



The Canada Life
Assurance Company

Consolidated financial statements

Third quarter results

For the period ended September 30, 2022

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian \$ millions)

	For the three months ended		For the nine months ended	
	September 30 2022	September 30 2021	September 30 2022	September 30 2021
Income				
Premium income				
Gross premiums written	\$ 12,939	\$ 15,637	\$ 42,273	\$ 41,228
Ceded premiums	(915)	(911)	(2,770)	(2,765)
Total net premiums	12,024	14,726	39,503	38,463
Net investment income (note 5)				
Regular net investment income	1,275	1,104	3,735	3,338
Changes in fair value through profit or loss	(3,065)	(613)	(16,478)	(3,005)
Total net investment income (loss)	(1,790)	491	(12,743)	333
Fee and other income	802	862	2,502	2,527
	11,036	16,079	29,262	41,323
Benefits and expenses				
Policyholder benefits				
Gross	10,987	10,710	36,109	32,708
Ceded	(694)	(601)	(2,001)	(1,892)
Total net policyholder benefits	10,293	10,109	34,108	30,816
Changes in insurance and investment contract liabilities				
Gross	(2,703)	3,008	(14,827)	1,190
Ceded	581	127	1,784	1,033
Total net changes in insurance and investment contract liabilities	(2,122)	3,135	(13,043)	2,223
Policyholder dividends and experience refunds	623	388	1,322	1,132
Total paid or credited to policyholders	8,794	13,632	22,387	34,171
Commissions	511	492	1,581	1,530
Operating and administrative expenses	781	721	2,374	2,331
Premium taxes	117	119	342	357
Financing charges	26	27	81	82
Amortization of finite life intangible assets	42	39	120	119
Earnings before income taxes	765	1,049	2,377	2,733
Income taxes (note 13)	25	109	140	267
Net earnings before non-controlling interests	740	940	2,237	2,466
Attributable to non-controlling interests	—	—	2	2
Net earnings	740	940	2,235	2,464
Net earnings - participating account	150	106	171	326
Net earnings - common shareholder	\$ 590	\$ 834	\$ 2,064	\$ 2,138

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*
(in Canadian \$ millions)

	For the three months ended		For the nine months ended	
	September 30	September 30	September 30	September 30
	2022	2021	2022	2021
Net earnings	\$ 740	\$ 940	\$ 2,235	\$ 2,464
Other comprehensive income (loss)				
Items that may be reclassified subsequently to Consolidated Statements of Earnings				
Unrealized foreign exchange gains (losses) on translation of foreign operations	89	65	(615)	(317)
Unrealized gains (losses) on hedges of the net investment in foreign operations	(87)	(19)	(106)	(14)
Income tax (expense) benefit	23	5	28	4
Unrealized gains (losses) on available-for-sale assets	(316)	(46)	(917)	(198)
Income tax (expense) benefit	44	8	161	39
Realized (gains) losses on available-for-sale assets	17	(7)	40	(15)
Income tax expense (benefit)	(1)	—	(3)	2
Non-controlling interests	—	—	2	—
Total items that may be reclassified	(231)	6	(1,410)	(499)
Items that will not be reclassified to Consolidated Statements of Earnings				
Re-measurements on defined benefit pension and other post-employment benefit plans (note 12)	(120)	53	387	649
Income tax (expense) benefit	31	(25)	(101)	(175)
Total items that will not be reclassified	(89)	28	286	474
Total other comprehensive income (loss)	(320)	34	(1,124)	(25)
Comprehensive income	\$ 420	\$ 974	\$ 1,111	\$ 2,439

CONSOLIDATED BALANCE SHEETS *(unaudited)*
(in Canadian \$ millions)

	September 30 2022	December 31 2021
Assets		
Cash and cash equivalents	\$ 3,739	\$ 3,271
Bonds (note 5)	84,076	101,329
Mortgage loans (note 5)	22,991	23,113
Stocks (note 5)	11,690	13,252
Investment properties (note 5)	8,381	7,759
Loans to policyholders	3,621	3,480
	<u>134,498</u>	<u>152,204</u>
Funds held by ceding insurers	6,849	7,555
Reinsurance assets (note 8)	6,805	8,794
Goodwill	6,340	6,382
Intangible assets	2,352	2,362
Derivative financial instruments	1,522	582
Owner occupied properties	541	552
Fixed assets	257	288
Other assets	1,943	1,836
Premiums in course of collection, accounts and interest receivable	5,372	4,841
Current income taxes	210	242
Deferred tax assets	343	266
Investments on account of segregated fund policyholders (note 9)	206,680	240,500
Total assets	<u>\$ 373,712</u>	<u>\$ 426,404</u>
Liabilities		
Insurance contract liabilities (note 8)	\$ 130,216	\$ 148,884
Investment contract liabilities (note 8)	1,549	1,646
Debentures and other debt instruments	726	745
Preferred shares (note 10)	1,000	1,000
Funds held under reinsurance contracts	1,527	2,006
Derivative financial instruments	2,071	1,005
Accounts payable	1,734	1,945
Other liabilities	2,815	3,162
Current income taxes	213	160
Deferred tax liabilities	732	922
Investment and insurance contracts on account of segregated fund policyholders (note 9)	206,680	240,500
Total liabilities	<u>349,263</u>	<u>401,975</u>
Equity		
Participating account surplus	3,119	3,126
Non-controlling interests	26	26
Shareholders' equity		
Share capital (note 10)		
Common shares	7,884	7,884
Accumulated surplus	13,993	13,025
Accumulated other comprehensive loss	(997)	(51)
Contributed surplus	424	419
Total equity	<u>24,449</u>	<u>24,429</u>
Total liabilities and equity	<u>\$ 373,712</u>	<u>\$ 426,404</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian \$ millions)

