The Canada Life Assurance Company

Management's discussion and analysis

Third quarter results

For the period ended September 30, 2022

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

DATED: NOVEMBER 2, 2022

This Interim Management's Discussion and Analysis - Quarterly Highlights (MD&A - Quarterly Highlights) for the three and nine months ended September 30, 2022 provides material updates to the business operations, liquidity and capital resources of Canada Life since December 31, 2021. This Interim MD&A - Quarterly Highlights has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This Interim MD&A - Quarterly Highlights should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the periods ended September 30, 2022. Also refer to the consolidated annual audited financial statements of Canada Life for the year ended December 31, 2021 and the notes thereto, available under the Company's profile at www.sedar.com. The condensed consolidated interim unaudited financial statements of the Company, which are the basis for data presented in this Interim MD&A - Quarterly Highlights, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the expected impact (or lack of impact) of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* on the Company's business strategy, financial strength, deployable capital, Life Insurance Capital Adequacy Test (LICAT) Ratio, net earnings, shareholders' equity, ratings and leverage ratios. Forward-looking information also includes statements about the Company's operations, business (including business mix), financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, climate-related goals, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost (including deferred consideration), benefits, timing of integration activities and timing and extent of revenue and expense synergies of acquisitions and divestitures, expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions), the timing and completion of the joint venture between Allied Irish Banks plc (AIB) and Canada Life Irish Holding Company Limited, the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the coronavirus (COVID-19) and related economic and market impacts on the Company's business operations, financial results and financial condition.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. In particular, statements about the expected impact of IFRS 17 on the Company (including statements about the impact on net earnings and the LICAT Ratio) are based on the Company's expected 2022 IFRS 4, *Insurance Contracts*, earnings mix and composition as at the start of 2022, and on current market and economic conditions. In all cases, whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic and the effects of governments' and other businesses' responses to the COVID-19 pandemic on the economy and the Company's financial results, financial condition and operations), the duration of COVID-19 impacts and the availability and adoption of vaccines, the effectiveness of vaccines, the emergence of COVID-19 variants, geopolitical tensions and related economic impacts, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, customer behaviour (including customer response to new products), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, changes in actuarial standards, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally. In addition, as we work to advance our climate goals, external factors outside of Canada Life's reasonable control may act as constraints on their achievement, including varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, more and better data, reasonably supported methodologies, technological advancements, the evolution of consumer behavior, the challenges of balancing interim emissions goals with an orderly and just transition, and other significant considerations such as legal and regulatory obligations.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Canada Life's 2021 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information.

Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This Interim MD&A - Quarterly Highlights contains some non-Generally Accepted Accounting Principles (GAAP) financial measures as defined in National Instrument 52-112 “Non-GAAP and Other Financial Measures Disclosure”. Terms by which non-GAAP financial measures are identified include, but are not limited to, "premiums and deposits", "assets under management" and "assets under administration". Non-GAAP financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable GAAP (IFRS) measure exists. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP (IFRS) and are not directly comparable to similar measures used by other companies. Refer to the "Non-GAAP Financial Measures" section in this Interim MD&A - Quarterly Highlights for the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP as well as additional details on each measure.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions)

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2022	June 30 2022	Sept. 30 2021	**Sept. 30 2022**	Sept. 30 2021
Earnings					
Participating account	**$ 150**	$ (5)	$ 106	**$ 171**	$ 326
Common shareholder	**590**	757	834	**2,064**	2,138
Total net earnings	**740**	752	940	**2,235**	2,464
Total net premiums	**$ 12,024**	$ 14,150	$ 14,726	**$ 39,503**	$ 38,463
Total premiums and deposits[1]	**22,589**	24,172	25,717	**72,965**	70,923
Fee and other income	**802**	836	862	**2,502**	2,527
Net policyholder benefits, dividends and experience refunds	**10,916**	12,390	10,497	**35,430**	31,948
Total assets per financial statements	**$ 373,712**	$ 376,708	$ 411,152		
Total assets under management[1]	**434,399**	440,599	487,752		
Total assets under administration[1,2]	**470,544**	477,098	532,424		
Equity					
Participating account surplus	**$ 3,119**	$ 2,981	$ 3,167		
Non-controlling interests	**26**	26	27		
Shareholders' equity	**21,304**	21,220	21,137		
Total equity	**$ 24,449**	$ 24,227	$ 24,331		
LICAT Ratio[3]	**118 %**	117 %	123 %		

1 This metric is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" section of this document for additional details.
2 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration.
3 The Life Insurance Capital Adequacy Test (LICAT) Ratio is calculated in accordance with the Office of Superintendent of Financial Institutions' guideline - Life Insurance Capital Adequacy Test. Refer to the "Capital Management and Adequacy" section of this document for additional details.

