

Third Quarter **2022**

3

Interim Consolidated Financial Statements (unaudited)
For the quarter ended September 30, 2022

Intact Financial Corporation

INTACT FINANCIAL CORPORATION

Interim Consolidated financial statements (unaudited)

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INTACT FINANCIAL CORPORATION
Interim Consolidated balance sheets (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

As at	Note	September 30, 2022	December 31, 2021
Assets			
Investments	5		
Cash and cash equivalents		\$ 1,310	\$ 2,276
Debt securities		26,044	25,307
Preferred shares		1,477	1,847
Common shares		4,743	5,686
Investment property		503	634
Loans		952	930
Total investments		35,029	36,680
Premiums receivable		7,853	7,838
Reinsurance assets	9	5,291	5,616
Income taxes receivable		371	198
Deferred tax assets		616	584
Deferred acquisition costs		2,056	2,024
Investments in associates and joint ventures		825	760
Property and equipment		746	774
Intangible assets		4,689	4,636
Goodwill		3,361	3,066
Other assets	10	3,622	3,331
Assets held for sale	11	-	842
Total assets		\$ 64,459	\$ 66,349
Liabilities			
Claims liabilities	9	\$ 24,512	\$ 25,116
Unearned premiums		12,001	11,703
Financial liabilities related to investments	6	723	265
Income taxes payable		27	131
Deferred tax liabilities		704	698
Debt outstanding	12	4,796	5,229
Other liabilities	10	6,261	6,424
Total liabilities		\$ 49,024	\$ 49,566
Equity			
Common shares	13	\$ 7,541	\$ 7,576
Preferred shares	13	1,322	1,175
Contributed surplus		237	211
Retained earnings		7,679	6,183
Accumulated other comprehensive income (loss):			
Available-for-sale securities		(1,525)	513
Translation of foreign operations, net of hedges		(137)	1
Other		33	15
Equity attributable to shareholders		15,150	15,674
Equity attributable to non-controlling interests	14	285	1,109
Total equity		\$ 15,435	\$ 16,783
Total liabilities and equity		\$ 64,459	\$ 66,349

See accompanying notes to the interim Consolidated financial statements.

INTACT FINANCIAL CORPORATION
Interim Consolidated statements of income (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

For the periods ended September 30,	Note	Three months		Nine months	
		2022	2021	2022	2021
Direct premiums written		\$ 5,796	\$ 5,719	\$ 17,127	\$ 12,676
Premiums ceded		(505)	(440)	(1,892)	(832)
Net premiums written		5,291	5,279	15,235	11,844
Change in unearned premiums		(346)	(329)	(497)	(609)
Net earned premiums		4,945	4,950	14,738	11,235
Other underwriting revenues		78	77	229	157
Investment income	16	240	202	677	509
Other revenues		124	116	396	313
Total revenues		5,387	5,345	16,040	12,214
Net claims incurred	9	(2,767)	(2,883)	(7,899)	(6,171)
Underwriting expenses		(1,653)	(1,718)	(4,890)	(3,946)
Investment expenses	16	(8)	(11)	(25)	(23)
Net gains (losses)	17	(229)	(88)	(402)	55
Gain on bargain purchase	4	-	4	-	204
Gain on sale of business	4	-	-	423	-
Share of profit from investments in associates and joint ventures		23	22	85	71
Finance costs		(43)	(45)	(127)	(111)
Acquisition, integration and restructuring costs		(102)	(115)	(269)	(296)
Other expenses		(152)	(120)	(469)	(300)
Income before income taxes		456	391	2,467	1,697
Income tax benefit (expense)	18	(86)	(91)	(466)	(310)
Net income		\$ 370	\$ 300	\$ 2,001	\$ 1,387
Net income attributable to:					
Shareholders		370	295	2,012	1,375
Non-controlling interests		-	5	(11)	12
		\$ 370	\$ 300	\$ 2,001	\$ 1,387
Weighted-average number of common shares outstanding (in millions)	19	175.4	176.1	175.7	157.8
Earnings per common share, basic and diluted (in dollars)	19	\$ 2.02	\$ 1.60	\$ 11.20	\$ 8.46
Dividends paid per common share (in dollars)		\$ 1.00	\$ 0.83	\$ 3.00	\$ 2.49

See accompanying notes to the interim Consolidated financial statements.

INTACT FINANCIAL CORPORATION
Interim Consolidated statements of comprehensive income (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

For the periods ended September 30,	Note	Three months		Nine months	
		2022	2021	2022	2021
Net income		\$ 370	\$ 300	\$ 2,001	\$ 1,387
Other comprehensive income (loss)					
Available-for-sale securities:					
Net changes in unrealized gains (losses)		(710)	(46)	(2,173)	350
Income tax benefit (expense)		92	4	367	(136)
Reclassification of net losses (gains)		57	74	(327)	(118)
Income tax (benefit) expense		(8)	14	92	66
		(569)	46	(2,041)	162
Cash flow hedges:					
Net changes in unrealized gains (losses)		-	-	17	(32)
Income tax benefit (expense)		-	-	(2)	-
Reclassification of net losses (gains)		-	-	(23)	32
Income tax (benefit) expense		-	-	3	-
		-	-	(5)	-
Foreign exchange gains (losses) on:					
Translation of foreign operations		294	94	(16)	4
Reclassification of net gains	4	(15)	-	(15)	-
Net investment hedges		(171)	(41)	(76)	16
Income tax benefit (expense)		(3)	-	(21)	(1)
		105	53	(128)	19
Other, net of tax		-	-	18	1
Items that may be reclassified subsequently to net income		(464)	99	(2,156)	182
Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement	21	(72)	42	167	304
Income tax benefit (expense)		9	(20)	(27)	(97)
Items that will not be reclassified subsequently to net income		(63)	22	140	207
Other comprehensive income (loss)		(527)	121	(2,016)	389
Total comprehensive income		\$ (157)	\$ 421	\$ (15)	\$ 1,776
Total comprehensive income attributable to:					
Shareholders		(158)	409	(6)	1,748
Non-controlling interests		1	12	(9)	28
		\$ (157)	\$ 421	\$ (15)	\$ 1,776

See accompanying notes to the interim Consolidated financial statements.

INTACT FINANCIAL CORPORATION
Interim Consolidated statements of changes in equity (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

	Note	Equity attributable to shareholders				Accumulated other compre- hensive income (loss)	Equity attributable to non- controlling interests	Total Equity
		Common shares	Preferred shares	Contributed surplus	Retained earnings			
Balance as at January 1, 2022		\$ 7,576	\$ 1,175	\$ 211	\$ 6,183	\$ 529	\$ 1,109	\$ 16,783
Net income		-	-	-	2,012	-	(11)	2,001
Other comprehensive income (loss)		-	-	-	140	(2,158)	2	(2,016)
Total comprehensive income (loss)		-	-	-	2,152	(2,158)	(9)	(15)
Preferred shares issued	13	-	147	-	-	-	-	147
Common shares repurchased for cancellation	13	(35)	-	-	(114)	-	-	(149)
Dividends declared on:								
Common shares		-	-	-	(527)	-	-	(527)
Preferred shares		-	-	-	(44)	-	-	(44)
Share-based payments		-	-	26	(31)	-	-	(5)
Non-controlling interests:								
Dividends		-	-	-	-	-	(17)	(17)
Redemption	14	-	-	-	60	-	(510)	(450)
Sale of business	4	-	-	-	-	-	(288)	(288)
Balance as at September 30, 2022		\$ 7,541	\$ 1,322	\$ 237	\$ 7,679	\$ (1,629)	\$ 285	\$ 15,435
Balance as at January 1, 2021		\$ 3,265	\$ 1,175	\$ 187	\$ 4,547	\$ 409	\$ -	\$ 9,583
Net income		-	-	-	1,375	-	12	1,387
Other comprehensive income (loss)		-	-	-	207	166	16	389
Total comprehensive income (loss)		-	-	-	1,582	166	28	1,776
Common shares issued	13	4,311	-	-	-	-	-	4,311
Dividends declared on:								
Common shares		-	-	-	(466)	-	-	(466)
Preferred shares		-	-	-	(40)	-	-	(40)
Share-based payments		-	-	10	(21)	-	-	(11)
Non-controlling interests:								
Dividends		-	-	-	-	-	(14)	(14)
Business combination		-	-	-	-	-	1,108	1,108
Other		-	-	-	(2)	-	-	(2)
Balance as at September 30, 2021		\$ 7,576	\$ 1,175	\$ 197	\$ 5,600	\$ 575	\$ 1,122	\$ 16,245

See accompanying notes to the interim Consolidated financial statements.

