446**
Insurance contract liabilities on initial recognition	**$ —**	**$ 39**	**$ —**	**$ —**	**$ 39**

	Year ended December 31, 2022				
	Contracts issued		Contracts acquired		
(in millions of dollars)	Non-Onerous	Onerous	Non-Onerous	Onerous	Total
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	$ 4,265	$ 848	$ —	$ —	$ 5,113
Insurance acquisition cash flows	1,253	208	—	—	1,461
	5,518	1,056	—	—	6,574
Estimates of present value of future cash inflows	(6,502)	(1,039)	—	—	(7,541)
Risk adjustment for non-financial risk	288	35	—	—	323
Contractual service margin	696	—	—	—	696
Insurance contract liabilities on initial recognition	$ —	$ 52	$ —	$ —	$ 52

b) Reinsurance Contracts

	Nine months ended September 30, 2023		
(in millions of dollars)	**Contracts initiated**	**Contracts acquired**	**Total**
Estimates of present value of future cash inflows	**$ 463**	**$ —**	**$ 463**
Estimates of present value of future cash outflows	**(495)**	**—**	**(495)**
Risk adjustment for non-financial risk	**39**	**—**	**39**
Contractual service margin	**(6)**	**—**	**(6)**
Reinsurance contract assets on initial recognition	**$ 1**	**$ —**	**$ 1**

(in millions of dollars)	Year ended December 31, 2022 Contracts initiated	Contracts acquired	Total
Estimates of present value of future cash inflows	$ 961	$ —	$ 961
Estimates of present value of future cash outflows	(1,017)	—	(1,017)
Risk adjustment for non-financial risk	75	—	75
Contractual service margin	(16)	—	(16)
Reinsurance contract assets on initial recognition	$ 3	$ —	$ 3

D) Expected Recognition of the Contractual Service Margin in Net Income

	As at December 31, 2022				
(in millions of dollars)	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
Insurance contracts	$ 498	$ 1,526	$ 1,366	$ 1,896	$ 5,286
Reinsurance contracts	(22)	(67)	(80)	(119)	(288)

E) Net Investment Result

The following table presents sources of finance income and expenses for the general fund recognized in net income:

	Quarters ended September 30		**Nine months ended September 30**	
(in millions of dollars)	**2023**	2022	**2023**	2022
Net investment income				
Interest and other investment income	**$ 456**	$ 525	**$ 1,401**	$ 1,357
Change in fair value of investments	**(3,029)**	(351)	**(1,832)**	(9,903)
	(2,573)	174	**(431)**	(8,546)
Finance income (expenses) from insurance contracts				
Interest accreted	**(402)**	(244)	**(1,121)**	(603)
Effect of changes in interest rates and other financial assumptions	**2,891**	(9)	**1,859**	8,692
Changes in fair value of underlying items in insurance contracts with direct participation features	**49**	(5)	**16**	173
Effects of risk mitigation option	**55**	(4)	**95**	110
	2,593	(262)	**849**	8,372
Finance income (expenses) from reinsurance contracts				
Interest accreted	**23**	17	**70**	55
Effect of changes in interest rates and other financial assumptions	**(46)**	1	**(8)**	(57)
Effect of changes in non-performance risk of reinsurers	**—**	1	**—**	(1)
	(23)	19	**62**	(3)
(Increase) decrease in investment contract liabilities and interest on deposits	**(41)**	(19)	**(108)**	(17)
Net investment result recognized in net income	**$ (44)**	$ (88)	**$ 372**	$ (194)

The following table discloses the finance income (expenses) arising from insurance and investment contract liabilities related to segregated funds:

	Quarters ended September 30		**Nine months ended September 30**	
(in millions of dollars)	**2023**	2022	**2023**	2022
Finance income (expenses) related to segregated funds liabilities				
Insurance contracts	**$ 665**	$ 131	**$ (1,214)**	$ 4,165
Investment contracts	**285**	38	**(341)**	1,383
Total	**$ 950**	$ 169	**$ (1,555)**	$ 5,548

F) Important Judgments in the Measurement of Insurance Contracts and Reinsurance Contracts

Estimates and underlying assumptions made to measure insurance contracts and reinsurance contracts require important judgment. The methods and inputs used by the Company to establish the most important estimates and assumptions are described below.

a) Fulfilment Cash Flows

i) Estimate of Future Cash Flows

When estimating the future cash flows within the boundary of a contract, the Company determines the expected value of a range of scenarios that reflect the full range of possible outcomes. The assumptions take into consideration current circumstances, historical data from the Company, the industry or the sector, the relationship between the historical and anticipated future results as well as other relevant factors. The methods used to establish the most significant assumptions when estimating future cash flows are described below. A sensitivity analysis is presented in Note 11 "Management of Insurance Risk" in the "Sensitivity Analysis" section.

Policyholder Behaviour

Policyholder behaviour relates to all the choices policyholders can make regarding their insurance contract. Among those choices, two are more significant in the valuation of the estimate of future cash flows, which are the expected proportion of policyholders who will lapse their contract in the future and the premium payment pattern when the policyholder has flexibility in that regard.