September 30, 2022

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive loss	Total shareholders' equity	Non-controlling interests	Participating account surplus	Total equity
Balance, beginning of year	\$ 7,884	\$ 419	\$ 13,025	\$ (51)	\$ 21,277	\$ 26	\$ 3,126	\$ 24,429
Net earnings	—	—	2,064	—	2,064	2	171	2,237
Other comprehensive income (loss)	—	—	—	(946)	(946)	(2)	(178)	(1,126)
	7,884	419	15,089	(997)	22,395	26	3,119	25,540
Dividends to common shareholder	—	—	(1,096)	—	(1,096)	—	—	(1,096)
Share-based payments	—	5	—	—	5	—	—	5
Balance, end of period	\$ 7,884	\$ 424	\$ 13,993	\$ (997)	\$ 21,304	\$ 26	\$ 3,119	\$ 24,449

September 30, 2021

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interests	Participating account surplus	Total equity
Balance, beginning of year	\$ 7,884	\$ 415	\$ 11,802	\$ 73	\$ 20,174	\$ 25	\$ 2,858	\$ 23,057
Net earnings	—	—	2,138	—	2,138	2	326	2,466
Other comprehensive income (loss)	—	—	—	(8)	(8)	—	(17)	(25)
	7,884	415	13,940	65	22,304	27	3,167	25,498
Dividends to common shareholder	—	—	(1,171)	—	(1,171)	—	—	(1,171)
Share-based payments	—	4	—	—	4	—	—	4
Balance, end of period	\$ 7,884	\$ 419	\$ 12,769	\$ 65	\$ 21,137	\$ 27	\$ 3,167	\$ 24,331

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in Canadian \$ millions)

	For the nine months ended September 30	
	2022	2021
Operations		
Earnings before income taxes	\$ 2,377	\$ 2,733
Income taxes paid, net of refunds received	(203)	(299)
Adjustments:		
Change in insurance and investment contract liabilities	(14,523)	354
Change in funds held by ceding insurers	(660)	805
Change in funds held under reinsurance contracts	(416)	(132)
Change in reinsurance assets	1,775	1,011
Changes in fair value through profit or loss	16,478	3,005
Other	(1,838)	(92)
	<u>2,990</u>	<u>7,385</u>
Financing Activities		
Dividends paid on common shares	(1,096)	(1,171)
Investment Activities		
Bond sales and maturities	11,871	14,099
Mortgage loan repayments	1,990	1,821
Stock sales	3,675	4,514
Investment property sales	5	33
Change in loans to policyholders	(108)	(18)
Business acquisition, net of cash and cash equivalents acquired	—	(63)
Investment in bonds	(11,976)	(17,251)
Investment in mortgage loans	(3,316)	(3,034)
Investment in stocks	(2,958)	(5,179)
Investment in investment properties	(485)	(702)
	<u>(1,302)</u>	<u>(5,780)</u>
Effect of changes in exchange rates on cash and cash equivalents	(124)	(61)
Increase in cash and cash equivalents	468	373
Cash and cash equivalents, beginning of period	<u>3,271</u>	<u>3,105</u>
Cash and cash equivalents, end of period	<u><u>\$ 3,739</u></u>	<u><u>\$ 3,478</u></u>
Supplementary cash flow information		
Interest income received	\$ 2,659	\$ 2,716
Interest paid	73	75
Dividend income received	255	227

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

(in Canadian \$ millions except per share amounts)

1. Corporate Information

The Canada Life Assurance Company (Canada Life) is incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Canada Life is wholly-owned by Great-West Lifeco Inc. (Lifeco). Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

Canada Life is a leading Canadian insurer, with interests in the life insurance, health insurance, investment, savings and retirement income and reinsurance businesses, primarily in Canada and Europe through its subsidiaries including The Canada Life Group (U.K.) Limited, Canada Life Limited, Irish Life Group Limited (Irish Life), Canada Life Capital Corporation Inc., Toronto College Park Ltd., Quadrus Investment Services Ltd., and GWL Realty Advisors Inc.

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and nine months ended September 30, 2022 were approved by the Board of Directors on November 2, 2022.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2021 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at September 30, 2022 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2021 except as described below.