INTACT FINANCIAL CORPORATION
Interim Consolidated statements of cash flows (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

For the periods ended September 30,	Note	Three months		Nine months	
		2022	2021	2022	2021
Operating activities					
Income before income taxes		\$ 456	\$ 391	\$ 2,467	\$ 1,697
Income tax received (paid), net		(21)	(190)	(380)	(573)
Adjustments for non-cash items	23	467	309	692	199
Changes in other operating assets and liabilities	23	552	760	(42)	929
Net cash flows provided by (used in) operating activities		1,454	1,270	2,737	2,252
Investing activities					
Business combination, net of cash acquired	4	(239)	-	(239)	(11,076)
Proceeds from the sale of businesses, net of cash disposed	4	112	-	1,295	7,209
Proceeds from sale of investments		3,188	4,020	13,788	12,044
Purchases of investments		(4,497)	(5,152)	(16,342)	(12,552)
Proceeds from (purchases of) brokerages and other equity investments, net		(46)	(23)	(200)	(79)
Purchases of intangibles and property and equipment, net		(99)	(106)	(292)	(221)
Net cash flows provided by (used in) investing activities		(1,581)	(1,261)	(1,990)	(4,675)
Financing activities					
Payment of lease liabilities		(27)	(35)	(84)	(70)
Proceeds from (repurchase of) securities sold under repurchase agreements		-	(252)	-	-
Payment of contingent consideration related to business combinations		-	-	-	(15)
Proceeds from issuance of debt, net	12	909	-	1,259	1,814
Repayment of debt	12	(361)	(410)	(1,328)	(1,356)
Borrowing (repayment) on the credit facility and commercial paper	12	(150)	472	(409)	472
Proceeds from issuance of common shares, net		-	-	-	4,263
Proceeds from issuance of preferred shares, net	13	-	-	146	-
Repurchase of common shares for cancellation	13	(49)	-	(149)	-
Repurchase of common shares for share-based payments		(9)	(6)	(107)	(76)
Payment of dividends on common shares and preferred shares		(190)	(146)	(571)	(466)
Payment of dividends to non-controlling interests		-	(14)	(17)	(40)
Redemption of non-controlling interests	14	-	(7)	(450)	(14)
Net cash flows provided by (used in) financing activities		123	(398)	(1,710)	4,512
Net increase (decrease) in cash and cash equivalents		(4)	(389)	(963)	2,089
Cash and cash equivalents, beginning of period, net of held for sale		1,223	3,382	2,276	917
Exchange rate differences on cash and cash equivalents		28	21	(3)	8
Less: cash and cash equivalents held for sale disposed		63	-	-	-
Cash and cash equivalents, end of period		\$ 1,310	\$ 3,014	\$ 1,310	\$ 3,014
Composition of cash and cash equivalents					
Cash		1,069	1,868	1,069	1,868
Cash equivalents		241	1,146	241	1,146
Cash and cash equivalents, end of period		\$ 1,310	\$ 3,014	\$ 1,310	\$ 3,014
Other relevant cash flow disclosures – operating activities					
Interest paid		25	40	107	122
Interest received		136	106	409	299
Dividends received		96	77	267	220

See accompanying notes to the interim Consolidated financial statements.

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

Glossary of abbreviations

AFS	Available-for-sale	LTIP	Long-term incentive plan
AOCI	Accumulated other comprehensive income	MBS	Mortgage-backed securities
bps	Basis points	MD&A	Management's Discussion and Analysis
CAD	Canadian Dollar	MYA	Market yield adjustment
CAN	Canada	NCI	Non-controlling interests
CDOR	Canadian Dollar Offered Rate	NCIB	Normal course issuer bid
CPI	Consumer price index	NEP	Net earned premiums
DB	Defined benefits	NOI	Net operating income
DKK (kr.)	Danish krone, Denmark's official currency	OCI	Other comprehensive income
EPS	Earnings per share to common shareholders	P&C	Property and casualty
ESPP	Employee share purchase plan	PTOI	Pre-tax operating income
EUR (€)	Currency of the European Union	RPI	Retail price index
FVTPL	Fair value through profit and loss	SOFR	Secured Overnight Financing Rate
GBP (£)	British pound sterling, UK's official currency	TSX	Toronto Stock Exchange
IAS	International Accounting Standard	UK	United Kingdom
IASB	International Accounting Standards Board	UK&I	United Kingdom and International
IBNR	Insurance claims incurred but not reported by policyholders	US	United States
IFRS	International Financial Reporting Standards	USD	US Dollar
JV	Joint ventures		

Note 1 – Status of the Company

Intact Financial Corporation (the "Company"), incorporated under the *Canada Business Corporations Act*, is domiciled in Canada and its shares are publicly traded on the Toronto Stock Exchange (TSX: IFC). The Company has investments in wholly owned subsidiaries which operate principally in the Canadian, UK and US P&C insurance markets. The Company, through its operating subsidiaries, principally underwrites automobile, home, as well as commercial P&C contracts to individuals and businesses.

These interim Consolidated financial statements include the accounts of the Company and its subsidiaries.

The registered office of the Company is 700 University Avenue, Suite 1500, Toronto, Ontario, Canada, M5G 0A1.

Note 2 – Basis of presentation

2.1 Statement of compliance

These interim Consolidated financial statements are prepared in accordance with IAS 34 – *Interim Financial Reporting*. These interim Consolidated financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on November 8, 2022.

2.2 Preparation and presentation of financial statements

These interim Consolidated financial statements are condensed financial statements and should be read in conjunction with the Company's annual Consolidated financial statements for the year ended December 31, 2021.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

The Company presents its interim Consolidated balance sheets broadly in order of liquidity.

2.3 Seasonality

The P&C insurance business is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, underwriting results are driven mainly by weather conditions which may vary significantly between quarters.

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

2.4 Foreign currency translation

Table 2.1 – Exchange rates used

	As at		Average rate for the three-month periods ended		Average rate for the nine-month periods ended	
	September 30, 2022	December 31, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
USD vs CAD	1.381	1.265	1.306	1.260	1.283	1.251
GBP vs CAD	1.542	1.710	1.536	1.735	1.612	1.733
EUR vs CAD	1.354	1.439	1.315	1.485	1.364	1.497
DKK vs CAD ¹	0.182	0.193	0.177	0.200	0.183	0.201

¹ For the nine-month period ended September 30, 2021, the average rate reflects the period from June 1 to September 30, 2021 in relation to the RSA acquisition.

2.5 Global economic environment

COVID-19 pandemic

The magnitude of the impact of the COVID-19 crisis on the economy and financial markets continues to evolve while also contributing to increased market volatility and changes to the macroeconomic environment. The Company continues to manage the impact on its business and believes that its operations and financial position remain strong and that it is well positioned to deal with this crisis.

In Canada, most commercial policies, except in very limited instances, do not provide for business interruption coverage in the context of a closure due to COVID-19 since direct physical loss or damage is required to trigger this coverage. In the UK&I, the current assessment of Claims liabilities reflects court judgments across the jurisdictions that business operates in, including those recently announced in the UK in October 2022. These most recent judgments are complex and create a number of uncertainties and the Company will continue to monitor the progression of these judgements, including any appeal to a higher court. Based on information currently known and management's assumptions, the Company has made adequate provisions for, or has adequate reinsurance to cover all insurance claims and legal proceedings.

Russia-Ukraine war

The war in Ukraine has caused instability in the global economy and markets. While its direct exposure to Russia and Ukraine is immaterial, the Company continues to closely monitor for any indirect impacts.

Global financial market volatility

The Company continued to observe a significant volatility in financial markets, notably due to increasing inflation and interest rates across all regions, with central banks reaffirming their intention to tackle inflation with further tightening measures.

The increased uncertainty related to the above elements required management to use judgements, estimates and assumptions. *Refer to Section 22 – Sensitivity analysis to market risk of the Company's interim MD&A for the third quarter ended September 30, 2022 and to Note 3.2 – COVID-19 pandemic of the Company's annual Consolidated financial statements for the year ended December 31, 2021 for more details.*

Note 3 – Summary of significant accounting policies

The accounting policies applied during the nine-month period ended September 30, 2022 are the same as those described and disclosed in *Note 2 – Summary of significant accounting policies* of the Company's annual Consolidated financial statements for the year ended December 31, 2021, except for the amendments to existing standards described below which were adopted on January 1, 2022.

3.1 Reference to the Conceptual Framework (amendments to IFRS 3 – Business Combinations)

In May 2020, the IASB issued amendments to IFRS 3 – *Business Combinations* ("IFRS 3") to update references to the revised Conceptual Framework without significantly changing its requirements. It also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential day 2 gains or losses for some types of liabilities and contingent liabilities. Finally, it clarified existing guidance by explicitly prohibiting the recognition of contingent assets in a business combination.

The amendments were applied prospectively with no impact on the interim Consolidated financial statements.

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

Note 4 – Business combinations and disposals

4.1 Business combinations

RSA Insurance Group PLC

On June 1, 2021, the Company, together with the Scandinavian P&C leader Tryg A/S (“Tryg”), completed the all-cash acquisition for the entire issued share capital of RSA Insurance Group PLC (“RSA”), a multinational insurance group with strong positions in the P&C insurance market in the UK, Scandinavia and Canada along with supporting international business in Ireland, Continental Europe and the Middle East.

RSA shareholders received 685 pence per ordinary share from the Company which represented an aggregate cash consideration of £7.2 billion (\$12.3 billion). On the same day, the Company sold a portion of the Scandinavia operations to Tryg for £4.2 billion which was used to partially fund the consideration paid to RSA’s shareholders. The total consideration paid to RSA shareholders consists of:

- £3.0 billion (\$5.1 billion) for the acquisition of RSA’s Canadian, UK and International operations and the 50% co-share of RSA’s Danish business; and
- £4.2 billion (\$7.2 billion) for the acquisition of RSA’s Sweden and Norway businesses and the 50% co-share of RSA’s Danish business which was sold to Tryg on the same day.

The preliminary fair values have been reassessed following the acquisition. There were no significant adjustments during the 12-month measurement period and the purchase price allocation is now final.

The following table summarizes the consideration and the final fair value of the assets acquired and liabilities assumed as at the acquisition date including the Scandinavian assets and liabilities held for sale.