Lapse refers to the termination of the contract that occurs when the policyholder has stopped paying premiums or when the policyholder voluntarily surrenders their contract. Long-term lapse rate assumptions take into account the usually lower contract lapse rates with respect to lapse-supported products compared to other products. Expected lapse rate assumptions are generally based on the Company's recent lapse experience and are adjusted to take into account industry experience where the Company's experience is limited.

Since policyholders of Universal Life contracts have flexibility on the amount and timing of premium payments, the Company establishes assumptions with respect to premium payment patterns. The premium payment patterns can vary depending on the payment frequency, the level of the target premium compared to the minimum premium, the type of policy insurance costs (level or annually increasing), the type of product and the year of issue. The Company studies the premium payment pattern experience to come up with assumptions for such contracts. When this experience is not sufficiently representative, it is adjusted to take into account industry experience.

Mortality and Morbidity

Mortality represents the occurrence of death in a given population while morbidity represents the occurrence of accident or illness among insured risks. The Company uses several mortality and morbidity assumptions to capture the difference in the level of risk of the insureds. These assumptions are based on recent technical results of the Company. When those are not sufficiently representative, technical results of the industry are also used.

For individual life insurance contracts, the Company's mortality experience has exhibited a declining trend over the past decades. The measurement of insurance contract liabilities relating to these contracts takes into account an improvement in future mortality rates. For individual and group annuity contracts, mortality improvement is also taken into account in the projection. For group life contracts, the expected future mortality experience is incorporated into the measurement of the insurance contracts, but no future mortality improvement is assumed. Finally, there is no improvement assumed in the morbidity assumptions that are used for individual and group life insurance contracts.

Expenses

Expenses incurred for the fulfilment of contracts include acquisition costs, costs of servicing and maintaining in-force policies, taxes and associated indirect expenses. Expense assumptions are calculated using the Company's internal expense allocation studies and consider investments in improvement projects for which productivity gains are planned. Unit cost factors projected for the coming years vary according to the investments planned in improvement projects, the productivity gains they will generate (in excess of the project costs) and the inflation assumption, which is established consistently with the discount rate. Expenses incurred for the fulfilment of contracts that are not specific to a contract are allocated to groups of contracts based on a systematic and rational method, such as unit cost based allocation, for all costs that have similar characteristics. Taxes reflect assumptions for future premium taxes and other non-income related taxes and usually reflect current legislation unless a change is expected.

Changes in Discretionary Cash Flows

To determine how to identify changes in discretionary cash flows for certain contracts without direct participation features, the Company generally regards its commitment to be the implicit return in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current financial risk assumptions.

ii) Discount Rates

The Company uses a hybrid of the bottom-up and top-down approaches to determine the discount rates used to adjust the estimates of future cash flows to reflect the time value of money and financial risk. Under this approach, the discount rates are determined as the risk-free yields adjusted by an illiquidity premium to reflect differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows.

The risk-free yields are derived using Government of Canada bonds for the first 30 years where data is sufficient to develop a curve. After 30 years, the method used is the one suggested by the Canadian Institute of Actuaries (CIA) which goes from the last observable point to an ultimate risk-free rate.

The illiquidity premium for the first 30 years is determined as the yield implicit in the fair value of a reference portfolio less the risk-free yields and adjusted for differences between the reference portfolio of assets and respective liability cash flows. The reference portfolio is made up of corporate and provincial bonds usually included in public bond indices. Since corporate bonds are less liquid than provincial bonds, the discount rate curves have different proportions in corporate and provincial bonds to reflect the liquidity of the contracts. The yield from the reference portfolio is adjusted to remove both expected and unexpected credit risk by using information from observed historical levels of default relating to the bonds included in the reference portfolio. Historical levels of default may be adjusted in the case of a particular credit event. After all the illiquidity premiums have been determined, a final adjustment is made to adjust for the difference between the Company's own assets and the reference portfolio. After 30 years, the illiquidity premium grades to an ultimate illiquidity premium determined using historical data, without exceeding the ultimate illiquidity premium recommended by the CIA.

During the quarter ended September 30, 2022, the Company improved the method it uses to translate observable data of bond prices in the market into an illiquidity premium curve. This improvement in methodology resulted in an expense recorded in *Finance income (expenses) from insurance contracts* for an amount of $92.