Changes in Accounting Policies

The Company adopted the amendments to International Financial Reporting Standards (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.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. No standards have been released since the year ended December 31, 2021 that impact the Company's financial reporting. The following sets out significant standards that will be adopted on January 1, 2023:

Standard	Summary of Future Changes
IFRS 17 - <i>Insurance Contracts</i>	<p>IFRS 17, <i>Insurance Contracts</i> (IFRS 17), will replace IFRS 4, <i>Insurance Contracts</i> effective January 1, 2023.</p> <p>The adoption of IFRS 17 is a significant initiative for the Company supported by a formal governance framework and project plan, for which substantial resources are being dedicated. The Company continues to make progress in implementing its project plan, and will be compliant with the standard effective January 1, 2023.</p> <p>IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.</p> <p>The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. As a result of the new valuation methodologies required under IFRS 17, 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.</p> <p>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 is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. The Office of the Superintendent of Financial Institutions (OSFI) has stated that it intends to maintain capital frameworks consistent with current capital policies and minimizing potential industry-wide capital impacts. On July 21, 2022, OSFI released the 2023 Life Insurance Capital Adequacy Test (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 current market and economic conditions, the Company expects a positive impact to the LICAT ratio. The Company continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or our business model.</p>

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Standard	Summary of Future Changes
IFRS 9 - <i>Financial Instruments</i>	<p>IFRS 9, <i>Financial Instruments</i> (IFRS 9) will replace IAS 39, <i>Financial Instruments: Recognition and Measurement</i> effective January 1, 2023. The standard provides changes to financial instruments accounting for the following:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2021 consolidated annual audited financial statements and notes thereto.

2. *Basis of Presentation and Summary of Accounting Policies (cont'd)*

Impact of COVID-19 and the Conflict Between Russia and Ukraine on Significant Judgments, Estimates and Assumptions

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

Global financial markets continued to be volatile during 2022, in part due to Russia's military invasion of Ukraine and the related sanctions and economic fallout. The Company continues to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks, and risks related to the global supply chain.

The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties, foreign exchange and inflation, as well as prevailing health and mortality experience.

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

The fair value of portfolio investments (note 5), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities (note 8) and the recoverability of deferred tax asset carrying values reflect management's judgment.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

3. Business Acquisition

Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life Group Limited (Irish Life), an indirect wholly-owned subsidiary of the Company, completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of \$332 (€230). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021, reported as at September 30, 2022 are as follows:

Assets acquired and goodwill

Cash and cash equivalents	\$	17
Bonds		333
Goodwill		21
Reinsurance assets		1,238
Premiums in the course of collection, accounts and interest receivable		89
Investments on account of segregated fund policyholders		2,844
Total assets acquired and goodwill	\$	4,542

Liabilities assumed

Insurance contract liabilities	\$	1,257
Investment contract liabilities		43
Other liabilities		66
Investment and insurance contracts on account of segregated fund policyholders		2,844
Total liabilities assumed	\$	4,210

As at September 30, 2022, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at September 30, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the fourth quarter of 2022. As at September 30, 2022, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$21 (€15) on the date of acquisition, will be adjusted in future periods.

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

4. Restructuring

Canada Restructuring

At September 30, 2022, the Company has a restructuring provision of \$37 remaining in other liabilities. The change in the restructuring provision for the Canada restructuring is set out below:

	September 30 2022	December 31 2021
Balance, beginning of year	\$ 56	\$ 86
Amounts used	(19)	(30)
Balance, end of period	\$ 37	\$ 56

The Company expects to utilize a significant portion of these amounts by the end of 2023.

5. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	September 30, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss ¹	\$ 58,588	\$ 58,588	\$ 75,352	\$ 75,352
Classified fair value through profit or loss ¹	67	67	137	137
Available-for-sale	8,376	8,376	9,492	9,492
Loans and receivables	17,045	15,266	16,348	18,189
	<u>84,076</u>	<u>82,297</u>	<u>101,329</u>	<u>103,170</u>
Mortgage loans				
Residential				
Designated fair value through profit or loss ¹	2,469	2,469	2,609	2,609
Available-for-sale	157	157	—	—
Loans and receivables	7,530	7,001	7,309	7,550
	<u>10,156</u>	<u>9,627</u>	<u>9,918</u>	<u>10,159</u>
Commercial				
	<u>12,835</u>	<u>11,491</u>	<u>13,195</u>	<u>13,681</u>
	<u>22,991</u>	<u>21,118</u>	<u>23,113</u>	<u>23,840</u>
Stocks				
Designated fair value through profit or loss ¹	11,147	11,147	12,754	12,754
Available-for-sale	17	17	16	16
Available-for-sale, at cost ²	8	8	8	8
Equity method	518	461	474	526
	<u>11,690</u>	<u>11,633</u>	<u>13,252</u>	<u>13,304</u>
Investment properties				
	<u>8,381</u>	<u>8,381</u>	<u>7,759</u>	<u>7,759</u>
Total	<u>\$ 127,138</u>	<u>\$ 123,429</u>	<u>\$ 145,453</u>	<u>\$ 148,073</u>

¹ A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

² Fair value cannot be reliably measured, therefore the investments are held at cost.