Table 4.1 – RSA’s business combination

As at the acquisition date (June 1, 2021)	GBP	CAD
Purchase price		
Cash consideration ¹	7,182	12,311
Purchase price hedge	-	28
Total purchase price	7,182	12,339
Fair value of the identifiable assets acquired, and liabilities assumed		
Assets		
Investments ²	8,331	14,283
Premiums receivable	2,305	3,952
Reinsurance assets	2,607	4,470
Deferred tax assets ³	256	440
Deferred acquisition costs	538	921
Property and equipment	180	309
Intangible assets	1,223	2,096
Other	959	1,642
Assets held for sale ⁴	8,982	15,399
Liabilities		
Claims liabilities	(6,804)	(11,664)
Unearned premiums	(3,105)	(5,324)
Deferred tax liabilities ³	(258)	(442)
Debt outstanding ⁵	(829)	(1,421)
Other	(2,153)	(3,691)
Liabilities associated with assets held for sale ⁴	(4,273)	(7,326)
Total identifiable net assets acquired	7,959	13,644
Non-controlling interests	(642)	(1,101)
Gain on bargain purchase	(135)	(204)
Exchange rate (GBP/CAD)		1.714

¹ Includes proceeds from Tryg of \$7.2 billion (£4.2 billion).

² Includes cash and cash equivalents acquired of \$1,263 million (£736 million).

³ Considers changes in the UK corporate tax rate from 19% to 25% enacted in May 2021 and effective on April 1, 2023.

⁴ Represents RSA’s Sweden and Norway businesses and 50% of RSA’s Danish business sold to Tryg as well as the Company’s 50% interest in RSA’s Danish business (*Refer to Note 11 – Assets held for sale*).

⁵ The Company repaid part of the debt assumed ahead of the maturity date.

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

For the three and nine-month periods ended September 30, 2022, the Company recognized acquisition costs of nil (nil and \$85 million for the three and nine-month periods ended September 30, 2021, respectively) and integration costs of \$82 million and \$214 million, respectively (\$93 million and \$132 million for the three and nine-month periods ended September 30, 2021, respectively). These costs were recognized in the line Acquisition, integration and restructuring costs.

Refer to Note 5 – Business Combination of the Company's annual Consolidated financial statements for the year ended December 31, 2021, for more details.

Highland Insurance Solutions

On August 1, 2022, the Company completed the acquisition of Highland Insurance Solutions ("Highland"), the U.S. construction division of Tokio Marine Highland for a cash consideration of \$239 million (USD186 million), subject to post-closing adjustments. Highland is a managing general agent specializing in the builder's risk segment of the construction industry and will expand the Company's portfolio of owned distribution assets. The Company financed the acquisition through debt, *refer to Note 12 – Debt outstanding for more details.*

As at September 30, 2022, the preliminary purchase price allocation was mainly allocated to intangible asset and goodwill for an amount of \$181 million and \$50 million, respectively. The Company expects to finalize the purchase price allocation by the end of the year.

4.2 Disposals

Codan DK

On June 11, 2021, the Company announced that together with Tryg it had entered into a definitive agreement to sell Codan Forsikring A/S's Danish business ("Codan DK") to Alm. Brand A/S Group ("Alm. Brand"). On May 2, 2022, the sale was completed for a base cash consideration DKK12.6 billion (\$2.3 billion), subject to post-closing adjustments. The Company received 50% of the total proceeds, which represents approximately \$1.2 billion. *Refer to Note 11 – Assets held for sale for more details.*

RSA Middle East

On April 4, 2022, the Company announced the sale of its 50% shareholding in Royal & Sun Alliance Insurance ("Middle East") BSC (c) ("RSA Middle East") to National Life & General Insurance Company ("NLGIC"), subject to regulatory approvals. The sale of RSA Middle East follows a strategic review of operations by the Board of Directors.

RSA Middle East's assets and associated liabilities were presented as held for sale until their disposal and measured at the lower of their carrying amount or fair value less costs to sell, resulting in an impairment loss of \$24 million recognized in Net gains (losses), during the nine-month period ended September 30, 2022, of which \$9 million was attributable to shareholders and \$14 million was attributable to NCI, net of tax.

On July 7, 2022, the sale was completed for a total cash consideration of \$175 million (USD135 million). Upon closing, the Company derecognized \$465 million of net assets, \$288 million of NCI and \$10 million of AOCI and other items. As a result, the Company recognized a gain on sale of \$8 million in Net gains (losses) during the three and nine-month periods ended September 30, 2022.

INTACT FINANCIAL CORPORATION
Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

Note 5 – Investments
5.1 Classification of investments

Table 5.1 – Classification of investments

As at	Fair value			Amortized cost	Total carrying amount
	AFS	Classified as FVTPL	Designated as FVTPL	Cash and cash equivalents, and loans	
September 30, 2022					
Cash and cash equivalents	-	-	-	1,310	1,310
Short-term notes	1,580	-	-	-	1,580
Fixed income					
Investment grade					
Government	4,669	-	4,659	-	9,328
Corporate	5,721	-	4,135	-	9,856
Asset-backed ¹	1,102	-	172	-	1,274
Mortgage-backed					
Agency ²	1,107	-	188	-	1,295
Non-agency	651	-	252	-	903
Below investment grade Corporate	148	-	14	-	162
Non-rated	1,646	-	-	-	1,646
Debt securities	16,624	-	9,420	-	26,044
Investment grade					
Retractable	15	-	-	-	15
Fixed-rate perpetual	313	-	-	-	313
Other perpetual	1,149	-	-	-	1,149
Preferred shares	1,477	-	-	-	1,477
Common shares	3,313	11	1,419	-	4,743
Investment property	-	503	-	-	503
Loans	-	-	-	952	952
	21,414	514	10,839	2,262	35,029
December 31, 2021					
Cash and cash equivalents	-	-	-	2,276	2,276
Short-term notes	516	-	-	-	516
Fixed income					
Investment grade					
Government	5,247	-	3,860	-	9,107
Corporate	6,818	-	3,690	-	10,508
Asset-backed ¹	1,100	-	202	-	1,302
Mortgage-backed					
Agency ²	1,150	-	215	-	1,365
Non-agency	691	-	298	-	989
Below investment grade Corporate	70	-	9	-	79
Non-rated	1,441	-	-	-	1,441
Debt securities	17,033	-	8,274	-	25,307
Investment grade					
Retractable	16	-	-	-	16
Fixed-rate perpetual	408	-	-	-	408
Other perpetual	1,423	-	-	-	1,423
Preferred shares	1,847	-	-	-	1,847
Common shares	3,841	14	1,831	-	5,686
Investment property	-	634	-	-	634
Loans	-	-	-	930	930
	22,721	648	10,105	3,206	36,680

¹ Credit card receivables and auto loans.

² Publicly traded MBS, which carry the full faith and credit guarantee of the US Government or are guaranteed by a government sponsored entity.

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

5.2 Carrying amount of investments

Table 5.2 – Carrying amount of investments

As at	FVTPL investments	Amortized cost	Unrealized gains ²	Unrealized losses ²	Carrying amount	Total
September 30, 2022						
Cash and cash equivalents	-	1,310	-	-	1,310	1,310
Debt securities	9,420	17,890	98	(1,364)	16,624	26,044
Preferred shares ¹	-	1,636	22	(181)	1,477	1,477
Common shares	1,430	3,652	114	(453)	3,313	4,743
Investment property	503	-	-	-	-	503
Loans	-	952	-	-	952	952
	11,353	25,440	234	(1,998)	23,676	35,029
December 31, 2021						
Cash and cash equivalents	-	2,276	-	-	2,276	2,276
Debt securities	8,274	17,003	145	(115)	17,033	25,307
Preferred shares ¹	-	1,676	183	(12)	1,847	1,847
Common shares	1,845	3,420	475	(54)	3,841	5,686
Investment property	634	-	-	-	-	634
Loans	-	930	-	-	930	930
	10,753	25,305	803	(181)	25,927	36,680

¹ Includes unrealized gains (losses) on embedded derivatives of \$2 million as at September 30, 2022 (\$62 million as at December 31, 2021). These derivatives were presented in Investments, with the related perpetual preferred shares, on the interim Consolidated balance sheets. The change in fair value of these derivatives was recognized in Net gains (losses).

² Foreign amounts are translated using the period-end exchange rate.

The following tables present the credit quality of the Company's debt securities and preferred shares.

Table 5.3 – Credit quality of debt securities

As at	September 30, 2022	December 31, 2021
Debt securities		
AAA	36%	28%
AA	24%	30%
A	21%	23%
BBB	12%	12%
Not rated	7%	7%
	100%	100%

Table 5.4 – Credit quality of preferred shares

As at	September 30, 2022	December 31, 2021
Preferred shares		
P1	1%	2%
P2	72%	75%
P3	27%	23%
	100%	100%

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

Note 6 – Financial liabilities related to investments

Table 6.1 – Financial liabilities related to investments

As at	September 30, 2022	December 31, 2021
Accounts payable to investment brokers on unsettled trades	420	32
Derivative financial liabilities (<i>Table 7.1</i>)	295	224
Equities sold short positions	8	9
	723	265

Note 7 – Derivative financial instruments

7.1 Fair value and notional amount of derivatives

The Company uses derivatives for economic hedging purposes and for the purpose of improving the risk profile of its investment portfolio, as long as the resulting exposures remain within the guidelines of its investment policy. In certain circumstances, these hedges also meet the requirements for hedge accounting. Risk management strategies eligible for hedge accounting have been designated as net investment hedges in foreign operations, cash flow hedges and fair value hedges.