The following table presents discount rates applied to discounting of future cash flows based on the liquidity characteristics of the insurance contracts:

	As at September 30, 2023					
	1 year	**5 years**	**10 years**	**20 years**	**30 years**	**70 years**
Canadian products						
Least illiquid curve	**5.25%**	**4.72%**	**4.90%**	**5.09%**	**4.69%**	**4.35%**
Most illiquid curve	**6.47%**	**6.35%**	**6.55%**	**6.28%**	**6.05%**	**5.15%**
U.S. products						
Least illiquid curve	**6.18%**	**5.78%**	**5.93%**	**6.13%**	**5.72%**	**4.90%**
Most illiquid curve	**6.43%**	**6.03%**	**6.18%**	**6.38%**	**5.97%**	**5.15%**

	As at December 31, 2022					
	1 year	5 years	10 years	20 years	30 years	70 years
Canadian products						
Least illiquid curve	4.33%	3.91%	4.19%	4.50%	4.29%	4.35%
Most illiquid curve	5.95%	5.48%	5.83%	5.83%	5.64%	5.15%
U.S. products						
Least illiquid curve	5.33%	5.08%	5.21%	5.42%	4.97%	4.90%
Most illiquid curve	5.58%	5.33%	5.46%	5.67%	5.22%	5.15%

Cash flows that have a non-linear relationship with the returns on any underlying financial items, caused by the presence of guarantees linked to financial markets (such as minimum interest rate guarantees or guarantees on segregated fund contracts), are adjusted for the effect of that variability using stochastic risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

iii) Risk Adjustment for Non-Financial Risk

The Company determines the risk adjustment for non-financial risk using margins on assumptions. Therefore, the fulfilment cash flows are calculated with conservative assumptions and the difference between calculated fulfilment cash flows and the present value of the estimates of future cash flows corresponds to the risk adjustment for non-financial risk.

The margins are calibrated so that the total resulting risk adjustment for non-financial risk represents the compensation required by the Company for bearing the uncertainty related to non-financial risk. This compensation is defined by a confidence level on a net-of-reinsurance basis between 92.5% and 97.5% in 2023 and 2022 and reflects diversification benefits (by using a correlation matrix) between risks, products and entities of the group. Such a confidence level represents the probability that fulfilment cash flows, including the risk adjustment for non-financial risk, will be sufficient to fulfill the Company's obligations related to insurance contracts (after consideration for reinsurance), when considering non-financial risks only.

To determine the risk adjustment for non-financial risk for reinsurance contracts, the Company derives the amount of risk being transferred to the reinsurer as the difference between the risk adjustment for non-financial risk determined on a gross-of-reinsurance basis and the risk adjustment for non-financial risk determined on a net-of-reinsurance basis.

b) Recognition of the Contractual Service Margin in the Income Statement

The coverage units establish the amount of the CSM of a group of contracts to be released in the Income Statement to reflect the insurance contract services provided in the period. The Company determines the number of coverage units by considering, for each contract, the quantity of the benefits provided and the expected coverage duration. The quantity of benefits of a contract is the amount insured over the duration of the contract, which is evaluated by considering the specific characteristics of each contract.

To determine the relative weighting of the benefits provided by insurance contracts that provide both insurance coverage and investment services, the Company considers the quantity of benefits for each service and their expected duration and uses the sum as coverage units. The quantity of benefits for investment services is based on the asset value managed under the contract for the benefit of the policyholder.

For reinsurance contracts, the number of coverage units reflects the benefits covered in the underlying contracts because the level of services provided depends on the number of underlying contracts in force and their benefits. The total coverage units for each group of contracts are reassessed at the end of each reporting period.

13 › Debentures

Redemption

On September 15, 2023, iA Insurance redeemed all of its $400 subordinated debentures maturing September 15, 2028, bearing interest of 3.30% payable semi-annually until September 15, 2023. The subordinated debentures were redeemed at nominal value plus accrued and unpaid interest, for a total disbursement of $407.

On February 23, 2022, iA Insurance 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.

Issuance

On June 20, 2023, the Company issued subordinated debentures in the amount of $400 due June 20, 2033, bearing interest of 5.685%, payable semi-annually from December 20, 2023 to June 20, 2028, and variable interest equal to the daily compounded CORRA, increased by 1.96%, payable quarterly, starting September 20, 2028 and ending on June 20, 2033. These subordinated debentures are redeemable by the Company, in whole or in part, from June 20, 2028, subject to prior approval by the Autorité des marchés financiers (AMF). As at September 30, 2023, the carrying value of the debentures includes the amortized transaction costs and issuance discount for a total of $2.

On February 25, 2022, the Company issued subordinated debentures in the amount of $300 due February 25, 2032, bearing interest of 3.187%, payable semi-annually from August 25, 2022 to February 25, 2027, and variable interest equal to the 3-month CDOR, increased by 0.91%, payable quarterly, starting May 25, 2027 and ending on February 25, 2032. These subordinated debentures are redeemable by the Company, in whole or in part, from February 25, 2027, subject to prior approval by the AMF. As at September 30, 2023, the carrying value of the debentures includes the amortized transaction costs and issuance discount for a total of $1 ($2 as at December 31, 2022).

14 › Share Capital

The share capital issued by the Company is as follows:

	As at September 30, 2023		As at December 31, 2022	
(in millions of dollars, unless otherwise indicated)	**Number of shares (in thousands)**	**Amount**	Number of shares (in thousands)	Amount
Common shares				
Balance at beginning	**104,773**	**$ 1,675**	107,557	$ 1,706
Shares issued on exercise of stock options	**210**	**12**	325	19
Shares redeemed	**(3,407)**	**(55)**	(3,109)	(50)
Balance at end	**101,576**	**$ 1,632**	104,773	$ 1,675

Stock Option Plan

As at September 30, 2023, the number of outstanding stock options (in thousands) was 1,518 (1,539 as at December 31, 2022). For the nine months ended September 30, 2023, the Company granted (in thousands) 206 stock options exercisable at $82.09 (195 stock options exercisable at $83.35 for the year ended December 31, 2022).