DEVELOPMENTS

- The Company offers property catastrophe coverage to reinsurance companies and as a result the Company is exposed to potential claims arising from major weather events and other catastrophic events. The Company has been closely following the impacts of Hurricane Ian, which caused a high level of insured losses. The Company's net earnings for the third quarter of 2022 includes a $128 million after-tax provision primarily relating to estimated claims net of reinstatement premiums on these coverages. The Company's loss estimate is based on currently available information and the exercise of judgment and may change as additional information becomes available.
- As a result of current economic uncertainty, Canada Life U.K. temporarily closed new equity release mortgage pricing and quotations during the third quarter of 2022. This decision was based on the Company's views on pricing risks given current market conditions, and will be revisited when the market stabilizes.
- During the third quarter of 2022, Canada Life announced the expansion of operations to Bangalore, India. The expansion leverages existing Empower operations to drive efficiency and adds to our existing Canadian Benefits Payment back office and resource complement, allowing the Company to process claims for Canadians nearly 24 hours a day, five days a week, to keep pace with customer expectations and deliver an improved member experience.
- During the third quarter of 2022, Canada Life became the Winnipeg Jets' jersey patch partner, as part of a multi-year partnership with the National Hockey League's new Jersey Advertising Program where the Winnipeg Jets will display the Canada Life logo on their jerseys starting in the 2022-2023 season.
- On October 1, 2022, Plan Member as Customers was rebranded as Freedom Experience. The Company is leveraging this brand by renaming several direct-to-consumer products distributed by Group Customer with the Freedom brand. A dedicated team will be focused on distributing these products and bringing the Freedom Experience to Canadians.
- In the second quarter of 2021, a 50:50 joint venture agreement was reached by Allied Irish Banks plc (AIB) and Canada Life Irish Holding Company Limited to form a new life assurance company. The new life assurance company is working towards becoming fully licensed and ready for launch by the end of 2022. In the third quarter of 2022 the Company incurred transaction costs of $5 million ($15 million incurred to date) related to this agreement. The joint venture agreement is subject to customary regulatory approval and authorization processes.
- In the third quarter of 2022, Irish Life entered into a new partnership with Centric Health Primary Care Limited, a leading Irish primary care provider. This multi-phase partnership will offer a blended in-person and digital healthcare experience to support better health and lifestyle outcomes for customers. The partnership agreement is subject to customary regulatory approval and authorization processes.
- Canada Life Asset Management entered into an agreement to become a signatory of the U.K. Stewardship Code 2020. The U.K. Stewardship Code 2020 which was established by the Financial Reporting Council, sets high stewardship standards for individuals investing money on behalf of savers and pensioners in the U.K. as well as those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, environment and society.
- In the third quarter of 2022, Canada Life Asset Management launched the LF Canlife Sterling Short Term Bond Fund which broadens the suite of vehicles for investors with short and medium-term cash requirements. The fund aims to provide a stable income by investing in sterling-denominated short-term fixed income and variable rate bonds, including money market instruments.
- During the third quarter of 2022, Canada Life U.K. won the 'Best Investment Bond Provider' and the 'Best Group Protection Provider' awards for the fourth consecutive year at the 2022 Investment Life & Pensions Moneyfacts Awards.

- **Macroenvironmental Risks** - While governments in different regions have now moved to ease COVID-19 pandemic restrictions, many factors continue to extend economic uncertainty. Global financial markets continue to be volatile, in part due to China's "zero COVID" policy and Russia's military invasion of Ukraine and the related sanctions. This volatility has contributed to global supply chain disruptions and in turn, elevated levels of inflation, prompting central banks to raise interest rates in response in many of the countries in which the Company operates.

  The outlook for financial markets over the short and medium-term remains highly uncertain and the Company actively monitor events and information globally. To date, net impacts have been modest, reflecting the Company's diversified business. The Company continues to manage risks of changes to mortality and longevity rates and monitor heightened cyber and global supply chain risks which could negatively affect the Company's financial outlook, results and operations.

  The Company's well-diversified businesses, combined with business strength, resilience and experience managing through market volatility, put the Company in a strong position in the current environment to leverage opportunities for the future. Canada Life's strategies are equally resilient and flexible, positioning the Company to navigate current market conditions and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in an evolving environment.

- **Update on Transition to IFRS 17 and IFRS 9** - As noted in the "Accounting Policies" section of this document, IFRS 17, *Insurance Contracts* (IFRS 17) will replace IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. While the new standard will change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements, it is not expected to have a material financial impact or to change the Company's underlying business strategy. IFRS 9, *Financial Instruments* (IFRS 9) will replace IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. Upon adoption of IFRS 9, the Company does not expect a material change in the level of invested assets or a material increase in earnings volatility; however, the Company continues to evaluate the impact of the adoption of this standard with IFRS 17. The expected impacts of the adoption of IFRS 17 include:

  - Businesses representing over 60% of earnings are expected to experience limited or no impact;
  - The January 1, 2022 shareholders' equity is expected to decrease by 10-15% on the retroactive adoption of IFRS 17 on January 1, 2023, primarily due to the establishment of the contractual service margin;
  - Mid-single digit percentage decrease in proforma earnings[1] is expected as a result of transition with no material change to earnings trajectory; and
  - Financial strength will be maintained and a positive impact to the March 31, 2023 Canada Life consolidated LICAT Ratio is expected[2] based on the Company's initial review of the 2023 LICAT Guideline released on July 21, 2022.

[1] Proforma net earnings are calculated based on the expected 2022 IFRS 4 earnings mix and composition as at the start of 2022. Many of these assumptions are based on factors and events that are not within the control of the Company's management and there is no assurance that they will prove to be correct. Refer to "Cautionary Note regarding Forward-looking Information" and "Cautionary Note regarding Non-GAAP Financial Measures" at the beginning of this document.

[2] Actual impact will depend on market and economic conditions at the time of transition and the Company's operating results.