Table 7.1 – Fair value and notional amount of derivatives

As at	September 30, 2022			December 31, 2021		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts						
Forwards	6,219	57	270	5,695	34	60
Cross currency swaps	-	-	-	604	42	-
Interest rate contracts						
Futures	447	-	-	889	-	-
Swaps	84	31	-	93	-	15
Foreign currency and interest rate contracts						
Cross currency interest rate swaps	79	-	23	142	3	11
Equity contracts						
Swaps	1,543	120	-	1,819	-	81
Futures	304	-	-	428	-	-
Inflation contracts						
Swaps	185	32	2	205	71	57
	8,861	240	295	9,875	150	224
Held for risk management purposes						
Designated as net investment hedges	4,599	42	209	4,127	17	42
Designated as cash flow hedges	70	-	21	367	9	9
Designated as fair value hedges	92	31	3	1,019	49	17
Not designated	4,022	167	62	4,230	75	156
	8,783	240	295	9,743	150	224
Held for trading purposes	78	-	-	132	-	-
	8,861	240	295	9,875	150	224
Term to maturity:						
Less than one year	8,375			9,435		
From one to five years	192			108		
Over five years	294			332		
	8,861			9,875		

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

7.2 Hedges of an investment in associate held for sale

Fair value hedge

As part of the RSA acquisition on June 1, 2021, the Company hedged its exposure to DKK relative to CAD. The Company used a USD denominated bank term loan together with cross-currency swaps equivalent to DKK 2.9 billion (\$0.6 billion) (the “synthetic term loan”) and foreign currency forwards of DKK 1.4 billion (\$0.3 billion) to manage its fair value exposure. The synthetic term loan and the forwards were designated as hedging instruments in a fair value hedge and as a result their gains or losses are recognized in Net gains (losses) in Net income together with foreign exchange translation gains or losses on the asset held for sale.

Upon closing of the sale of Codan DK on May 2, 2022, the fair value hedge was derecognized. The gains (losses) related to re-evaluation of the asset held for sale was offset by the changes in fair value of the hedging instruments.

Cash flow hedge

On July 1, 2021, the sale of Codan DK was considered highly probable and foreign currency forwards used to hedge the remaining exposure to the selling price were designated as a cash flow hedge. The effective portion of changes in the fair value of the hedging instrument was recognized in OCI and the ineffective portion was recognized in Net gains (losses) in Net income.

Upon closing of the transaction on May 2, 2022, the cash flow hedge was settled, and a gain of \$23 million, initially recognized in AOCI, was reclassified in Net income as part of the gain on sale of Codan DK.

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

Note 8 – Fair value measurement

8.1 Categorization of fair values

Table 8.1 – Fair value hierarchy of financial assets and financial liabilities

As at	Level 1	Level 2	Level 3	Total
	Valued using quoted (unadjusted) market prices	Valued using models		
		with observable inputs	without observable inputs	
September 30, 2022				
Short-term notes	1,580	-	-	1,580
Fixed income				
Investment grade				
Government	4,150	5,178	-	9,328
Corporate	-	9,856	-	9,856
Asset-backed	-	1,274	-	1,274
Mortgage-backed				
Agency	-	1,295	-	1,295
Non-agency	-	903	-	903
Below investment grade Corporate	-	162	-	162
Non-rated	-	-	1,646	1,646
Debt securities	5,730	18,668	1,646	26,044
Preferred shares¹	1,477	-	-	1,477
Common shares	4,555	-	188	4,743
Investment property	-	-	503	503
Derivative financial assets (Table 7.1)	-	240	-	240
Total financial assets measured at fair value	11,762	18,908	2,337	33,007
Total financial liabilities measured at fair value (Table 6.1)	8	295	-	303
December 31, 2021				
Short-term notes	516	-	-	516
Fixed income				
Investment grade				
Government	4,352	4,755	-	9,107
Corporate	-	10,508	-	10,508
Asset-backed	-	1,302	-	1,302
Mortgage-backed				
Agency	-	1,365	-	1,365
Non-agency	-	986	3	989
Below investment grade Corporate	-	79	-	79
Non-rated	-	-	1,441	1,441
Debt securities	4,868	18,995	1,444	25,307
Preferred shares¹	1,844	3	-	1,847
Common shares	5,471	-	215	5,686
Investment property	-	-	634	634
Derivative financial assets (Table 7.1)	-	150	-	150
Total financial assets measured at fair value	12,183	19,148	2,293	33,624
Total financial liabilities measured at fair value (Table 6.1)	9	224	-	233

¹ Includes perpetual preferred shares with call options amounting to \$1,246 million as at September 30, 2022 (\$1,574 million as at December 31, 2021). The fair value of the embedded derivatives component amounting to \$79 million as at September 30, 2022 (\$139 million as at December 31, 2021) was determined using a Level 3 methodology.

The fair value of loans was \$912 million as at September 30, 2022 (\$929 million as at December 31, 2021). The carrying amount of certain short-term financial instruments not measured at fair value is a reasonable approximation of their fair value.

INTACT FINANCIAL CORPORATION

Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

8.2 Reconciliation of fair values measurement of Level 3 financial assets and investment property

Table 8.2 – Reconciliation of fair value measurement of Level 3 financial assets and investment property

For the nine-month periods ended	AFS		Classified as FVTPL			Total
	Equity	Fixed income	Equity	Derivatives	Investment property	
September 30, 2022						
Balance, beginning of the period	210	1,444	5	-	634	2,293
Total gain (losses) recognized in:						
Net income	3	3	(2)	-	39	43
OCI	14	(33)	-	-	-	(19)
Purchases	24	402	-	-	10	436
Disposals	(53)	(159)	-	-	(113)	(325)
Exchange rate differences	(13)	(11)	-	-	(67)	(91)
Balance, end of the period	185	1,646	3	-	503	2,337
September 30, 2021						
Balance, beginning of the period	19	335	9	-	-	363
Business combination	222	995	-	-	522	1,739
Total gain (losses) recognized in:						
Net income	3	-	3	(30)	34	10
OCI	8	12	-	-	-	20
Purchases	-	59	-	32	3	94
Disposals	(26)	(71)	(8)	-	(7)	(112)
Exchange rate differences	(9)	5	-	-	-	(4)
Balance, end of the period	217	1,335	4	2	552	2,110

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Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

Note 9 – Claims liabilities and reinsurance

9.1 Claims liabilities

Claims liabilities are established to reflect the estimate of the full amount of all liabilities associated with the insurance contracts earned at the balance sheet date, including IBNR, that have occurred on or before the balance sheet date. The ultimate amount of these liabilities will vary from the best estimate made for a variety of reasons, including additional information with respect to the facts and circumstances of the insurance claims incurred. To recognize the uncertainty in establishing this best estimate, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are sufficient to pay future benefits, actuaries are required to include margins in some assumptions.

Refer to Note 11 – Claims liabilities of the Company's annual Consolidated financial statements for the year ended December 31, 2021, for more details on the significant accounting judgements, estimates and assumptions used in relation to the COVID-19.

Table 9.1 – Movements in claims liabilities

For the three-month periods ended Sept. 30,	2022			2021		
	Direct	Ceded	Net	Direct	Ceded	Net
Balance, beginning of period	24,315	3,997	20,318	24,483	4,318	20,165
Current period claims	3,541	367	3,174	3,452	389	3,063
Unfavourable (favourable) prior-year claims development	34	150	(116)	(259)	(116)	(143)
Increase (decrease) due to changes in discount rate	(427)	(136)	(291)	(43)	(6)	(37)
Total claims incurred	3,148	381	2,767	3,150	267	2,883
Claims paid	(2,974)	(393)	(2,581)	(2,673)	(275)	(2,398)
Disposal and other (Note 4)	(134)	(50)	(84)	-	-	-
Exchange rate differences	157	42	115	46	13	33
Balance, end of period	24,512	3,977	20,535	25,006	4,323	20,683

For the nine-month periods ended Sept. 30,	2022			2021		
	Direct	Ceded	Net	Direct	Ceded	Net
Balance, beginning of period	25,116	4,323	20,793	12,780	1,381	11,399
Business combination (Note 4)	-	-	-	11,664	3,023	8,641
Current period claims	10,543	1,055	9,488	7,360	607	6,753
Unfavourable (favourable) prior-year claims development	(404)	65	(469)	(602)	(174)	(428)
Increase (decrease) due to changes in discount rate	(1,341)	(221)	(1,120)	(168)	(14)	(154)
Total claims incurred	8,798	899	7,899	6,590	419	6,171
Claims paid	(8,903)	(1,047)	(7,856)	(6,018)	(493)	(5,525)
Disposal and other (Note 4)	(134)	(50)	(84)	-	-	-
Exchange rate differences	(365)	(148)	(217)	(10)	(7)	(3)
Balance, end of period	24,512	3,977	20,535	25,006	4,323	20,683

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Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

9.2 Reinsurance

In the ordinary course of business, the Company reinsures certain risks with reinsurers to limit its maximum loss in the event of catastrophic events or other significant losses. The Company has a corporate reinsurance program which covers single risk events and multi-risk events and catastrophes.

The following tables shows the Company's reinsurance retention and coverage limits for multi-risk events and catastrophes.