Normal Course Issuer Bid

With the approval of the Toronto Stock Exchange and the AMF, the Board of Directors authorized the Company to purchase, in the normal course of its activities, between November 14, 2022 and November 13, 2023, up to 5,265,045 common shares (5,382,503 common shares in the normal course issuer bid of 2021), representing approximately 5% of its 105,300,913 common shares issued and outstanding as at November 1, 2022. For the nine months ended September 30, 2023, a total of 3,407,132 common shares (3,109,402 as at December 31, 2022) were purchased and cancelled for a net cash amount of $291 ($213 as at December 31, 2022), of which $55 was recorded against share capital ($50 as at December 31, 2022) and $236 against retained earnings ($163 as at December 31, 2022).

Dividends

	Quarters ended September 30				**Nine months ended September 30**			
	2023		2022		**2023**		2022	
(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	**$ 78**	**$ 0.77**	$ 72	$ 0.68	**$ 227**	**$ 2.21**	$ 206	$ 1.93

Dividends Declared and Not Recognized on Common Shares

A dividend of 0.765 dollars per share was approved by the Board of Directors of the Company on November 7, 2023. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid on December 15, 2023 to the shareholders of record as of November 17, 2023, date on which it will be recognized in the equity of the Company.

Dividend Reinvestment and Share Purchase Plan

The Company offers a Dividend Reinvestment and Share Purchase Plan to its common shareholders. Dividends on common shares are deducted from equity in the period in which they were authorized. The common shares issued under the plan will be purchased on the secondary market.

15 › Preferred Shares Issued by a Subsidiary and Other Equity Instruments

Preferred shares issued by iA Insurance, a subsidiary of the Company, and other equity instruments are as follows:

	As at September 30, 2023		As at December 31, 2022	
(in millions of dollars, unless otherwise indicated)	**Number of shares (in thousands)**	**Amount**	Number of shares (in thousands)	Amount
Preferred shares, Class A, issued by iA Insurance				
Balance at beginning	**11,000**	**$ 275**	21,000	$ 525
Shares redeemed – Series G	**—**	**—**	(10,000)	(250)
Shares redeemed – Series I	**(6,000)**	**(150)**	—	—
Balance at end	**5,000**	**125**	11,000	275
Other equity instruments				
Balance at beginning	**250**	**250**	—	—
Subordinated debentures issued – Series 2022-1	**—**	**—**	250	250
Balance at end	**250**	**250**	250	250
Total preferred shares issued by iA Insurance and other equity instruments	**5,250**	**$ 375**	11,250	$ 525

Preferred Shares Issued by iA Insurance

Redemption

On March 31, 2023, iA Insurance redeemed all of the 6,000,000 Class A – Series I preferred shares at a price of 25 dollars per share for a cash amount of $150.

On June 30, 2022, iA Insurance 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.

Other Equity Instruments

Issuance

On June 1, 2022, the Company issued Limited Recourse Capital Notes Series 2022-1 Subordinated Debentures, bearing interest at 6.611% and maturing in 2082, for a net cash amount of $247. Transaction costs for a total of $4 ($3 after tax) were recognized in *Retained earnings*.

At the same time, the Company issued 250,000 Series A non-cumulative 5-year rate reset preferred shares to be held by the Limited Recourse Trust, which has been newly formed by the Company.

Dividends and Distributions

	Quarters ended September 30				**Nine months ended September 30**			
	2023		2022		**2023**		2022	
(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)
Preferred shares, issued by iA Insurance								
Class A – Series B	**$ 1**	**$ 0.29**	$ 1	$ 0.29	**$ 4**	**$ 0.86**	$ 4	$ 0.86
Class A – Series G	**—**	**—**	—	—	**—**	**—**	4	0.47
Class A – Series I	**—**	**—**	2	0.30	**2**	**0.30**	6	0.90
	1		3		**6**		14	
Distributions on other equity instruments								
Subordinated debentures – Series 2022-1	**—**		—		**6**		—	
Total dividends and distributions	**$ 1**		$ 3		**$ 12**		$ 14	

For the nine months ended September 30, 2023, distributions on other equity instruments for a total of $8 ($6 after tax) (none for the nine months ended September 30, 2022) were recognized in *Retained earnings*.