NET EARNINGS

Net earnings (loss) - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2022	June 30 2022	Sept. 30 2021	**Sept. 30 2022**	Sept. 30 2021
Attributable to participating account					
Net earnings before policyholder dividends	**$ 631**	$ 359	$ 453	**$ 1,381**	$ 1,379
Policyholder dividends	**481**	364	347	**1,210**	1,053
Total attributable to participating account	**$ 150**	$ (5)	$ 106	**$ 171**	$ 326
Common shareholder					
Canada	**$ 152**	$ 314	$ 303	**$ 737**	$ 934
Europe	**273**	256	383	**773**	804
Capital and Risk Solutions	**129**	170	127	**472**	439
Corporate	**36**	17	21	**82**	(39)
Total common shareholder	**$ 590**	$ 757	$ 834	**$ 2,064**	$ 2,138
Total net earnings	**$ 740**	$ 752	$ 940	**$ 2,235**	$ 2,464

For the three months ended September 30, 2022, total net earnings were $740 million compared to $940 million a year ago.

For the nine months ended September 30, 2022, total net earnings were $2,235 million compared to $2,464 million for the same period in 2021.

Net earnings attributable to the participating account
For the three months ended September 30, 2022, net earnings attributable to the participating account, after paying policyholder dividends of $481 million were $150 million compared to net earnings of $106 million after paying policyholder dividends of $347 million in the same quarter last year. The increase was primarily due to higher actuarial assumption changes and management actions.

For the nine months ended September 30, 2022, net earnings attributable to the participating account were $171 million compared to $326 million for the same period in 2021. The decrease was primarily due to lower actuarial assumption changes and management actions.

Net earnings attributable to the common shareholder
In the third quarter of 2022, equity markets in the regions where the Company operates exhibited heightened volatility and ended 2% to 5% lower than June 30, 2022 levels. In addition, interest rates increased generally in response to elevated, broad based levels of inflation which are impacting business and consumer confidence. The Canadian dollar also strengthened notably against the British pound and the euro during the quarter, although weakened against the U.S. dollar.

For the three months ended September 30, 2022, net earnings attributable to the common shareholder (net earnings) were $590 million, down from $834 million from the same period in 2021. Net earnings for the three months ended September 30, 2022 included a net provision for estimated claims resulting from the impact of Hurricane Ian of $128 million after-tax in the Capital and Risk Solutions business unit. The decrease in net earnings also reflected reduced net fee income from the Company's wealth management businesses, less favourable mortality and morbidity experience in the Canada business unit, unfavourable longevity experience in the Europe business unit and the impact of currency movement. In addition, market-related impacts on liabilities were unfavourable compared to the third quarter of 2021, reflecting market volatility on guaranteed products, including hedge ineffectiveness, as well as updated property cash flow projections in the Europe business unit. The third quarter of 2021 included a net provision of $61 million after-tax primarily for estimated claims resulting from the impact of major weather events in the Capital and Risk Solutions business unit and a $47 million pension settlement gain in the Europe business unit.

For the nine months ended September 30, 2022, net earnings were $2,064 million compared to $2,138 million for the same period in 2021. The decrease was primarily due to the same reasons discussed for the in-quarter results. The prior year results included a revaluation of deferred taxes resulting in an increase in taxes in the Europe business unit; there was no comparative revaluation in 2022.

Actuarial Assumption Changes and Other Management Actions

For the three months ended September 30, 2022, actuarial assumption changes and other management actions resulted in a positive net earnings impact of $68 million. This compares to a positive net impact of $77 million for the same quarter last year, and a positive net impact of $21 million for the previous quarter.

In the Canada business unit, net earnings were negatively impacted by $120 million, primarily due to updated policyholder behaviour assumptions, partially offset by mortality updates and model refinements. In the Capital and Risk Solutions business unit, net earnings were positively impacted by $119 million in the third quarter of 2022, primarily due to updated mortality assumptions for annuity business, partially offset by updated assumptions for life business. In the Europe business unit, net earnings were positively impacted by $69 million in the third quarter of 2022, primarily due to updated annuitant mortality assumptions, partially offset by updated economic assumptions.

For the nine months ended September 30, 2022, actuarial assumption changes and other management actions resulted in a positive net earnings impact of $80 million, compared to a positive impact of $119 million for the same period in 2021.

Market-Related Impacts

In the regions where the Company operates, average equity market indices for the three months ended September 30, 2022 were 14% lower in broader Europe (as measured by EURO STOXX 50), 10% lower in the U.S. (as measured by S&P 500), 5% lower in Canada (as measured by S&P TSX) and 3% higher in the United Kingdom (U.K.) (as measured by FTSE 100) compared to the same period in 2021. The major equity indices finished the third quarter of 2022 down by 5% in the U.S., 4% in broader Europe, 4% in the U.K. and 2% in Canada compared to June 30, 2022. The ending levels of major equity indices finished lower than the average for the quarter, which will impact asset-based fee income going forward. For the nine months ended September 30, 2022, average equity market levels were lower in Canada, the U.S. and broader Europe and higher in the U.K. compared to the same period in 2021.

Market-related impacts on liabilities negatively impacted net earnings by $23 million in the third quarter of 2022 (positive impact of $48 million in the third quarter of 2021), primarily reflects the impact of equity market movements on the value of segregated fund and variable annuity guarantees, including hedge ineffectiveness, as well as the impact of updated cash flow projections for real estate which support insurance contract liabilities in the Europe business unit. The positive impact of $48 million in the third quarter of 2021 primarily reflected updated cash flow projections for real estate which support insurance contract liabilities in Europe.