Table 9.2 – Company's corporate reinsurance program for multi-risk events and catastrophes

As at	September 30, 2022	December 31, 2021 ³
Canadian events (in millions of CAD)		
Retention ¹	200	150
Coverage limits ²	7,200	5,300
US events (in millions of CAD)		
Retention ¹	125	150
Coverage limits ²	1,225	445
UK events (in millions of GBP)		
Retention ¹	75	n/a
Coverage limits ²	1,350	n/a

¹ Excludes reinstatement premium, tax impacts and co-participations between the retention level and coverage limits.

² Represents the ground up limits before co-participations.

³ Excludes RSA's operations which were covered by its own reinsurance program. *Refer to Note 14 – Reinsurance* of the Company's annual Consolidated financial statements for the year ended December 31, 2021 for more details.

Effective January 1, 2022, RSA is covered by the Company's corporate reinsurance programs with certain reinsurance programs being purchased separately by region based on the nature of risk. In addition, the Company increased its retention and coverage limits for Canadian events, reflecting the addition of RSA. The retention and coverage limits for US events have been adjusted to reflect all exposure in the US. For UK events, the Company maintained the same retention and coverage limits for 2022 and introduced a small amount of co-participation in the program. As at September 30, 2022, the Company retains participations on reinsurance layers between the retention and coverage limits averaging 2.8% (9.2% as at December 31, 2021) for Canadian events, 3.0% (4.9% as at December 31, 2021) for US events and 1.3% for UK events.

Table 9.3 – Components of reinsurance assets

As at	September 30, 2022	December 31, 2021
Reinsurers' share of claims liabilities (<i>Table 9.1</i>)	3,977	4,323
Reinsurers' share of unearned premiums	1,314	1,293
	5,291	5,616

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Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

Note 10 – Other assets and other liabilities

10.1 Other assets

Table 10.1 – Components of other assets

As at	September 30, 2022	December 31, 2021
Pension plans in a surplus position	1,169	1,027
Financial assets related to investments	489	500
Reinsurance receivable	428	400
Other investments	352	282
Other receivables and recoverables	268	294
Industry pools receivable	221	219
Prepays	199	161
Accrued investment income	193	174
Premium and sale taxes receivable	68	58
Restricted funds	68	73
Other	167	143
	3,622	3,331

10.2 Other liabilities

Table 10.2 – Components of other liabilities

As at	September 30, 2022	December 31, 2021
Reinsurance payable	1,267	1,378
Deposits received in connection with insurance contracts ¹	872	704
Commissions payable	771	918
Lease liabilities	599	638
Account payables and accrued expenses	464	483
Accrued salaries and related compensation	419	380
Premium and sale taxes payable	410	410
Industry pools payable	223	213
Pension plans in a deficit position and unfunded plans	174	225
Other payable to broker	153	149
Other post-employment benefits and other post-retirement benefits	115	139
Provisions ²	84	112
Deposits received from reinsurers	24	31
Other	686	644
	6,261	6,424

¹ Unrestricted collateral held by the Company primarily in relation with the surety business.

² Provisions were mainly related to the RSA acquisition and include restructuring provisions of \$23 million as at September 30, 2022 (\$34 million as at December 31, 2021) as well as other provisions such as litigations and lease dilapidations and refurbishments.

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(in millions of Canadian dollars, except as otherwise noted)

Note 11 – Assets held for sale

11.1 Codan DK

On June 1, 2021, the Company acquired RSA, and on the same day, sold a portion of the Scandinavian operations to Tryg for £4.2 billion (\$7.2 billion). From that date, the Company and Tryg co-owned the Danish business. On June 11, 2021, the Company announced that together with Tryg it had entered into a definitive agreement to sell Codan DK to Alm. Brand. As a result, the Company's retained interest in the Danish business was classified as an investment in associate held for sale and was measured at its fair value less cost to sell at the date of acquisition.

On May 2, 2022, the sale of Codan DK was completed for a base cash consideration of DKK12.6 billion (\$2.3 billion), subject to post-closing adjustments. The Company received 50% of the total proceeds, which represents approximately \$1.2 billion.

Upon closing of the sale, the Company recognized in Net income a gain on sale of business of \$423 million, including the estimated post-closing adjustments and the impact of the hedges (\$411 million net of tax on hedges). The fair value and cash flow hedges were settled at the same time, *refer to Note 7.2 – Hedges of an investment in associate held for sale for more details*.

The proceeds from this sale were used to reduce debt and for general corporate purposes, *refer to Note 12 – Debt outstanding for more details*.

Note 12 – Debt outstanding

12.1 New financing

Term loan	<ul style="list-style-type: none">On July 29, 2022, the Company entered into a 24-month term loan agreement (the "USD third term loan") for an amount of \$241 million (USD188 million), bearing interest at a rate of SOFR plus 35 bps.The USD third term loan was repaid on September 22, 2022 using the proceeds of the Series 14 USD medium-term note issuance.
Series 14 Unsecured Medium-Term Notes (USD)	<ul style="list-style-type: none">On September 22, 2022, the Company completed an offering of \$674 million (USD500 million) principal amount of Series 14 unsecured medium-term notes in USD (the "USD notes") through a private placement in Canada and the United States. The USD notes bear interest at an annual rate of 5.459% until maturity on September 22, 2032, payable in semi-annual instalments, commencing on March 22, 2023.The net proceeds received were used to reimburse, on September 22, 2022, the USD third term loan of \$254 million (USD188 million), and, on September 29, 2022, the USD first term loan of \$107 million (USD80 million) in advance of its maturity date in November 2022.In addition, the Company anticipates using the remaining net proceeds to fully reimburse the 2012 US senior notes of \$380 million (USD275 million) at maturity, on November 9, 2022.
Bank term loan facility	<ul style="list-style-type: none">On March 28, 2022, the Company entered into a nine-month bank term loan facility agreement of \$350 million at a rate of CDOR plus 25bps which was repaid on May 2, 2022 using part of the proceeds from the sale of Codan DK to Alm. Brand, <i>refer to Note 11 – Assets held for sale for more details</i>.

12.2 Other financing

USD second term loan

On January 31, 2022, the Company repaid \$45 million (USD35 million) of the principal amount ahead of the maturity date. On May 2, 2022, the remaining principal amount of \$570 million (USD443 million) was repaid using part of the proceeds from the sale of Codan DK to Alm. Brand, *refer to Note 11 – Assets held for sale for more details*.

Credit facility

The Company has an unsecured revolving term credit facility of \$1.5 billion. On May 17, 2022, the credit facility was extended by an additional twelve months, it now matures on May 17, 2027. As at September 30, 2022, and as at December 31, 2021, no balance was drawn under this credit facility.

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(in millions of Canadian dollars, except as otherwise noted)

12.3 Summary of debt outstanding

Table 12.1 – Carrying amount of debt outstanding

As at	Maturity date	Initial term (years)	Fixed rate	Coupon (payment)	Principal amount	Carrying amount (net of fees)	
						September 30, 2022	December 31, 2021
Medium-term notes							
Series 2	Nov. 2039	30	6.40%	May & Nov.	250	248	248
Series 3	July 2061	50	6.20%	Jan. & Jul.	100	99	99
Series 5	June 2042	30	5.16%	June & Dec.	250	249	249
Series 6	Mar. 2026	10	3.77%	Mar. & Sept.	250	249	249
Series 7	June 2027	10	2.85%	June & Dec.	425	424	423
Series 8	Mar. 2025	5	3.69%	Mar. & Sept.	300	299	299
Series 9	Dec. 2030	10	1.93%	June & Dec.	300	299	298
Series 10	Dec. 2050	30	2.95%	June & Dec.	300	298	298
Series 11	May 2024	3	1.21%	May & Nov.	375	374	374
Series 12	May 2028	7	2.18%	May & Nov.	375	373	373
Series 13	May 2053	32	3.77%	May & Nov.	250	248	248
Series 14 USD	Sept. 2032	10	5.46%	Mar. & Sept.	USD500	684	-
2012 US senior notes	Nov. 2022	10	4.60%	May & Nov.	USD275	380	352
Term loans							
USD first term loan						-	101
USD second term loan						-	600
Subordinated notes							
Guaranteed subordinated notes in GBP	Oct. 2045	31	5.13%	Oct.	£160	271	307
Subordinated guaranteed US bonds	Oct. 2029	30	8.95%	Apr. & Oct.	USD9	17	16
Commercial paper						30	439
Credit facility	May 2027					-	-
Other Debt	Various					7	9
Total debt outstanding before hybrid subordinated notes						4,549	4,982
Hybrid subordinated notes							
Series 1	Mar. 2081	60	4.13%	Mar. & Sept.	250	247	247
Total debt outstanding						4,796	5,229

The fair value of debt outstanding amounted to \$4,463 million as at September 30, 2022 (\$5,552 million as at December 31, 2021) and was established using valuation data from a benchmark firm.