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2022	December 31 2021
Impaired amounts by classification		
Fair value through profit or loss	\$ 5	\$ 6
Loans and receivables	67	71
Total	\$ 72	\$ 77

The carrying amount of impaired investments includes \$5 bonds and \$67 mortgage loans at September 30, 2022 (\$6 bonds and \$71 mortgage loans at December 31, 2021). The above carrying values for loans and receivables are net of allowances of \$49 at September 30, 2022 and \$28 at December 31, 2021.

(c) Net investment income comprises the following:

For the three months ended September 30, 2022	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 806	\$ 188	\$ 86	\$ 114	\$ 189	\$ 1,383
Net realized gains (losses)						
Available-for-sale	(17)	—	—	—	—	(17)
Other classifications	1	—	—	—	—	1
Net allowances for credit losses on loans and receivables	—	(11)	—	—	—	(11)
Other income (expenses)	—	—	—	(34)	(47)	(81)
	790	177	86	80	142	1,275
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	—	—	—	—	—	—
Designated fair value through profit or loss	(3,601)	(333)	(192)	—	1,143	(2,983)
Recorded at fair value through profit or loss	—	—	—	(82)	—	(82)
	(3,601)	(333)	(192)	(82)	1,143	(3,065)
Total	\$ (2,811)	\$ (156)	\$ (106)	\$ (2)	\$ 1,285	\$ (1,790)

5. Portfolio Investments (cont'd)

For the three months ended September 30, 2021	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 730	\$ 186	\$ 80	\$ 110	\$ 70	\$ 1,176
Net realized gains						
Available-for-sale	—	—	8	—	—	8
Other classifications	—	5	—	—	—	5
Net allowances for credit losses on loans and receivables						
	—	4	—	—	—	4
Other income (expenses)	—	—	—	(37)	(52)	(89)
	730	195	88	73	18	1,104
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss						
	(9)	—	—	—	—	(9)
Designated fair value through profit or loss						
	(827)	25	58	—	(81)	(825)
Recorded at fair value through profit or loss						
	—	—	—	221	—	221
	(836)	25	58	221	(81)	(613)
Total	\$ (106)	\$ 220	\$ 146	\$ 294	\$ (63)	\$ 491

For the nine months ended September 30, 2022	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,418	\$ 559	\$ 263	\$ 335	\$ 469	\$ 4,044
Net realized gains (losses)						
Available-for-sale	(40)	—	—	—	—	(40)
Other classifications	1	10	—	—	—	11
Net allowances for credit losses on loans and receivables						
	—	(22)	—	—	—	(22)
Other income (expenses)	—	—	—	(109)	(149)	(258)
	2,379	547	263	226	320	3,735
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss						
	—	—	—	—	—	—
Designated fair value through profit or loss						
	(15,137)	(861)	(1,029)	—	219	(16,808)
Recorded at fair value through profit or loss						
	—	—	—	330	—	330
	(15,137)	(861)	(1,029)	330	219	(16,478)
Total	\$ (12,758)	\$ (314)	\$ (766)	\$ 556	\$ 539	\$ (12,743)

5. Portfolio Investments (cont'd)

For the nine months ended September 30, 2021	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,172	\$ 556	\$ 234	\$ 314	\$ 270	\$ 3,546
Net realized gains						
Available-for-sale	8	—	8	—	—	16
Other classifications	1	33	6	—	—	40
Net allowances for credit losses on loans and receivables						
	—	(28)	—	—	—	(28)
Other income (expenses)	—	—	—	(104)	(132)	(236)
	2,181	561	248	210	138	3,338
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss						
	(53)	—	—	—	—	(53)
Designated fair value through profit or loss						
	(4,423)	(63)	1,392	—	(297)	(3,391)
Recorded at fair value through profit or loss						
	—	—	—	439	—	439
	(4,476)	(63)	1,392	439	(297)	(3,005)
Total	\$ (2,295)	\$ 498	\$ 1,640	\$ 649	\$ (159)	\$ 333

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2021 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2021 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations.

Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2021.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains a committed line of credit with a Canadian bank.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,

6. *Financial Instruments Risk Management (cont'd)*

- 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 based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) **Currency Risk**

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change in net earnings.