For the nine months ended September 30, 2022, market-related impacts on liabilities negatively impacted net earnings by $30 million (positive impact of $8 million year-to-date in 2021). The 2022 year-to-date negative impact was primarily due to the negative impact of equity market movements on the value of segregated fund and variable annuity guarantees, including hedge ineffectiveness.

In countries where the Company operates, interest rates increased during 2022, resulting in a modest positive impact on net earnings reflecting higher income on surplus assets, partially offset by lower fees on fixed income products. In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, with the impact of changes in fair values of bonds backing insurance contract liabilities mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosure as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2022.

Foreign Currency

The average currency translation rate for the third quarter of 2022 decreased for the British pound and the euro and increased for the U.S. dollar compared to the third quarter of 2021. The overall impact of currency movement on the Company's net earnings for the three months ended September 30, 2022 was a decrease of $58 million (decrease of $96 million year-to-date) compared to translation rates a year ago.

From June 30, 2022 to September 30, 2022, the market rates at the end of the reporting period used to translate the British pound assets and liabilities to the Canadian dollar decreased, while the U.S. dollar increased and the euro was comparable. The movements in end-of-period market rates resulted in a post-tax unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $25 million in-quarter ($693 million net unrealized loss year-to-date) recorded in other comprehensive income.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

Credit Markets

In the third quarter of 2022, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholder's net earnings by $3 million ($1 million net negative impact in the third quarter of 2021). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable. Separately, related to non-impaired invested assets, changes in credit ratings in the Company's fixed income portfolio resulted in a net decrease to provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholder's net earnings by $1 million ($6 million net negative impact in the third quarter of 2021), primarily due to upgrades of various government bond holdings.

For the nine months ended September 30, 2022, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholder's net earnings by $3 million ($12 million net negative impact year-to-date in 2021). Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $2 million year-to-date ($8 million net negative impact year-to-date in 2021), primarily due to downgrades of various corporate bond holdings.

There could be a larger negative impact from downgrades in future periods if economies that are currently open are shut down or restricted due to a resurgence of COVID-19 cases or if economies are materially affected by inflationary pressures or geopolitical tensions.

INCOME TAXES

The Company's effective income tax rates are generally lower than the statutory income tax rate of 26.5% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The effective income tax rate for the shareholder account for the third quarter of 2022 of negative 1.9% was down from 8.9% for the third quarter of 2021, primarily due to jurisdictional mix of earnings, the resolution of an outstanding tax issue as well as changes in certain tax estimates.

The effective income tax rate for the shareholder account for the nine months ended September 30, 2022 of 6.6% was down from 11.1% for the same period last year, primarily due to the resolution of an outstanding tax issue as well as changes in certain tax estimates.

In the third quarter of 2022, the Company had an overall effective income tax rate of 3.3%, compared to 10.4% in the same quarter last year. The decrease in the effective income tax rate was primarily due to changes in certain tax estimates, the resolution of an outstanding tax issue as well as jurisdictional mix of earnings.

The overall effective income tax rate for the nine months ended September 30, 2022 was 5.9% compared to 9.8% for the same period last year. The decrease in the effective income tax rate was primarily due to the same reasons discussed for the in-quarter results, partially offset by lower non-taxable investment income.

On April 7, 2022, the Canadian Federal Government announced its 2022 budget, which to date has not been substantively enacted. The budget included a permanent 1.5% tax rate increase on the taxable income of Canadian banks and insurance companies on earnings over $100 million and a Canada Recovery Dividend of 15% on 2021 Canadian taxable income in excess of $1 billion payable in equal installments over 5 years. The Company does not expect these budget announcements to have a material impact on its financial position.

Refer to note 13 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2022 for further details.

TOTAL NET PREMIUMS, PREMIUMS AND DEPOSITS AND SALES

Total net premiums	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2022	June 30 2022	Sept. 30 2021	**Sept. 30 2022**	Sept. 30 2021
Canada	**$ 3,597**	$ 3,507	$ 3,300	**$ 10,521**	$ 9,786
Europe	**786**	880	1,942	**2,937**	3,820
Capital and Risk Solutions	**7,199**	8,729	8,545	**23,221**	22,252
Corporate	**442**	1,034	939	**2,824**	2,605
Total net premiums	**$ 12,024**	$ 14,150	$ 14,726	**$ 39,503**	$ 38,463

Premiums and deposits[1]	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2022	June 30 2022	Sept. 30 2021	**Sept. 30 2022**	Sept. 30 2021
Canada	**$ 7,136**	$ 7,288	$ 6,945	**$ 22,515**	$ 21,439
Europe	**7,812**	7,121	9,288	**24,405**	24,627
Capital and Risk Solutions	**7,199**	8,729	8,545	**23,221**	22,252
Corporate	**442**	1,034	939	**2,824**	2,605
Total premiums and deposits[1]	**$ 22,589**	$ 24,172	$ 25,717	**$ 72,965**	$ 70,923

Sales[2,3]	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2022	June 30 2022	Sept. 30 2021	**Sept. 30 2022**	Sept. 30 2021
Canada	**$ 3,087**	$ 3,219	$ 3,466	**$ 10,610**	$ 11,544
Europe	**7,433**	6,604	8,751	**22,877**	22,312
Total sales[2,3]	**$ 10,520**	$ 9,823	$ 12,217	**$ 33,487**	$ 33,856

[1] This metric is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" section of this document for additional details.
[2] Sales is not a relevant measure for the Capital and Risk Solutions business unit due to the nature of operations.
[3] Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Premiums and deposits

Premiums and deposits for the third quarter of 2022 decreased by $3.1 billion to $22.6 billion compared to the same quarter last year. The decrease was primarily due to lower annuity sales in the Europe business unit, lower mutual fund and segregated fund deposits in the Canada business unit as well as a new single premium transaction in the third quarter of 2021 in the Capital and Risk solution business unit. These items were partially offset by higher fund management deposits in the Europe business unit as well as higher administrative services only (ASO) premium equivalents in the Canada business unit.