16 › Accumulated Other Comprehensive Income

(in millions of dollars)	Bonds	Stocks	Other investments and investment properties	Currency translation	Hedging	Total
Balance as at December 31, 2022	**$ —**	**$ —**	**$ 22**	**$ 135**	**$ (136)**	**$ 21**
Revaluation surplus related to transfers to investment properties	**—**	**—**	**3**	**—**	**—**	**3**
Income taxes on revaluation surplus related to transfers to investment properties	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**(4)**	**4**	**—**
Income taxes on other	**—**	**—**	**—**	**—**	**(1)**	**(1)**
	—	**—**	**3**	**(4)**	**3**	**2**
Balance as at September 30, 2023	**—**	**—**	**25**	**131**	**(133)**	**23**
Balance as at December 31, 2021	30	21	(2)	(47)	(16)	(14)
Impact of adopting IFRS 9 (Note 4)	(30)	(21)	2	1	(8)	(56)
Balance as at January 1, 2022	—	—	—	(46)	(24)	(70)
Revaluation surplus related to transfers to investment properties	—	—	26	—	—	26
Income taxes on revaluation surplus related to transfers to investment properties	—	—	(4)	—	—	(4)
Other	—	—	—	181	(131)	50
Income taxes on other	—	—	—	—	19	19
	—	—	22	181	(112)	91
Balance as at December 31, 2022	—	—	22	135	(136)	21
Balance as at December 31, 2021	30	21	(2)	(47)	(16)	(14)
Impact of adopting IFRS 9 (Note 4)	(30)	(21)	2	1	(8)	(56)
Balance as at January 1, 2022	—	—	—	(46)	(24)	(70)
Other	—	—	—	215	(161)	54
Income taxes on other	—	—	—	—	23	23
	—	—	—	215	(138)	77
Balance as at September 30, 2022	$ —	$ —	$ —	$ 169	$ (162)	$ 7

17 › Capital Management

Regulatory Requirements and Solvency Ratio

The Company is committed to respecting certain requirements of the guideline on capital adequacy requirements for life insurers (CARLI).

An updated version of CARLI entered into force on January 1, 2023 applicable prospectively and gives new parameters for calculating the solvency ratio. In return, as at December 31, 2022, the solvency ratio was established according to the previous version of CARLI. The parameters affecting the solvency ratio that have been modified since the previous version are identified in parentheses.

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 common shareholders, preferred shares issued by a subsidiary, other qualifying equity instruments and the contractual service margin, excluding segregated fund products. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is notably composed of subordinated debentures.

The surplus allowance is the value of the risk adjustment for non-financial risk (the value of specific provisions for adverse deviations as at December 31, 2022) included in insurance contract liabilities, excluding segregated fund products.

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 1.00 (1.05 as at December 31, 2022).

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.

The Company manages its capital on a consolidated basis. As at September 30, 2023, the Company maintains a ratio that satisfies the regulatory requirements.

(in millions of dollars, unless otherwise indicated)	**As at September 30, 2023**
Available capital	
Tier 1 capital	**$ 4,830**
Tier 2 capital	**3,451**
Surplus allowance and eligible deposits	**2,157**
Total	**$ 10,438**
Base solvency buffer	**$ 7,197**
Total ratio	**145%**

As at December 31, 2022, the solvency ratio was 126% and the Company maintained a ratio that satisfied the regulatory requirements.

18 › Income Taxes

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

(in millions of dollars, unless otherwise indicated)	Quarters ended September 30				Nine months ended September 30			
	2023		2022		**2023**		2022	
Income before income taxes	**$ 69**		$ (16)		**$ 668**		$ 120	
Income tax expense (recovery) at Canadian statutory tax rate	**19**	**28%**	(4)	(26)%	**187**	**28%**	31	26%
Increase (decrease) in income taxes due to:								
Differences in tax rates on income not subject to tax in Canada	**(1)**	**(1)%**	1	6%	**(7)**	**(1)%**	2	2%
Tax-exempt investment income	**(12)**	**(18)%**	(19)	(119)%	**(40)**	**(6)%**	(26)	(22)%
Non-deductible (non-taxable) portion of the change in fair value of investment properties	**6**	**9%**	2	14%	**6**	**1%**	1	1%
Adjustments related to prior years	**3**	**3%**	3	19%	**(11)**	**(2)%**	(28)	(23)%
Variation in tax rates	**(1)**	**(1)%**	—	—%	**4**	**1%**	—	—%
Other	**(1)**	**(1)%**	(3)	(19)%	**(4)**	**(1)%**	(2)	(2)%
Income tax expense (recovery) and effective income tax rate	**$ 13**	**19%**	$ (20)	(125)%	**$ 135**	**20%**	$ (22)	(18)%

19 › Segmented Information

Until December 31, 2022, the Company's operating segments reported were Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations and Other. As at January 1, 2023, the Company revised its segmented information to reflect the evolution of its organizational structure for decision making. Comparative figures have been adjusted to reflect these changes along with the effects of the adoption of IFRS 17 and IFRS 9 on January 1, 2022. Business units are grouped into reportable operating segments based on their similar economic characteristics.

The Company offers its products and services to retail customers, businesses and groups and primarily operates in Canada and in the United States. The Company's reportable operating segments are described below, according to their main products and services or to their specific characteristics:

Insurance, Canada – Life and health insurance products, auto and home insurance products, creditor insurance, replacement insurance and warranties, extended warranties and other ancillary products for dealer services, and specialized products for special markets.