The Company has net investments in foreign operations. The Company's debt obligations are denominated in Canadian dollars and euros. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

(ii) **Interest Rate Risk**

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk because the Company's sensitivity to interest rate movements varies at different terms.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

6. Financial Instruments Risk Management (cont'd)

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities. Actual movements in interest rates may produce different impacts on the value of liabilities, net of changes in the value of assets supporting liabilities, depending on the extent of the change in interest rates in different geographies and at different durations. An immediate 1% increase in interest rates in Canada could lead to an increase in the value of liabilities, net of changes in the value of assets supporting liabilities, and a decrease in net earnings, but the impact would not be expected to be material.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	September 30, 2022		December 31, 2021	
	1% increase	1% decrease ¹	1% increase	1% decrease ¹
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (133)	\$ 450	\$ (219)	\$ 678
Increase (decrease) in net earnings	\$ 116	\$ (352)	\$ 197	\$ (555)

¹ For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash-flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

6. Financial Instruments Risk Management (cont'd)

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on insurance and investment contract liabilities and on the shareholder net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	September 30, 2022				December 31, 2021			
	20% increase	10% increase	10% decrease	20% decrease	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (66)	\$ (38)	\$ 49	\$ 245	\$ (26)	\$ (16)	\$ 22	\$ 76
Increase (decrease) in net earnings	\$ 59	\$ 34	\$ (44)	\$ (199)	\$ 21	\$ 13	\$ (19)	\$ (66)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the shareholder net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	September 30, 2022				December 31, 2021			
	10% increase	5% increase	5% decrease	10% decrease	10% increase	5% increase	5% decrease	10% decrease
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (81)	\$ (38)	\$ 33	\$ 151	\$ (92)	\$ (46)	\$ 38	\$ 144
Increase (decrease) in net earnings	\$ 68	\$ 32	\$ (27)	\$ (116)	\$ 79	\$ 39	\$ (30)	\$ (112)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best estimate return assumptions for publicly traded common stocks and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	September 30, 2022		December 31, 2021	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	\$ (701)	\$ 836	\$ (715)	\$ 829
Increase (decrease) in net earnings	\$ 547	\$ (646)	\$ 567	\$ (649)

7. Fair Value Measurement

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

7. Fair Value Measurement (cont'd)

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

Assets measured at fair value	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,739	\$ —	\$ —	\$ 3,739
Financial assets at fair value through profit or loss				
Bonds	—	58,547	108	58,655
Mortgage loans	—	—	2,469	2,469
Stocks	9,175	—	1,972	11,147
Total financial assets at fair value through profit or loss	9,175	58,547	4,549	72,271
Available-for-sale financial assets				
Bonds	—	8,376	—	8,376
Mortgage loans	—	—	157	157
Stocks	—	—	17	17
Total available-for-sale financial assets	—	8,376	174	8,550
Investment properties	—	—	8,381	8,381
Funds held by ceding insurers	111	3,437	—	3,548
Derivatives ¹	24	1,498	—	1,522
Reinsurance assets	—	76	—	76
Other assets - trading account assets	124	—	—	124
Total assets measured at fair value	\$ 13,173	\$ 71,934	\$ 13,104	\$ 98,211
Liabilities measured at fair value				
Derivatives ²	\$ —	\$ 2,071	\$ —	\$ 2,071
Investment contract liabilities	—	1,549	—	1,549
Total liabilities measured at fair value	\$ —	\$ 3,620	\$ —	\$ 3,620

¹ Excludes collateral received from counterparties of \$731.

² Excludes collateral pledged to counterparties of \$589.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,271	\$ —	\$ —	\$ 3,271
Financial assets at fair value through profit or loss				
Bonds	—	75,389	100	75,489
Mortgage loans	—	—	2,609	2,609
Stocks	11,382	—	1,372	12,754
Total financial assets at fair value through profit or loss	11,382	75,389	4,081	90,852
Available-for-sale financial assets				
Bonds	—	9,492	—	9,492
Stocks	—	—	16	16
Total available-for-sale financial assets	—	9,492	16	9,508
Investment properties	—	—	7,759	7,759
Funds held by ceding insurers	158	5,268	—	5,426
Derivatives ¹	1	581	—	582
Reinsurance assets	—	106	—	106
Other assets - trading account assets	146	—	—	146
Total assets measured at fair value	\$ 14,958	\$ 90,836	\$ 11,856	\$ 117,650
Liabilities measured at fair value				
Derivatives ²	\$ 3	\$ 1,002	\$ —	\$ 1,005
Investment contract liabilities	—	1,646	—	1,646
Total liabilities measured at fair value	\$ 3	\$ 2,648	\$ —	\$ 2,651

¹ Excludes collateral received from counterparties of \$65.

² Excludes collateral pledged to counterparties of \$370.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis which the Company classifies as Level 3 in the fair value hierarchy:

	September 30, 2022						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ³	Available- for-sale mortgage loans	Available- for-sale stocks	Investment properties	Total Level 3 assets
Balance, beginning of year	\$ 100	\$ 2,609	\$ 1,372	\$ —	\$ 16	\$ 7,759	\$ 11,856
Total gains (losses)							
Included in net earnings	(8)	(946)	185	—	—	330	(439)
Included in other comprehensive income ¹	(5)	(161)	—	(18)	1	(173)	(356)
Purchases	21	—	472	—	—	485	978
Issues	—	1,092	—	175	—	—	1,267
Sales	—	—	(57)	—	—	(5)	(62)
Settlements	—	(125)	—	—	—	—	(125)
Other	—	—	—	—	—	(15)	(15)
Transfers into Level 3 ²	—	—	—	—	—	—	—
Transfers out of Level 3 ²	—	—	—	—	—	—	—
Balance, end of period	\$ 108	\$ 2,469	\$ 1,972	\$ 157	\$ 17	\$ 8,381	\$ 13,104
Total gains (losses) for the period included in net investment income	\$ (8)	\$ (946)	\$ 185	\$ —	\$ —	\$ 330	\$ (439)
Change in unrealized gains (losses) for the period included in earnings for assets held at September 30, 2022	\$ (8)	\$ (942)	\$ 185	\$ —	\$ —	\$ 330	\$ (435)

¹ Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and stocks and investment properties represents the unrealized gains (losses) on foreign exchange.

² Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

³ Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

	December 31, 2021					
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ³	Available-for-sale stocks	Investment properties	Total Level 3 assets
Balance, beginning of year	\$ 73	\$ 2,020	\$ 1,312	\$ 8	\$ 6,267	\$ 9,680
Total gains (losses)						
Included in net earnings	4	(121)	125	—	615	623
Included in other comprehensive income ¹	(5)	(21)	—	4	(53)	(75)
Purchases	28	—	591	4	970	1,593
Issues	—	896	—	—	—	896
Sales	—	—	(199)	—	(40)	(239)
Settlements	—	(165)	—	—	—	(165)
Transfers into Level 3 ²	—	—	—	—	—	—
Transfers out of Level 3 ^{2,4}	—	—	(457)	—	—	(457)
Balance, end of year	<u>\$ 100</u>	<u>\$ 2,609</u>	<u>\$ 1,372</u>	<u>\$ 16</u>	<u>\$ 7,759</u>	<u>\$ 11,856</u>
Total gains (losses) for the year included in net investment income	<u>\$ 4</u>	<u>\$ (121)</u>	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ 615</u>	<u>\$ 623</u>
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2021	<u>\$ 4</u>	<u>\$ (115)</u>	<u>\$ 122</u>	<u>\$ —</u>	<u>\$ 621</u>	<u>\$ 632</u>

¹ Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and stocks and investment properties represents the unrealized gains (losses) on foreign exchange.

² Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

³ Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

⁴ On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, the Company's investment in these funds with a fair value of \$457 was transferred on April 19, 2021 from Level 3 to Level 1.

7. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at period-end in measuring assets categorized as Level 3 in the fair value hierarchy:

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.5% - 12.8%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 3.8% - 7.5%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.6%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss and available-for-sale)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long term care of the loanholders.	Discount rate	Range of 5.2% - 8.1%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance and Investment Contract Liabilities

	September 30, 2022		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 130,216	\$ 6,729	\$ 123,487
Investment contract liabilities	1,549	76	1,473
Total	\$ 131,765	\$ 6,805	\$ 124,960
	December 31, 2021		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 148,884	\$ 8,688	\$ 140,196
Investment contract liabilities	1,646	106	1,540
Total	\$ 150,530	\$ 8,794	\$ 141,736

9. Segregated Funds

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	September 30 2022	December 31 2021
Cash and cash equivalents	\$ 11,710	\$ 12,101
Bonds	28,437	34,417
Mortgage loans	2,163	2,377
Stocks and units in unit trusts	108,556	134,541
Mutual funds	39,570	44,008
Investment properties	13,011	12,776
	<u>203,447</u>	<u>240,220</u>
Accrued income	352	311
Other liabilities	(3,239)	(3,156)
Non-controlling mutual funds interest	6,120	3,125
Total	<u>\$ 206,680</u>	<u>\$ 240,500</u>

(b) Investment and insurance contracts on account of segregated fund policyholders

	For the nine months ended September 30	
	2022	2021
Balance, beginning of year	\$ 240,500	\$ 216,050
Additions (deductions):		
Policyholder deposits	17,191	17,436
Net investment income	1,056	522
Net realized capital gains on investments	1,031	7,495
Net unrealized capital gains (losses) on investments	(32,419)	7,239
Unrealized losses due to changes in foreign exchange rates	(9,847)	(5,328)
Policyholder withdrawals	(13,796)	(15,969)
Change in General Fund investment in Segregated Fund	(14)	(15)
Net transfer (to) from General Fund	(17)	20
Non-controlling mutual funds interest	2,995	1,603
Total	<u>(33,820)</u>	<u>13,003</u>
Balance, end of period	<u>\$ 206,680</u>	<u>\$ 229,053</u>

9. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 7)

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ¹	\$ 136,225	\$ 59,356	\$ 13,913	\$ 209,494

¹ Excludes other liabilities, net of other assets, of \$2,814.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ¹	\$ 161,465	\$ 68,088	\$ 13,822	\$ 243,375

¹ Excludes other liabilities, net of other assets, of \$2,875.