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Note 13 – Common shares and preferred shares

13.1 New financing

Series 11 Preferred Shares	<ul style="list-style-type: none"> On March 15, 2022, the Company completed a Class A Series 11 offering of preferred shares (the “Series 11 Preferred Shares”) by issuing and selling 6,000,000 Series 11 Preferred Shares, at a price of \$25.00 per share, for aggregate gross proceeds of \$150 million. The holders of the Series 11 Preferred Shares are entitled to receive fixed quarterly non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors of the Company, on the last day of March, June, September, and December in each year at an annual rate equal to \$1.3125 per share. The initial dividend of \$0.3848 per share was paid on June 30, 2022. On or after March 31, 2027, the Company may redeem, in whole or in part, at its option, the Series 11 Preferred Shares, subject to certain conditions. Share issuance costs of \$4 million (\$3 million net of tax), were accounted for as a reduction in preferred shares. The proceeds of this offering were used to partially fund the redemption of the Tier 1 notes, <i>refer to Note 14 – Non-controlling interests for more details.</i>
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13.2 Issued and outstanding

Table 13.1 – Issued and outstanding shares

As at	September 30, 2022		December 31, 2021	
	Number of shares	Amount (in millions)	Number of shares	Amount (in millions)
Common shares	175,264,168	7,541	176,081,958	7,576
Preferred shares - Class A Shares				
Series 1	10,000,000	244	10,000,000	244
Series 3	10,000,000	245	10,000,000	245
Series 5	6,000,000	147	6,000,000	147
Series 6	6,000,000	147	6,000,000	147
Series 7	10,000,000	245	10,000,000	245
Series 9	6,000,000	147	6,000,000	147
Series 11	6,000,000	147	-	-
Total Class A	54,000,000	1,322	48,000,000	1,175

Issued and outstanding Class A shares rank in priority to common shares with regards to payment of dividends.

Table 13.2 – Reconciliation of number of shares outstanding

As at	Common shares (in shares)		Preferred shares Class A shares (in shares)	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Balance, beginning of period	176,081,958	143,018,134	48,000,000	48,000,000
Issued	-	33,063,824	6,000,000	-
Repurchased and cancelled	(817,790)	-	-	-
Balance, end of period	175,264,168	176,081,958	54,000,000	48,000,000

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Notes to the interim Consolidated financial statements (unaudited)

(in millions of Canadian dollars, except as otherwise noted)

13.3 Normal course issuer bid

On February 17, 2022, the Company commenced a NCIB to repurchase, for cancellation, up to 5,282,458 common shares during the next twelve months, representing approximately 3% of its issued and outstanding common shares. The actual number of common shares purchased for cancellation and the timing of any such purchases is determined by the Company.

The Company has entered into an automatic share purchase plan ("ASPP") with a designated broker to repurchase its common shares during the NCIB. The ASPP allows for purchases of shares during pre-determined black-out periods, subject to certain parameters. Outside of these black-out periods, shares will be purchased in accordance with management's discretion. The price for any shares will be the market price at the time of acquisition or such other price as may be permitted by the TSX.

The following table presents the summary of the common shares repurchased for cancellation under the NCIB.

Table 13.3 – NCIB

For the periods ended September 30, 2022	Three months	Nine months
Common shares repurchased for cancellation (in shares)	261,350	817,790
Average price (in dollars)	187.49	181.92
Total consideration paid	49	149

The cost paid, including fees, was first charged to Share capital to the extent of the average carrying amount of the common shares purchased for cancellation and the excess of \$114 million was charged to Retained earnings as at September 30, 2022.

Note 14 – Non-controlling interests

Table 14.1 – Carrying amount of non-controlling interests

As at	September 30, 2022	December 31, 2021
RSA Middle East ¹	-	314
Tier 1 notes ²	-	510
Preferred shares ²	285	285
	285	1,109

¹ Related to the Company's prior ownership of 50% of RSA Middle East, which itself owned 50% of the ordinary share capital of Al Alamiya for Cooperative Insurance Company, a company operating in the Kingdom of Saudi Arabia and 52.5% of Al Ahlia Insurance Company SAOG, a company operating in the Sultanate of Oman.

² Related to the Tier 1 notes and Preferred shares issued by RSA, a subsidiary of the Company, as a result presented as NCI.

RSA Middle East

On July 7, 2022, the Company completed the sale of its 50% shareholding in RSA Middle East to NLGIC. *Refer to Note 4 – Business combinations and disposals for more details.*

Tier 1 notes issued by RSA

On March 7, 2022, the Company provided notice of redemption of the restricted Tier 1 notes (the "notes") issued by RSA. The notes, for which the carrying amount was \$510 million, were redeemed at their principal amount of approximately \$450 million together with accrued and unpaid interest on the first call date on March 27, 2022. A gain of \$60 million on the redemption of the notes was recognized in Retained earnings.

The Company also settled foreign currency forward contracts used to economically hedge this transaction and recognized a loss of nil and \$18 million during the three and nine-month period ended September 30, 2022, respectively, in Net gains (losses).

The redemption of the notes was financed by the issuance of a bank term loan facility and preferred shares, *refer to Note 12 – Debt outstanding and Note 13 – Common shares and preferred shares for more details.*

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Note 15 – Capital management

15.1 Capital management objectives

As at September 30, 2022 and December 31, 2021, all the Company's regulated P&C insurance subsidiaries were well capitalized on an individual basis. *Refer to Note 23 – Capital management* of the annual Consolidated financial statements for the year ended December 31, 2021 for more details on the management of the Company's capital.

Note 16 – Net investment income

Table 16.1 – Net investment income

For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Interest income from:				
Debt securities				
Designated or classified as FVTPL	58	45	157	133
Classified as AFS	85	66	230	145
Loans and cash and cash equivalents	16	12	41	22
Interest income	159	123	428	300
Dividend income (expense) from:				
Common shares, net				
Designated or classified as FVTPL	20	20	62	57
Classified as AFS	33	30	106	78
Preferred shares classified as AFS	22	23	62	65
Investments, at cost	-	-	1	1
Dividend income	75	73	231	201
Investment property rental income	6	6	18	8
Total investment income	240	202	677	509
Expenses	(8)	(11)	(25)	(23)
	232	191	652	486

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Note 17 – Net gains (losses)

Table 17.1 – Net gains (losses)

Portfolios	2022			2021		
	Fixed income	Equity and property	Total	Fixed income	Equity	Total
Net gains (losses) from:						
Financial instruments:						
Designated as FVTPL	(227)	(83)	(310)	(43)	13	(30)
Classified as FVTPL	-	-	-	-	1	1
Classified as AFS	(11)	(13)	(24)	2	(39)	(37)
	(238)	(96)	(334)	(41)	(25)	(66)
Derivatives ¹ :						
Swap agreements	-	89	89	-	(17)	(17)
Forwards and futures	-	(16)	(16)	2	(4)	(2)
	-	73	73	2	(21)	(19)
Embedded derivatives	-	31	31	-	(22)	(22)
Investment property	-	(21)	(21)	-	34	34
Net foreign currency gains (losses)	98	-	98	23	-	23
Impairment losses from common shares	-	(34)	(34)	-	(79)	(79)
	(140)	(47)	(187)	(16)	(113)	(129)
Other net foreign currency gains (losses)			(71)			(15)
Other gains (losses) ⁴			29			56
			(229)			(88)

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Portfolios	2022			2021		
	Fixed income	Equity and property	Total	Fixed income	Equity	Total
Net gains (losses) from:						
Financial instruments:						
Designated as FVTPL	(916)	(82)	(998)	(199)	390	191
Classified as FVTPL	-	(2)	(2)	-	6	6
Classified as AFS	(31)	409	378	(12)	185	173
	(947)	325	(622)	(211)	581	370
Derivatives ¹ :						
Swap agreements	-	87	87	-	(412)	(412)
Forwards and futures	19	(26)	(7)	-	(92)	(92)
	19	61	80	-	(504)	(504)
Embedded derivatives	-	54	54	-	(90)	(90)
Investment property	-	39	39	-	38	38
Net foreign currency gains (losses)	308	-	308	39	-	39
Impairment losses from common shares	-	(46)	(46)	-	(81)	(81)
	(620)	433	(187)	(172)	(56)	(228)
Currency derivative hedges related to the RSA acquisition:						
Purchase price ²			-			(71)
Book value			-			36
Gain related to an investment in associate ³			-			273
Other net foreign currency gains (losses)			(233)			(29)
Other gains (losses) ⁴			18			74
			(402)			55

¹ Excluding foreign currency contracts, which are recognized in Net foreign currency gains (losses) on investments.

² The Company hedged the purchase price and book value exposure associated with the RSA acquisition.

³ Mainly related to the disposal of a venture investment in associate in exchange for its publicly issued common shares during the three-month period ended March 31, 2021.

⁴ Includes the net gains (losses) resulting from the sale of RSA Middle East, refer to Note 4 – Business combinations and disposals for more details.

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Note 18 – Income taxes

18.1 Income tax expense recognized in net income

Table 18.1 – Components of income tax expense recognized in net income

For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Current income tax expense (benefit)	123	108	434	336
Deferred income tax expense (benefit)	(37)	(17)	32	(26)
	86	91	466	310

18.2 Effective income tax rate

The effective income tax rates are different from the combined Canadian federal and provincial statutory income tax rates. The interim Consolidated statements of income contain items that are non-taxable or non-deductible for income tax purposes, which cause the income tax expense to differ from what it would have been if based on statutory tax rates.

The following table presents the reconciliation of the effective income tax rate to the income tax expense calculated at statutory rates.

Table 18.2 – Effective income tax rate reconciliation

For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Statutory tax rates	25.9%	25.9%	25.9%	25.9%
Increase (decrease) in income tax rates resulting from:				
Non-taxable gain on bargain purchase	-	(0.3)%	-	(3.1)%
Non-deductible losses (non-taxable gains)	(1.5)%	3.3%	(4.4)%	(1.2)%
Non-taxable investment income	(2.0)%	(3.3)%	(1.0)%	(2.3)%
Non-deductible losses (non-taxable income) from subsidiaries and associates	(1.3)%	(1.5)%	(0.9)%	(1.1)%
Change in unrecognized deferred income taxes	(1.8)%	1.2%	0.5%	(0.4)%
Difference in tax rates of subsidiaries, foreign entities and associates	(0.1)%	(3.1)%	(1.0)%	(0.9)%
Non-deductible expenses	0.3%	(0.5)%	0.2%	0.9%
Other	(0.6)%	1.6%	(0.4)%	0.5%
Effective income tax rate	18.9%	23.3%	18.9%	18.3%

18.3 Dividend received deduction

During fiscal years 2022, 2021 and 2020, the Company was reassessed by the Canada Revenue Agency, Revenu Québec and the Alberta Tax and Revenue Administration for additional income tax and interest with respect to the 2013-2016 taxation years. The total amount of additional income taxes and interest owed (including provincial tax and interest) is approximately \$43 million for the 2013-2016 taxation years combined.