Wealth Management – Products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage (including cross-border services), trust operations and mutual funds.

US Operations – Life insurance products and extended warranties relating to dealer services sold in the United States.

Investment – Investment and financing activities of the Company, except the investment activities of wealth distribution affiliates.

Corporate – All expenses that are not allocated to other operating segments, such as expenses for certain corporate functions.

Inter-segment transactions as well as some adjustments related to consolidation are shown in the *Consolidation adjustments* column. Inter-segment transactions consist primarily of activities carried out in the normal course of business for those operating segments and are subject to normal market conditions.

Considering the Company's total portfolio management strategy, most of the Company's investments are allocated to the Investment segment. When assessing segmented performance, management allocates *Finance income (expenses) from insurance contracts*, *Finance income (expenses) from reinsurance contracts* and nearly all *(Increase) decrease in investment contract liabilities and interest on deposits* to this operating segment.

The Company makes judgments and uses assumptions and methodologies to allocate operating expenses that are not directly attributable to an operating segment.

Asset and liability balances for insurance contracts and reinsurance contracts are presented by segment in Note 12 "Insurance Contracts and Reinsurance Contracts" under section A) a) "Carrying Amount of Portfolios of Insurance Contracts and Reinsurance Contracts".

Segmented Results

	Quarter ended September 30, 2023						
(in millions of dollars)	**Insurance, Canada**	**Wealth Management**	**US Operations**	**Investment**	**Corporate**	**Consolidation adjustments**	**Total**
Insurance service result							
Insurance revenue	**$ 877**	**$ 234**	**$ 347**	**$ —**	**$ —**	**$ —**	**$ 1,458**
Insurance service expenses and net expenses from reinsurance contracts	**(752)**	**(164)**	**(310)**	**—**	**—**	**—**	**(1,226)**
	125	**70**	**37**	**—**	**—**	**—**	**232**
Net investment result							
Net investment income	**—**	**33**	**—**	**(2,598)**	**(2)**	**(6)**	**(2,573)**
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	**—**	**(6)**	**—**	**2,529**	**—**	**6**	**2,529**
	—	**27**	**—**	**(69)**	**(2)**	**—**	**(44)**
Other revenues	**50**	**304**	**42**	**7**	**—**	**(22)**	**381**
Other expenses	**(66)**	**(301)**	**(49)**	**(46)**	**(60)**	**22**	**(500)**
Income before income taxes	**109**	**100**	**30**	**(108)**	**(62)**	**—**	**69**
Income tax (expense) recovery	**(30)**	**(27)**	**(6)**	**33**	**17**	**—**	**(13)**
Net income	**79**	**73**	**24**	**(75)**	**(45)**	**—**	**56**
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	**—**	**—**	**—**	**(1)**	**—**	**—**	**(1)**
Net income attributed to common shareholders	**$ 79**	**$ 73**	**$ 24**	**$ (76)**	**$ (45)**	**$ —**	**$ 55**

	Quarter ended September 30, 2022[1]						
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
Insurance service result							
Insurance revenue	$ 784	$ 197	$ 294	$ —	$ —	$ —	$ 1,275
Insurance service expenses and net expenses from reinsurance contracts	(661)	(140)	(260)	—	—	—	(1,061)
	123	57	34	—	—	—	214
Net investment result							
Net investment income	—	17	—	157	—	—	174
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(5)	—	(257)	—	—	(262)
	—	12	—	(100)	—	—	(88)
Other revenues	46	286	56	8	—	(23)	373
Other expenses	(68)	(275)	(52)	(47)	(96)	23	(515)
Income before income taxes	101	80	38	(139)	(96)	—	(16)
Income tax (expense) recovery	(27)	(21)	(9)	57	20	—	20
Net income	74	59	29	(82)	(76)	—	4
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	—	—	—	(3)	—	—	(3)
Net income attributed to common shareholders	$ 74	$ 59	$ 29	$ (85)	$ (76)	$ —	$ 1

[1] Presentation and figures have been adjusted to reflect changes in reportable operating segments and the effect of the adoption of IFRS 17 and IFRS 9 on January 1, 2022.

(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
	Nine months ended September 30, 2023						
Insurance service result							
Insurance revenue	**$ 2,580**	**$ 676**	**$ 937**	**$ —**	**$ —**	**$ —**	**$ 4,193**
Insurance service expenses and net expenses from reinsurance contracts	**(2,218)**	**(475)**	**(824)**	**—**	**—**	**—**	**(3,517)**
	362	**201**	**113**	**—**	**—**	**—**	**676**
Net investment result							
Net investment income	**—**	**87**	**—**	**(510)**	**(2)**	**(6)**	**(431)**
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	**—**	**(21)**	**—**	**818**	**—**	**6**	**803**
	—	**66**	**—**	**308**	**(2)**	**—**	**372**
Other revenues	**149**	**896**	**127**	**21**	**—**	**(65)**	**1,128**
Other expenses	**(195)**	**(876)**	**(168)**	**(142)**	**(192)**	**65**	**(1,508)**
Income before income taxes	**316**	**287**	**72**	**187**	**(194)**	**—**	**668**
Income tax (expense) recovery	**(85)**	**(84)**	**(18)**	**2**	**50**	**—**	**(135)**
Net income	**231**	**203**	**54**	**189**	**(144)**	**—**	**533**
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	**—**	**—**	**—**	**(12)**	**—**	**—**	**(12)**
Net income attributed to common shareholders	**$ 231**	**$ 203**	**$ 54**	**$ 177**	**$ (144)**	**$ —**	**$ 521**