For the nine months ended September 30, 2022, premiums and deposits increased by $2.0 billion to $73.0 billion compared to the same period last year, primarily due to higher ASO premium equivalents in the Canada business unit and new reinsurance agreements in the Capital and Risk Solutions business unit, partially offset by the same reasons discussed for the in-quarter decrease in premiums and deposits.

Sales

Sales for the third quarter of 2022 of $10.5 billion decreased by $1.7 billion compared to the same quarter last year. The decrease was primarily due to lower bulk annuity sales and the impact of currency movement in the Europe business unit as well as lower individual mutual fund and segregated fund sales in the Canada business unit. The decrease was partially offset by higher wealth management sales and growth in equity release mortgage sales in the Europe business unit.

For the nine months ended September 30, 2022, sales decreased by $0.4 billion to $33.5 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended			For the nine months ended	
	Sept. 30 2022	June 30 2022	Sept. 30 2021	**Sept. 30 2022**	Sept. 30 2021
Canada	**$ 482**	$ 490	$ 494	**$ 1,472**	$ 1,424
Europe	**312**	340	352	**1,006**	1,051
Capital and Risk Solutions	**—**	—	2	**2**	6
Corporate	**8**	6	14	**22**	46
Total fee and other income	**$ 802**	$ 836	$ 862	**$ 2,502**	$ 2,527

Fee and other income for the third quarter of 2022 of $802 million decreased by $60 million compared to the same quarter last year, primarily due to a decrease in fee income from wealth management businesses as a result of lower asset levels in the Canada business unit, lower fee income in the Corporate business unit as a result of the sale of EverWest Real Estate Investors, LLC and EverWest Advisors. LLC (EverWest) in the fourth quarter of 2021 and the impact of currency movement. These items were partially offset by higher management fees in local currencies in the Europe business unit as well as incremental fee income as a result of the acquisition of ClaimSecure in the third quarter of 2021 in the Canada business unit.

For the nine months ended September 30, 2022, fee and other income decreased by $25 million to $2,502 million, primarily due to the same reasons discussed for the in-quarter results.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	As at Sept. 30, 2022	As at Dec. 31, 2021
Assets		
Invested assets	$ **134,498**	$ 152,204
Goodwill and intangible assets	**8,692**	8,744
Other assets	**23,842**	24,956
Investments on account of segregated fund policyholders	**206,680**	240,500
Total assets	**373,712**	426,404
Other assets under management[2]	**60,687**	77,019
Total assets under management[1]	**434,399**	503,423
Other assets under administration[2,3]	**36,145**	41,975
Total assets under administration[1,3]	$ **470,544**	$ 545,398

1 This metric is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration.

Total assets under administration (AUA) at September 30, 2022 decreased by $74.9 billion to $470.5 billion compared to December 31, 2021, primarily due to the impacts of lower equity market levels, higher interest rates and currency movements, partially offset by new business growth.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company's investment policies are designed to be prudent and conservative, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company’s policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company’s liabilities.

Single Family Residential Mortgages

	As at Sept. 30, 2022		As at Dec. 31, 2021	
Region				
Ontario	$ **1,037**	**55 %**	$ 1,089	55 %
Quebec	**336**	**18**	353	18
Saskatchewan	**102**	**5**	106	5
Alberta	**92**	**5**	101	5
Newfoundland	**75**	**4**	81	4
British Columbia	**70**	**4**	77	4
New Brunswick	**63**	**3**	62	3
Manitoba	**58**	**3**	56	3
Nova Scotia	**48**	**3**	49	3
Other	**6**	**—**	5	—
Total	$ **1,887**	**100 %**	$ 1,979	100 %

During the nine months ended September 30, 2022, single family mortgage originations, including renewals, were $322 million, of which 17% were insured (21% for the year ended December 31, 2021). Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value ratio to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at September 30, 2022 (21 years as at December 31, 2021).

LIABILITIES

Total liabilities

	As at Sept. 30, 2022	As at Dec. 31, 2021
Insurance and investment contract liabilities	**$ 131,765**	$ 150,530
Preferred shares	**1,000**	1,000
Other general fund liabilities	**9,818**	9,945
Investment and insurance contracts on account of segregated fund policyholders	**206,680**	240,500
Total	**$ 349,263**	$ 401,975

Total liabilities decreased by $52.7 billion to $349.3 billion at September 30, 2022 from December 31, 2021.

Insurance and investment contract liabilities decreased by $18.8 billion, primarily due to fair value adjustments and the impact of currency movements related to the euro and British pound, partially offset by the impact of new business.

Investment and insurance contracts on account of segregated fund policyholders decreased by $33.8 billion, primarily due to net market value declines on investments of $32.4 billion driven by lower equity market levels and higher interest rates as well as negative impact of currency movement of $9.8 billion. The decrease was partially offset by net deposits of $3.4 billion, non-controlling mutual funds interest of $3.0 billion, net investment income of $1.1 billion as well as net realized capital gains on investments of $1.0 billion.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of the 2021 Annual MD&A for further details.