All reassessments received to date have been paid in full and accordingly, no additional interest should be owing in the event of an unfavourable outcome.

These tax authorities are denying certain dividend deductions on the basis that they were part of a “dividend rental arrangement”. The Company is confident that its tax filing position was appropriate and intends to defend itself vigorously. As a result, no amounts have been accrued in the Consolidated financial statements.

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Note 19 – Earnings per share

EPS was calculated by dividing the Net income attributable to common shareholders of the Company by the weighted-average number of common shares outstanding during the period. There was no dilution effect during the three and nine-month periods ended September 30, 2022 and 2021, therefore, diluted EPS was the same as basic EPS.

Table 19.1 – Earnings per share

For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Net income attributable to shareholders	370	295	2,012	1,375
Less: dividends declared on preferred shares, net of tax	(15)	(14)	(44)	(40)
Net income attributable to common shareholders	355	281	1,968	1,335
Weighted-average number of common shares outstanding (in millions)	175.4	176.1	175.7	157.8
EPS – basic and diluted (in dollars)	2.02	1.60	11.20	8.46

Note 20 – Share-based payments

The following tables present information on key share-based payment plans.

20.1 Long-term incentive plan

Table 20.1 – Movements in LTIP share units

For the periods ended September 30,	Three months		Nine months	
	2022 (in units)	2021 (in units)	2022 (in units)	2021 (in units)
Outstanding, beginning of period	1,437,796	1,319,322	1,509,976	1,420,075
Awarded (forfeited)	2,589	126,510	443,811	483,406
Net change in estimate of units outstanding	168,366	87,452	234,485	123,810
Units settled	(18,332)	-	(597,853)	(494,007)
Outstanding, end of period	1,590,419	1,533,284	1,590,419	1,533,284

The LTIP expense was \$44 million and \$89 million for the three and nine-month periods ended September 30, 2022, respectively (\$25 million and \$60 million for the three and nine-month periods ended September 30, 2021, respectively).

20.2 Employee share purchase plan

Table 20.2 – Movements in restricted common shares

For the periods ended September 30,	Three months		Nine months	
	2022 (in units)	2021 (in units)	2022 (in units)	2021 (in units)
Outstanding, beginning of period	116,312	121,641	113,728	123,114
Accrued	29,540	29,022	87,672	87,027
Awarded and vested	(29,857)	(32,976)	(83,130)	(90,870)
Forfeited	(829)	(776)	(3,104)	(2,360)
Outstanding, end of period	115,166	116,911	115,166	116,911

The ESPP expense was \$4 million and \$15 million for the three and nine-month periods ended September 30, 2022, respectively (\$4 million and \$13 million for the three and nine-month periods ended September 30, 2021, respectively).

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Notes to the interim Consolidated financial statements (unaudited)

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20.3 Common shares repurchased for share-based payments

The settlement in shares with regards to the Company's LTIP and ESPP plans is presented below.

Table 20.3 – Settlement in shares (LTIP and ESPP plans)

For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Value of common shares repurchased for share-based payments	9	6	107	59
Cumulative cost of the units	7	3	63	37
Excess of market price over the cumulative cost	2	3	44	22
Amount recognized in Retained earnings, net of taxes	2	2	31	16

The cumulative cost of the units that vested during the period and were settled through the plan administrator purchasing common shares on the market and remitting them to the participants was removed from Contributed surplus.

The difference between the market price of the shares and the cumulative cost for the Company of these vested units, net of income taxes, was recognized in Retained earnings.

Note 21 – Employee future benefits

21.1 Employee future benefit expense recognized in net income

Table 21.1 – Employee future benefit expense recognized in net income

For the periods ended September 30,	Pension plans			
	Three months		Nine months	
	2022	2021	2022	2021
Current service cost	21	24	65	67
Net interest expense				
Interest expense on defined benefit obligation	89	98	273	153
Interest income on plan assets	(93)	(102)	(289)	(154)
Other	6	4	14	9
	23	24	63	75

21.2 Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement, recognized in OCI

Table 21.2 – Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement, recognized in OCI

For the periods ended September 30,	Pension plans			
	Three months		Nine months	
	2022	2021	2022	2021
Re-measurements related to:				
Change in discount rate used to determine the benefit obligation	1,775	465	6,555	591
Actual return on plan assets	(1,509)	4	(5,996)	66
Plan experience and change in other financial assumptions ¹	(361)	(443)	(293)	(315)
Other net surplus remeasurements	23	16	(99)	(38)
	(72)	42	167	304

¹ Changes in other financial assumptions are mainly related to inflation rate.

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21.3 Assumptions used

The following table presents changes of certain key assumptions as disclosed in *Note 30.6 – Significant accounting judgments, estimates and assumptions* of the Company's annual Consolidated financial statements for the year ended December 31, 2021.

Table 21.3 – Key weighted-average assumptions used in measuring the Company's pension plans

As at	Pension plans			
	September 30, 2022		December 31, 2021	
	UK	Canada	UK	Canada
To determine the defined benefit obligation:				
Discount rate	5.39%	5.12%	1.84%	3.25%
Rate of inflation (CPI)	2.98%	1.88%	2.71%	2.07%
Rate of inflation (RPI)	3.65%	n/a	3.35%	n/a

21.4 UK DB pension plans update

Each plan is subject to triennial valuations, which are used to determine the future funding. The effective date of the most recent valuations of the main UK plans was March 31, 2021. These valuations were completed in March 2022.

At the most recent funding valuation dated as at March 31, 2021, the main UK plans had an aggregate funding deficit of £138 million (\$227 million), equivalent to a funding level of 98%. RSA and the Trustees have agreed funding plans to eliminate the funding deficits by 2025, in addition, the funding commitments agreed in 2020 were reaffirmed. The next funding valuation is expected to have an effective date of March 31, 2024.

Refer to *Note 30 – Employee future benefits* of the Company's annual Consolidated financial statements for the year ended December 31, 2021 for more details on the UK DB pension plans.

21.5 Canadian DB pension plans update

Subsequent to the quarter, on October 5, 2022, the Company purchased qualifying annuity buy-in insurance contracts in the amount of \$422 million on behalf of certain Canadian DB pension plans, as part of its de-risking strategy. The expected actuarial loss of \$35 million as a result of this transaction will be recognized in OCI during the fourth quarter. The fair value of annuity buy-in insurance contracts will fluctuate based on changes in the associated DB obligation.

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Note 22 – Segment information

22.1 Reportable segments

The Company has three reportable segments, in line with its management structure and internal financial reporting which is based on country and the nature of its activities as described below.

Canada

- Underwriting of automobile, home and business insurance contracts to individuals and businesses in Canada distributed through a wide network of brokers and directly to consumers, including the results of RSA's Canadian operations since July 1, 2021. The underwriting results of Canadian Northern Shield Insurance Company and British Columbia auto lines were excluded from operating performance.
- Distribution income includes the operating results from the Company's wholly owned subsidiaries, BrokerLink Inc. and broker affiliates, including the results of RSA's Canadian operations since July 1, 2021, as well as supply chain operations from On Side Developments LTD.

UK & International

- Underwriting of automobile, home, pet and business insurance contracts to individuals and businesses in the UK, Europe, Ireland and the Middle East as well as internationally through the Company's global network since July 1, 2021. The Company distributes insurance through a wide network of affinity partners and brokers or directly to consumers. Effective January 1, 2022 and until its disposal on July 7, 2022, the underwriting results of the Middle East were excluded from operating performance.

US

- Underwriting of specialty contracts mainly to small to medium-sized businesses in the United States. The Company distributes insurance through independent agencies, brokers, wholesalers and managing general agencies. Effective January 1, 2022, the underwriting results from Intact Public Entities were excluded from operating performance.
- Distribution income includes the operating results from the Company's wholly owned subsidiary, Highland Insurance Solutions since its acquisition on August 1, 2022 (*Refer to Note 4 – Business combinations and disposals*).

Corporate and Other ("Corporate" or "Corp.") consists of investment management, treasury and capital management activities, corporate reinsurance, including certain internal and external agreements as well as other corporate activities. Effective January 1, 2022, and until its disposal on July 7, 2022, the investment results of the Middle East were excluded from Corporate.

22.2 Segment operating performance

All segment operating revenues presented in *Table 22.1 – Segment operating performance* are generated from external customers.

Management measures the profitability of the Company's segments based on PTOI which excludes elements that are not representative of the Company's operating performance because they include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or because they are not part of the Company's normal activities. In addition, the Company presents:

- Other underwriting revenues against Operating net claims and Operating net underwriting expenses, as a result, they are not included in segment operating revenues;
- Share of profit from investments in associates & JV before interest and taxes from affiliated brokers ("broker associates");
- Finance costs including finance costs from broker associates resulting in total finance costs.