(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
	Nine months ended September 30, 2022[1]						
Insurance service result							
Insurance revenue	$ 2,298	$ 595	$ 862	$ —	$ —	$ —	$ 3,755
Insurance service expenses and net expenses from reinsurance contracts	(1,958)	(420)	(764)	—	—	—	(3,142)
	340	175	98	—	—	—	613
Net investment result							
Net investment income	—	30	—	(8,576)	—	—	(8,546)
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(6)	—	8,358	—	—	8,352
	—	24	—	(218)	—	—	(194)
Other revenues	137	901	172	24	—	(70)	1,164
Other expenses	(185)	(867)	(165)	(138)	(178)	70	(1,463)
Income before income taxes	292	233	105	(332)	(178)	—	120
Income tax (expense) recovery	(77)	(61)	(19)	136	43	—	22
Net income	215	172	86	(196)	(135)	—	142
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	—	—	—	(14)	—	—	(14)
Net income attributed to common shareholders	$ 215	$ 172	$ 86	$ (210)	$ (135)	$ —	$ 128

[1] Presentation and figures have been adjusted to reflect changes in reportable operating segments and the effect of the adoption of IFRS 17 and IFRS 9 on January 1, 2022.

20 › Earnings Per Common Share

Basic Earnings Per Share

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

(in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2023	2022[1]	**2023**	2022[1]
Net income attributed to common shareholders	**$ 55**	$ 1	**$ 521**	$ 128
Weighted average number of outstanding shares (in millions of units)	**102**	106	**103**	107
Basic earnings per share (in dollars)	**$ 0.55**	$ 0.01	**$ 5.05**	$ 1.19

[1] The amounts for the quarter ended September 30, 2022 and for the nine months ended September 30, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Financial Statements.

Diluted Earnings Per Share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to take into account the conversion of all potentially dilutive common shares.

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the period (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the period). For the quarter ended September 30, 2023 and for the nine months ended September 30, 2023, an average of 17,516 and 23,249 antidilutive stock options respectively (92,672 options for the quarter ended September 30, 2022 and 78,717 options for the nine months ended September 30, 2022) were excluded from the calculation.

(in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2023	2022[1]	**2023**	2022[1]
Net income attributed to common shareholders	**$ 55**	$ 1	**$ 521**	$ 128
Weighted average number of outstanding shares (in millions of units)	**102**	106	**103**	107
Add: dilutive effect of stock options granted and outstanding (in millions of units)	**1**	—	**1**	—
Weighted average number of outstanding shares on a diluted basis (in millions of units)	**103**	106	**104**	107
Diluted earnings per share (in dollars)	**$ 0.54**	$ 0.01	**$ 5.04**	$ 1.19

[1] The amounts for the quarter ended September 30, 2022 and for the nine months ended September 30, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022 and consequently the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Financial Statements.

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.

21 › 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			
	2023		2022	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Current service cost	**$ 8**	**$ —**	$ 18	$ 1
Net interest	**2**	**1**	—	—
Components of the cost of defined benefits recognized in the net income	**10**	**1**	18	1
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**112**	**—**	(3)	—
Actuarial losses (gains) on financial assumption changes	**(117)**	**(2)**	25	(3)
Increase (decrease) of the asset ceiling on a capitalized benefit plan	**(7)**	**—**	—	—
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**(12)**	**(2)**	22	(3)
Total of defined benefit cost components	**$ (2)**	**$ (1)**	$ 40	$ (2)

[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			
	2023		2022	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Current service cost	**$ 27**	**$ 1**	$ 47	$ 2
Net interest	**5**	**2**	2	1
Administrative expense	**1**	**—**	1	—
Components of the cost of defined benefits recognized in the net income	**33**	**3**	50	3
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**58**	**—**	339	—
Actuarial losses (gains) on financial assumption changes	**(58)**	**(1)**	(428)	(11)
Increase (decrease) of the asset ceiling on a capitalized benefit plan	**(1)**	**—**	—	—
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**(1)**	**(1)**	(89)	(11)
Total of defined benefit cost components	**$ 32**	**$ 2**	$ (39)	$ (8)

[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			
	2023		2022	
(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	**$ (12)**	**$ (2)**	$ 22	$ (3)
Income taxes on remeasurement of post-employment benefits	**3**	**1**	(6)	1
Total of other comprehensive income	**$ (9)**	**$ (1)**	$ 16	$ (2)

	Nine months ended September 30			
	2023		2022	
(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	**$ (1)**	**$ (1)**	$ (89)	$ (11)
Income taxes on remeasurement of post-employment benefits	**—**	**1**	23	3
Total of other comprehensive income	**$ (1)**	**$ —**	$ (66)	$ (8)

22 › 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 $1,109 ($648 as at December 31, 2022) of outstanding commitments as at September 30, 2023, of which the estimated disbursements will be $39 ($22 as at December 31, 2022) in 30 days, $289 ($213 as at December 31, 2022) in 31 to 365 days and $781 ($413 as at December 31, 2022) 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, 2023, the balance of these letters is $2 ($2 as at December 31, 2022).