During the first nine months of 2022, certain foreign stock holdings valued at \$280 have been transferred from Level 2 to Level 1 (\$2,137 were transferred from Level 2 to Level 1 during the year ended December 31, 2021) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	September 30 2022	December 31 2021
Balance, beginning of year	\$ 13,822	\$ 13,556
Total gains (losses) included in segregated fund investment income	(179)	415
Purchases	423	333
Sales	(149)	(482)
Transfers into Level 3	—	4
Transfers out of Level 3	(4)	(4)
Balance, end of period	\$ 13,913	\$ 13,822

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

10. Share Capital

	For the nine months ended September 30			
	2022		2021	
	Number	Carrying value	Number	Carrying value
Classified as liabilities:				
Preferred shares				
Class A, Series 6, 6.25% Cumulative First Preferred Shares	40,000,000	\$ 1,000	40,000,000	\$ 1,000
Classified as equity:				
Preferred shares				
Class A, Series 1, Non-Cumulative	18,000	\$ —	18,000	\$ —
Common shares	2,407,384	\$ 7,884	2,407,384	\$ 7,884

11. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders' value in the context of the Company's operational risks and strategic plans.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

11. Capital Management (cont'd)

(b) Regulatory Capital

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The LICAT Ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

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

	September 30	December 31
	2022	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 LICAT Ratio (OSFI Supervisory Target = 100%)¹	118 %	124 %

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

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions.

12. Pension Plans and Other Post-Employment Benefits

The total pension plans and other post-employment benefits expense included in operating expenses and other comprehensive income are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Pension plans				
Service costs	\$ 39	\$ 45	\$ 121	\$ 133
Net interest costs	—	4	—	12
Curtailments	—	(1)	(1)	(1)
Settlements	—	(57)	—	(57)
	39	(9)	120	87
Other post-employment benefits				
Net interest costs	3	3	8	7
Pension plans and other post-employment benefits (income) expense - Consolidated Statements of Earnings	42	(6)	128	94
Pension plans - re-measurements (gain) loss				
Actuarial (gain) loss	(111)	12	(1,967)	(451)
Return on assets (greater) less than assumed	192	(59)	1,424	(176)
Change in the asset ceiling	34	2	226	13
Pension plans re-measurement (gain) loss	115	(45)	(317)	(614)
Other post-employment benefits - re-measurements				
Actuarial (gain) loss	5	(8)	(70)	(35)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	120	(53)	(387)	(649)
Total pension plans and other post- employment benefits (income) expense including re-measurements	\$ 162	\$ (59)	\$ (259)	\$ (555)

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	September 30		December 31	
	2022	2021	2021	2020
Weighted average discount rate	4.9 %	2.8 %	2.6 %	2.1 %

13. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Current income taxes	\$ 121	\$ 114	\$ 395	\$ 91
Deferred income taxes	(96)	(5)	(255)	176
Total income tax expense	\$ 25	\$ 109	\$ 140	\$ 267

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.50% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended September 30, 2022 was 3.3% compared to 10.4% for the three months ended September 30, 2021. The effective income tax rate for the three months ended September 30, 2022 was lower than the effective income tax rate for the three months ended September 30, 2021 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 nine months ended September 30, 2021. The effective income tax rate for the nine months ended September 30, 2022 was lower than the effective income tax rate for the nine months ended September 30, 2021 primarily due to the same reasons discussed for the in-quarter results, partially offset by lower non-taxable investment income.

The effective income tax rate for the shareholder account for the three months ended September 30, 2022 was negative 1.9% compared to 8.9% for the three months ended September 30, 2021.

The effective income tax rate for the shareholder account for the nine months ended September 30, 2022 was 6.6% compared to 11.1% for the nine months ended September 30, 2021.

14. Segmented Information

Consolidated Net Earnings

For the three months ended September 30, 2022

	Shareholder				Participating		
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	\$ 2,326	\$ 786	\$ 7,193	\$ 432	\$ 10,737	\$ 1,287	\$ 12,024
Net investment income							
Regular net investment income	343	342	59	22	766	509	1,275
Changes in fair value through profit or loss	491	(2,686)	(539)	10	(2,724)	(341)	(3,065)
Total net investment income (loss)	834	(2,344)	(480)	32	(1,958)	168	(1,790)
Fee and other income	482	312	—	8	802	—	802
	3,642	(1,246)	6,713	472	9,581	1,455	11,036
Benefits and expenses							
Paid or credited to policyholders	2,745	(1,950)	6,529	436	7,760	1,034	8,794
Other ¹	708	409	52	9	1,178	231	1,409
Financing charges	—	—	2	24	26	—	26
Amortization of finite life intangible assets	20	13	—	5	38	4	42
Earnings (loss) before income taxes	169	282	130	(2)	579	186	765
Income taxes	17	9	1	(38)	(11)	36	25
Net earnings before non-controlling interests	152	273	129	36	590	150	740
Non-controlling interests	—	—	—	—	—	—	—
Net earnings	152	273	129	36	590	150	740
Net earnings - participating policyholder	—	—	—	—	—	150	150
Net earnings - common shareholder	\$ 152	\$ 273	\$ 129	\$ 36	\$ 590	\$ —	\$ 590

¹ Includes commissions, operating and administrative expenses, and premium taxes.