EQUITY

The Company is a wholly-owned subsidiary of Great-West Lifeco Inc. (Lifeco). The Company's share capital consists of common shares and preferred shares issued by the Company. At September 30, 2022, there were 2,407,384 common shares of the Company issued and outstanding with a stated value of $7,884 million (2,407,384 and $7,884 million as at December 31, 2021).

Participating account surplus and shareholders' equity

As at September 30, 2022, the Company's total participating account surplus and shareholders' equity of $24.4 billion was comparable to $24.4 billion at December 31, 2021. Net earnings of $2.2 billion were offset by dividends paid on common shares of $1.1 billion as well as other comprehensive loss of $1.1 billion. The other comprehensive loss primarily included unrealized losses on available-for-sale assets of $0.8 billion due to higher bond yields as well as unrealized foreign exchanges losses on translation of investments in foreign operations of $0.6 billion, partially offset by re-measurements on defined benefit pension and other post-employment benefit plans of $0.3 billion.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

Total Liquid Assets

	As at September 30, 2022		
	On-balance sheet assets	**Non-liquid/ Pledged**	**Net liquid assets**
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	**$ 3,739**	**$ 24**	**$ 3,715**
Short-term bonds[2]	**3,336**	**—**	**3,336**
Sub-total	**$ 7,075**	**$ 24**	**$ 7,051**
Other assets and marketable securities			
Government bonds[2]	**$ 33,872**	**$ 9,442**	**$ 24,430**
Corporate bonds[2]	**46,868**	**21,900**	**24,968**
Stocks[1]	**11,690**	**1,684**	**10,006**
Mortgage loans[1]	**22,991**	**19,886**	**3,105**
Sub-total	**$ 115,421**	**$ 52,912**	**$ 62,509**
Total	**$ 122,496**	**$ 52,936**	**$ 69,560**

	As at December 31, 2021		
	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	$ 3,271	$ 21	$ 3,250
Short-term bonds[3]	3,464	1,470	1,994
Sub-total	$ 6,735	$ 1,491	$ 5,244
Other assets and marketable securities			
Government bonds[3]	$ 44,604	$ 10,675	$ 33,929
Corporate bonds[3]	53,261	20,332	32,929
Stocks[1]	13,252	1,025	12,227
Mortgage loans[1]	23,113	19,707	3,406
Sub-total	$ 134,230	$ 51,739	$ 82,491
Total	$ 140,965	$ 53,230	$ 87,735

1 Refer to the consolidated balance sheet in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2022 for on-balance sheet amounts.
2 Total short-term bonds, government bonds and corporate bonds as at September 30, 2022 was $84.1 billion. Refer to consolidated balance sheet in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2022 for on-balance sheet bonds amounts.
3 Refer to note 8(ii) in the Company's December 31, 2021 annual consolidated financial statements for on-balance sheet amounts.

The Company’s liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. At September 30, 2022, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.1 billion ($5.2 billion at December 31, 2021) and other liquid assets and marketable securities of $62.5 billion ($82.5 billion at December 31, 2021). In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

The Company's ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its subsidiaries. The Company's subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
Cash flows relating to the following activities:				
Operations	**$ 911**	$ 4,257	**$ 2,990**	$ 7,385
Financing	**(200)**	(628)	**(1,096)**	(1,171)
Investment	**(459)**	(3,124)	**(1,302)**	(5,780)
	252	505	**592**	434
Effects of changes in exchange rates on cash and cash equivalents	**11**	11	**(124)**	(61)
Increase (decrease) in cash and cash equivalents in the period	**263**	516	**468**	373
Cash and cash equivalents, beginning of period	**3,476**	2,962	**3,271**	3,105
Cash and cash equivalents, end of period	**$ 3,739**	$ 3,478	**$ 3,739**	$ 3,478

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments and associated dividends and interest payments.

In the third quarter of 2022, cash and cash equivalents increased by $263 million from June 30, 2022. Cash flows provided by operations during the third quarter of 2022 were $911 million, a decrease of $3,346 million compared to the third quarter of 2021, primarily due to the impact of the new reinsurance agreement in the third quarter of 2021. Cash flows used in financing of $200 million were used for the payment of dividends on common shares. For the three months ended September 30, 2022, net cash outflows were $459 million used to acquire additional investment assets.

For the nine months ended September 30, 2022, cash and cash equivalents increased by $468 million from December 31, 2021. Cash flows provided by operations were $2,990 million, a decrease of $4,395 million compared to the same period in 2021, primarily due to the same reasons discussed for the in-quarter results. Cash flows used in financing of $1,096 million were used for the payment of dividends on common shares. For the nine months ended September 30, 2022, net cash outflows were $1,302 million used to acquire additional investment assets compared to $5,780 million for the same period in 2021.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2021.

CAPITAL MANAGEMENT AND ADEQUACY

The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. Other foreign operations and foreign subsidiaries are required to comply with local capital or solvency requirements in their respective jurisdictions.

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT Ratio is calculated in accordance with OSFI guidelines.

The LICAT Ratio compares the regulatory capital resources of a company to its required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's capital requirements.

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT Ratio for Lifeco's major Canadian operating subsidiary, Canada Life, is 110% to 120% (on a consolidated basis).

The LICAT Ratio at September 30, 2022 for Canada Life was 118% (124% at December 31, 2021).