Lines of Credit

As at September 30, 2023, the Company had operating lines of credit totalling $71 ($57 as at December 31, 2022). As at September 30, 2023, lines of credit were used for an amount of $1 (unused as at December 31, 2022). The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

23 › Events After the Reporting Period

Commitment Relating to Acquisition of Businesses

On October 3, 2023, the Company entered into an agreement to acquire, through one of its subsidiaries, the American company Vericity, Inc. and its subsidiaries (collectively "Vericity"). The agreed purchase price is US $170. Vericity comprises two entities servicing the middle-market life insurance space, with synergies in between and combining artificial intelligence and rich data analytics to deliver innovative proprietary technology: Fidelity Life, an insurance carrier, and eFinancial, a direct-to-consumer digital agency. The closing of the transaction, expected in the first half of 2024, is subject to usual regulatory approvals and may therefore not be executed.

Renewal of Normal Course Issuer Bid

With the approval of the Toronto Stock Exchange and the AMF, the Board of Directors has authorized, on November 7, 2023, the Company to renew the 2022 normal course issuer bid to continue to repurchase common shares in the normal course of its activities. As part of the 2023 normal course issuer bid, the Company plans to purchase, between November 14, 2023 and November 13, 2024, up to 5,046,835 common shares, representing approximately 5% of its 100,936,705 common shares issued and outstanding as at October 31, 2023.

24 › Comparative Figures

Due to the adoption of IFRS 17 and IFRS 9, comparative figures presented have been restated to reflect the new accounting policies as described in Notes 3 and 4. In addition to these changes, certain comparative figures have been reclassified to comply with the current period's presentation, without any impact on the net income of the Company.

Conference Call
Management held a conference call to present its results on Wednesday, November 8, at 10:00 a.m. (ET). You can listen to a replay of the conference call for a 90-day period on the Company's website at ia.ca, under *About iA,* in the *Investor Relations/ Financial Reports* section.

About iA Financial Group
iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States. Founded in 1892, it is one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

Shareholder Information
There are three ways to reach us, depending on the type of information you want to obtain:

For questions regarding your shares and the Dividend Reinvestment and Share Purchase Plan:
Computershare Investor Services Inc.
Telephone: 514 982-7555
1 877 684-5000 (toll free)
Email: ia@computershare.com

To obtain financial information about Industrial Alliance, contact the Investor Relations Department:
Investor Relations Department
Industrial Alliance Insurance and Financial Services Inc.
Telephone: 418 684-5000, extension 105862
1 800 463-6236, extension 105862 (toll free)
Fax: 418 684-5192
Email: investors@ia.ca
Website: www.ia.ca

For questions regarding Industrial Alliance products and services, contact your agent. If you don't have an agent, contact Industrial Alliance at:
Industrial Alliance Insurance and Financial Services Inc.
1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
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iA Financial Group is a business name and trademark of **iA Financial Corporation Inc.** and **Industrial Alliance Insurance and Financial Services Inc.**

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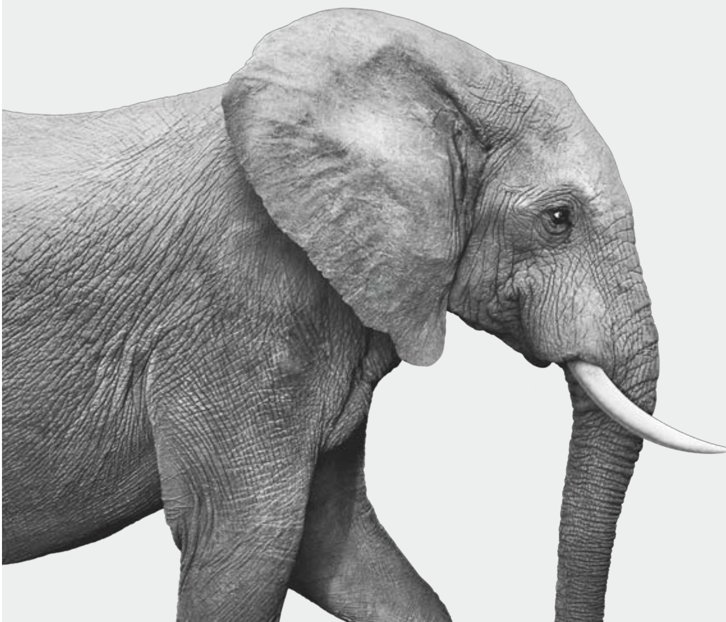

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