14. Segmented Information (cont'd)

For the three months ended September 30, 2021

	Shareholder				Participating		
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	\$ 2,107	\$ 1,941	\$ 8,540	\$ 928	\$ 13,516	\$ 1,210	\$ 14,726
Net investment income							
Regular net investment income	291	326	51	2	670	434	1,104
Changes in fair value through profit or loss	(325)	(210)	(72)	1	(606)	(7)	(613)
Total net investment income (loss)	(34)	116	(21)	3	64	427	491
Fee and other income	494	352	2	14	862	—	862
	<u>2,567</u>	<u>2,409</u>	<u>8,521</u>	<u>945</u>	<u>14,442</u>	<u>1,637</u>	<u>16,079</u>
Benefits and expenses							
Paid or credited to policyholders	1,459	1,611	8,351	930	12,351	1,281	13,632
Other ¹	692	359	50	12	1,113	219	1,332
Financing charges	—	—	2	25	27	—	27
Amortization of finite life intangible assets	16	14	—	6	36	3	39
Earnings (loss) before income taxes	400	425	118	(28)	915	134	1,049
Income taxes	97	42	(9)	(49)	81	28	109
Net earnings before non-controlling interests	303	383	127	21	834	106	940
Non-controlling interests	—	—	—	—	—	—	—
Net earnings	303	383	127	21	834	106	940
Net earnings - participating policyholder	—	—	—	—	—	106	106
Net earnings - common shareholder	<u>\$ 303</u>	<u>\$ 383</u>	<u>\$ 127</u>	<u>\$ 21</u>	<u>\$ 834</u>	<u>\$ —</u>	<u>\$ 834</u>

¹ Includes commissions, operating and administrative expenses, and premium taxes.

14. Segmented Information (cont'd)

For the nine months ended September 30, 2022

	Shareholder				Participating		
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	\$ 6,812	\$ 2,936	\$ 23,207	\$ 2,799	\$ 35,754	\$ 3,749	\$ 39,503
Net investment income							
Regular net investment income	1,066	1,108	153	70	2,397	1,338	3,735
Changes in fair value through profit or loss	(4,202)	(7,225)	(1,632)	(10)	(13,069)	(3,409)	(16,478)
Total net investment income (loss)	(3,136)	(6,117)	(1,479)	60	(10,672)	(2,071)	(12,743)
Fee and other income	1,472	1,006	2	22	2,502	—	2,502
	5,148	(2,175)	21,730	2,881	27,584	1,678	29,262
Benefits and expenses							
Paid or credited to policyholders	2,006	(4,319)	21,072	2,799	21,558	829	22,387
Other ¹	2,163	1,281	166	13	3,623	674	4,297
Financing charges	—	—	6	75	81	—	81
Amortization of finite life intangible assets	58	38	—	15	111	9	120
Earnings (loss) before income taxes	921	825	486	(21)	2,211	166	2,377
Income taxes	184	50	14	(103)	145	(5)	140
Net earnings before non-controlling interests	737	775	472	82	2,066	171	2,237
Non-controlling interests	—	2	—	—	2	—	2
Net earnings	737	773	472	82	2,064	171	2,235
Net earnings - participating policyholder	—	—	—	—	—	171	171
Net earnings - common shareholder	\$ 737	\$ 773	\$ 472	\$ 82	\$ 2,064	\$ —	\$ 2,064

¹ Includes commissions, operating and administrative expenses, and premium taxes.

14. Segmented Information (cont'd)

For the nine months ended September 30, 2021

	Shareholder				Participating		
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	\$ 6,239	\$ 3,819	\$ 22,239	\$ 2,568	\$ 34,865	\$ 3,598	\$ 38,463
Net investment income							
Regular net investment income	897	982	162	36	2,077	1,261	3,338
Changes in fair value through profit or loss	(1,669)	(1,598)	(287)	8	(3,546)	541	(3,005)
Total net investment income (loss)	(772)	(616)	(125)	44	(1,469)	1,802	333
Fee and other income	1,424	1,051	6	46	2,527	—	2,527
	6,891	4,254	22,120	2,658	35,923	5,400	41,323
Benefits and expenses							
Paid or credited to policyholders	3,668	2,017	21,526	2,573	29,784	4,387	34,171
Other ¹	2,053	1,249	153	86	3,541	677	4,218
Financing charges	—	—	6	76	82	—	82
Amortization of finite life intangible assets	54	41	—	15	110	9	119
Earnings (loss) before income taxes	1,116	947	435	(92)	2,406	327	2,733
Income taxes	182	141	(4)	(53)	266	1	267
Net earnings (loss) before non-controlling interests	934	806	439	(39)	2,140	326	2,466
Non-controlling interests	—	2	—	—	2	—	2
Net earnings (loss)	934	804	439	(39)	2,138	326	2,464
Net earnings - participating policyholder	—	—	—	—	—	326	326
Net earnings (loss) - common shareholder	\$ 934	\$ 804	\$ 439	\$ (39)	\$ 2,138	\$ —	\$ 2,138

¹ Includes commissions, operating and administrative expenses, and premium taxes.



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100 Osborne Street North
Winnipeg Manitoba Canada R3C 1V3

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99-51460A-Z 01/22