The following provides a summary of the LICAT information and ratios for Canada Life:

LICAT Ratio

	Sept. 30 2022	Dec. 31 2021
Tier 1 Capital	**$ 12,199**	$ 12,584
Tier 2 Capital	**4,624**	4,417
Total Available Capital	**16,823**	17,001
Surplus Allowance & Eligible Deposits	**10,297**	13,225
Total Capital Resources	**$ 27,120**	$ 30,226
Required Capital	**$ 22,914**	$ 24,323
Total Ratio (OSFI Supervisory Target = 100%)[1]	**118 %**	124 %

[1] Total Ratio (%) = (Total Capital Resources / Required Capital)

The LICAT Ratio increased by 1 point in the quarter from 117% at June 30, 2022 to 118% at September 30, 2022. The main drivers of the increase were the impact of earnings less dividends and decreased capital requirements from both in-quarter business activity and the ongoing phasing in of the LICAT interest rate scenario shift in North America. This increase was partially offset by the impact of interest rate movements on capital requirements and capital resources.

LICAT Interest Rate Scenario Shift

The LICAT interest rate risk capital requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A shift in the interest rate scenario applied in the LICAT calculation can result in a discontinuity where capital requirements can change materially. OSFI prescribes a calculation to smooth potential volatility in the interest rate risk capital requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk capital requirements over the trailing six quarters, thereby reducing unwarranted volatility.

The Company last experienced a shift in the interest rate scenario in North America during the fourth quarter of 2021. As a result of the scenario change, a smoothing of the impact of reduced requirements for participating interest rate risk will continue to occur over the next two quarters. Assuming the Company remains on the current scenario, the smoothing calculation is expected to increase the Canada Life LICAT Ratio by approximately one point per quarter for the next two quarters, when the scenario shift is fully incorporated into results.

LICAT Sensitivities

Caution Related to Sensitivities
This section includes estimates of Canada Life's consolidated LICAT Ratio sensitivities for certain risks. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- Changes in actuarial, investment return and future investment activity assumptions;
- Actual experience differing from the assumptions;
- Changes in business mix, effective income tax rates and other market factors;
- Interactions among these factors and assumptions when more than one changes; and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

LICAT sensitivities are rounded to the nearest point.

Publicly Traded Common Stocks
The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at September 30, 2022. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	**September 30, 2022**			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**
Potential increase (decrease) on LICAT Ratio	0 point	0 point	(1 point)	(3 points)

Interest Rates
Canada Life's consolidated LICAT Ratio will generally reduce in an environment of rising interest rates and benefit from declining rates. Higher interest rates will decrease the fair value of the Company's surplus assets and other regulatory capital resources including actuarial margins within the Surplus Allowance. However, LICAT uses static interest rates for the calculation of insurance risk capital requirements, and hence these capital requirements do not change with interest rate movements. This means that while rising interest rates are generally favourable for the Company, they will lead to a decrease in the calculated LICAT ratio.

The sensitivity estimates shown here are illustrative. The impacts shown are based on a parallel shift in the interest rate yield curve. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. These sensitivities do not include a change in the ultimate interest rates outlined in Actuarial Standards or the impact of a LICAT interest rate risk scenario shift.

Immediate parallel shift in yield curve	September 30, 2022	
	50 bps increase	**50 bps decrease**
Potential increase (decrease) on LICAT Ratio	(2 points)	2 points

OSFI Regulatory Capital Initiatives
The International Accounting Standards Board (IASB) has issued IFRS 17, which will replace IFRS 4 with an effective date of January 1, 2023. Refer to the "Accounting Policies - International Financial Reporting Standards" section of the Company's 2021 Annual MD&A for further details.

On July 21, 2022, OSFI released the 2023 LICAT Guideline as amended for reporting under IFRS 17. The Company will first report under this guideline for the March 31, 2023 reporting period. Based on an initial review of the guideline under the current market and economic conditions, the Company expects a positive impact to the ratio.[1]

OSFI is developing a new approach, to be implemented in 2025, to determine capital requirements for Segregated Fund Guarantee Risk. The Company will continue to participate in future public consultations relating to these developments.

RISK MANAGEMENT AND CONTROL PRACTICES
The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to potential losses and risk. The Company's Risk Function is responsible for developing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately accountable and responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives.

During the third quarter of 2022, there were no significant changes to the Company's risk management and control practices.

Refer to the Company's 2021 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS
There were IFRS changes in 2022 which did not have a significant impact on the Company. As well, due to the evolving nature of IFRS, there are changes to standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the amendments to IFRS for IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and *Annual Improvements 2018-2020 Cycle* for the amendment to IFRS 16, *Leases* effective January 1, 2022. The adoption of these amendments did not have a significant impact on the Company's financial statements.

[1] Actual impact will depend on market and economic conditions and the Company's operating results at the time of transition.

There have been no other significant changes to the future accounting policies, including IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*, that are expected to impact the Company, in addition to the disclosure in the Company's December 31, 2021 Annual MD&A.

IFRS 17, *Insurance Contracts* (IFRS 17), will replace IFRS 4, *Insurance Contracts* effective January 1, 2023. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company expects its insurance contract liabilities, including the contractual service margin, to increase upon adoption. The January 1, 2022 shareholders' equity is expected to decrease by 10% to 15% on the retroactive adoption of IFRS 17 on January 1, 2023, primarily due to the establishment of the contractual service margin. The Company continues to assess the impacts through its global implementation plan, however the accounting policy change will not impact the economics of the affected businesses or the Company's business model. The Company continues to make progress in implementing its project plan and will be compliant with the standard effective January 1, 2023.

IFRS 9, *Financial Instruments* (IFRS 9) will replace IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. The standard provides changes to financial instruments accounting for the following:

- classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- impairment based on an expected loss model; and
- hedge accounting that incorporates the risk management practices of an entity.

The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. Upon adoption of IFRS 9 on January 1, 2023, the Company does not expect a material change in the level of invested assets, nor a material increase in earnings volatility. The Company anticipates electing the option of presenting comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period, as permitted by the amendment to IFRS 17 published by the IASB in December 2021. The Company continues to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2022.

OTHER INFORMATION

NON-GAAP FINANCIAL MEASURES

The Company uses several non-GAAP financial measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with GAAP used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the International Accounting Standards Board (IASB). Non-GAAP financial measures do not have a standardized meaning under GAAP and may not be comparable to similar financial measures presented by other issuers. Investors may find these financial measures useful in understanding how management views the underlying business performance of the Company.

Premiums and deposits

Total premiums and deposits include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS as net premium income), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top-line growth.

Premiums and deposits

	For the three months ended			For the nine months ended	
	Sept. 30 2022	June 30 2022	Sept. 30 2021	**Sept. 30 2022**	Sept. 30 2021
Total net premiums	**$ 12,024**	$ 14,150	$ 14,726	**$ 39,503**	$ 38,463
Policyholder deposits (segregated funds)[1]	**5,062**	5,404	5,905	**17,191**	17,436
Self-funded premium equivalents (ASO contracts) and other	**1,179**	1,188	841	**3,542**	2,576
Proprietary mutual funds and institutional deposits	**4,324**	3,430	4,245	**12,729**	12,448
Total premiums and deposits	**$ 22,589**	$ 24,172	$ 25,717	**$ 72,965**	$ 70,923

1 Refer to note 9(b) of the Company's condensed interim unaudited financial statements for the period ended September 30, 2022 for further details.

Assets under management (AUM) and assets under administration (AUA)

Assets under management and assets under administration are non-GAAP measures that provide an indicator of the size and volume of the Company's overall business. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Total assets under administration includes total assets per financial statements, other assets under management and other assets under administration.

Assets under administration

	As at			
	Sept. 30 2022	June 30 2022	Dec. 31 2021	Sept. 30 2021
Total assets per financial statements	**$ 373,712**	$ 376,708	$ 426,404	$ 411,152
Other AUM	**60,687**	63,891	77,019	76,600
Total AUM	**434,399**	440,599	503,423	487,752
Other AUA[1]	**36,145**	36,499	41,975	44,672
Total AUA[1]	**$ 470,544**	$ 477,098	$ 545,398	$ 532,424

1 2021 comparative figures have been restated to include Financial Horizons Group and Excel Private Wealth Inc. assets under administration.

GLOSSARY

- **Actuarial assumption changes and other management actions** - In accordance with the OSFI “Source of Earnings Disclosure (Life Insurance Company)” Guideline D-9, actuarial assumption changes and other management actions represent the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors. Within the Source of Earnings Disclosure, management actions include the net gain or charge on business dispositions and transactions costs related to acquisition.

- **Common shareholder's equity** - A financial measure comprised of the following items from the Company's balance sheet: share capital - common shares, accumulated surplus, accumulated other comprehensive income and contributed surplus.

- **Impact of currency movement (constant currency basis)** - Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average rates, as shown below, in effect at the date of the comparative period. These measures provide useful information as they facilitate the comparability of results between periods.

	For the three months ended	
	Sept. 30 2022	Sept. 30 2021
United States dollar	**1.31**	1.26
British pound	**1.54**	1.74
Euro	**1.31**	1.48

- **Market-related impacts on liabilities** - The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
  - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
  - the impact on segregated fund guarantee liabilities not hedged;
  - the impact on general fund equity and investment properties supporting insurance contract liabilities;
  - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements.
- **Office of the Superintendent of Financial Institutions Canada (OSFI)** - An independent Canadian federal government agency that regulates and supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting their requirements.
- **Sales** - Sales are measured according to product type:
  - For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
  - Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
  - For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
  - For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.
- **Other assets under management** - Includes external client funds where the Company has oversight of the investment policies. Services provided in respect of proprietary mutual funds, exchange traded funds (ETFs) and institutional assets include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.
- **Other assets under administration** - Includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2021.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, the Company conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency

Period ended	**Sept. 30 2022**	June 30 2022	Mar. 31 2022	Dec. 31 2021	Sept. 30 2021	June 30 2021	Mar. 31 2021
United States dollar							
Balance sheet	**$ 1.38**	$ 1.29	$ 1.25	$ 1.27	$ 1.27	$ 1.24	$ 1.26
Income and expenses	**$ 1.31**	$ 1.28	$ 1.27	$ 1.26	$ 1.26	$ 1.23	$ 1.27
British pound							
Balance sheet	**$ 1.54**	$ 1.57	$ 1.64	$ 1.71	$ 1.71	$ 1.71	$ 1.73
Income and expenses	**$ 1.54**	$ 1.60	$ 1.70	$ 1.70	$ 1.74	$ 1.72	$ 1.75
Euro							
Balance sheet	**$ 1.35**	$ 1.35	$ 1.38	$ 1.44	$ 1.47	$ 1.47	$ 1.47
Income and expenses	**$ 1.31**	$ 1.36	$ 1.42	$ 1.44	$ 1.48	$ 1.48	$ 1.53

Additional information relating to Canada Life, including Canada Life's most recent consolidated financial statements and CEO/CFO certification, are available at www.sedar.com.

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