The reconciliation of the segment information to the amounts recognized in the interim Consolidated statements of income is presented in *Table 22.2 – Reconciliation of segment information to amounts recognized in the interim Consolidated statements of income*.

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 Table 22.1 – Segment operating performance¹

For the three-month periods ended Sept. 30,	2022					2021				
	CAN	UK&I	US	Corp	Total	CAN	UK&I	US	Corp	Total
Operating income										
Operating NEP	3,401	1,000	475	4	4,880	3,280	1,174	415	2	4,871
Operating investment income	-	-	-	240	240	-	-	-	202	202
Other	103	-	17	4	124	110	-	-	6	116
Segment operating revenues	3,504	1,000	492	248	5,244	3,390	1,174	415	210	5,189
Operating net claims	(2,120)	(604)	(244)	-	(2,968)	(1,875)	(699)	(228)	(31)	(2,833)
Operating net underwriting expenses	(1,032)	(332)	(186)	-	(1,550)	(1,049)	(403)	(157)	(3)	(1,612)
Operating investment expenses	-	-	-	(8)	(8)	-	-	-	(11)	(11)
Share of profit from invest. in associates & JV	37	-	-	-	37	36	-	-	-	36
Total finance costs	(3)	-	-	(43)	(46)	(2)	-	-	(45)	(47)
Other	(34)	-	(12)	(49)	(95)	(41)	-	-	(17)	(58)
PTOI	352	64	50	148	614	459	72	30	103	664
Operating income tax expense					(126)					(140)
Net income (loss) attributable to NCI					-					(5)
Preferred share dividends					(15)					(14)
NOI attributable to common shareholders					473					505
PTOI is comprised of:										
Underwriting income	249	64	45	4	362	356	72	30	(32)	426
Operating net investment income	-	-	-	232	232	-	-	-	191	191
Distribution income	106	-	5	-	111	105	-	-	-	105
Total finance costs	(3)	-	-	(43)	(46)	(2)	-	-	(45)	(47)
Other operating income (expense)	-	-	-	(45)	(45)	-	-	-	(11)	(11)

For the nine-month periods ended Sept. 30,	2022					2021				
	CAN	UK&I	US	Corp	Total	CAN	UK&I	US	Corp	Total
Operating income										
Operating NEP	9,966	3,079	1,320	15	14,380	8,154	1,174	1,167	617	11,112
Operating investment income	-	-	-	673	673	-	-	-	509	509
Other	371	-	17	8	396	291	-	-	22	313
Segment operating revenues	10,337	3,079	1,337	696	15,449	8,445	1,174	1,167	1,148	11,934
Operating net claims	(6,103)	(1,905)	(658)	1	(8,665)	(4,485)	(699)	(625)	(391)	(6,200)
Operating net underwriting expenses	(2,981)	(1,009)	(524)	(2)	(4,516)	(2,657)	(403)	(461)	(204)	(3,725)
Operating investment expenses	-	-	-	(25)	(25)	-	-	-	(23)	(23)
Share of profit from invest. in associates & JV	134	-	-	-	134	119	-	-	-	119
Total finance costs	(7)	-	-	(127)	(134)	(8)	-	-	(111)	(119)
Other	(166)	-	(12)	(115)	(293)	(125)	-	-	(51)	(176)
PTOI	1,214	165	143	428	1,950	1,289	72	81	368	1,810
Operating income tax expense					(392)					(407)
Net income (loss) attributable to NCI					11					(12)
Non-operating component of NCI					(24)					-
Preferred share dividends					(44)					(40)
NOI attributable to common shareholders					1,501					1,351
PTOI is comprised of:										
Underwriting income	882	165	138	14	1,199	1,012	72	81	22	1,187
Operating net investment income	-	-	-	648	648	-	-	-	486	486
Distribution income	339	-	5	-	344	285	-	-	-	285
Total finance costs	(7)	-	-	(127)	(134)	(8)	-	-	(111)	(119)
Other operating income (expense)	-	-	-	(107)	(107)	-	-	-	(29)	(29)

¹ See Section 23 – Non-GAAP and other financial measures of the Company's interim MD&A for the definition and reconciliation of related operating measures.

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Table 22.2 – Reconciliation of segment information to amounts recognized in the interim Consolidated statements of income

For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Segment operating revenues (Table 22.1)	5,244	5,189	15,449	11,934
Add: other underwriting revenues	78	77	229	157
Add: NEP from exited lines	65	79	358	123
Add: non-operating investment income from exited lines	-	-	4	-
Revenues, as reported	5,387	5,345	16,040	12,214
Segment PTOI (Table 22.1)	614	664	1,950	1,810
Non-operating items¹:				
Net gains (losses)	(229)	(88)	(402)	55
Gain on bargain purchase	-	4	-	204
Gain on sale of business (Note 11)	-	-	423	-
Positive (negative) impact of MYA on underwriting	291	37	1,120	154
Amortization of intangible assets recognized in business combinations	(63)	(66)	(188)	(136)
Acquisition, integration and restructuring costs	(102)	(115)	(269)	(296)
Non-operating pension expense	(15)	(16)	(42)	(48)
Income (loss) from exited lines	(35)	(21)	(95)	(18)
Other	3	-	-	(2)
Pre-tax income, as reported in the interim MD&A	464	399	2,497	1,723
Less: share of income tax expense from broker associates	(8)	(8)	(30)	(26)
Income before income taxes, as reported	456	391	2,467	1,697

¹ See Section 10 – Non-operating results of the Company's interim MD&A for the definition of related non-operating measures.

22.3 Selected segment assets and liabilities

Table 22.3 – Selected segment assets and liabilities

As at	September 30, 2022					December 31, 2021				
	CAN	UK&I	US	Corp	Total	CAN	UK&I	US	Corp	Total
Investments (Note 5)	-	-	-	35,029	35,029	-	-	-	36,680	36,680
Net claims liabilities (Table 9.1)	13,847	4,771	1,857	60	20,535	13,663	5,234	1,669	227	20,793

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Note 23 – Additional information on the interim Consolidated statements of cash flows

Table 23.1 – Cash flows from operating activities

For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Adjustments for non-cash items				
Net losses (gains) (<i>Note 17</i>)	229	88	402	(55)
Gain on bargain purchase (<i>Note 4</i>)	-	(4)	-	(204)
Gain on sale of businesses (<i>Notes 4 & 11</i>)	-	-	(423)	-
Depreciation of property and equipment ¹	43	39	129	105
Amortization of intangible assets	97	101	291	216
Net premiums on debt securities classified as AFS	30	46	109	81
DB pension expense	23	24	63	75
Share-based payments expense	49	30	107	74
Share of profit from investments in associates and joint ventures	(23)	(22)	(85)	(71)
Other	19	7	99	(22)
	467	309	692	199
Changes in operating assets and liabilities				
Contributions to the defined benefit pension plans	(24)	(18)	(204)	(179)
Share-based payments	-	-	(15)	(17)
Changes in net claims liabilities	186	485	43	646
Unearned premiums, net	343	330	491	610
Premiums receivable, net	(35)	(140)	(238)	(145)
Deferred acquisition costs, net	(34)	2	(107)	(49)
Other operating assets	(114)	57	(108)	168
Other operating liabilities	209	37	60	(126)
Dividends received from investments in associates and joint ventures	21	7	36	21
	552	760	(42)	929

¹ Includes depreciation of right-of-use assets of leases.

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Note 24 – Standards issued but not yet effective

There have been no significant updates to *Note 36 – Standards issued but not yet effective* of the Company's annual Consolidated financial statements for the year ended December 31, 2021, except as described below.

24.1 Insurance contracts and financial instruments

Glossary of new abbreviations

CSM	Contractual service margin	LIC	Liabilities for incurred claims
ECL	Expected credit loss	LRC	Liability for remaining coverage
FVTOCI	Fair value through other comprehensive income	PAA	Premium allocation approach
GMM	General measurement model	SPPI	Solely payments of principal and interest

The Company will adopt IFRS 17 – *Insurance Contracts* (“IFRS 17”) in conjunction with IFRS 9 – *Financial instruments* (“IFRS 9”) on the required effective date of January 1, 2023, which replace IFRS 4 – *Insurance Contracts* (“IFRS 4”) and IAS 39 – *Financial instruments: recognition and measurement* (“IAS 39”), respectively. While IFRS 9 was effective for annual periods beginning on or after January 1, 2018, IFRS 4 allows a temporary exemption to delay the implementation of IFRS 9 until IFRS 17 is applied.

IFRS 17 will be applied retrospectively as at January 1, 2022 to each group of insurance contracts, as a result comparative information will be restated. If full retrospective application is impracticable, the modified retrospective approach or the fair value approach could be applied. The Company will apply the modified retrospective approach for past business combinations, except for the most recent acquisition of RSA. The Company will recognize any IFRS 9 measurement differences by adjusting its Consolidated balance sheet on January 1, 2023, as a result comparative information will not be restated.

Implementation update

The Company has finalized the determination of its accounting policies and continues its efforts towards documenting detailed requirements and designing new business processes and controls. The Company has finalized the development, testing, and implementation of the new technology solutions that will enable it to meet the requirements of the standards. In addition, the Company is finalizing its IFRS 17 opening balance sheet as at January 1, 2022, and is progressing with the restatement of its 2022 quarterly financial statements. The Company will continue its change management processes with a priority being placed on trainings to various stakeholders throughout the organization.

In July 2022, the Office of the Superintendent of Financial Institutions issued the final Minimum capital test guidelines relating to IFRS 17. The Company is currently assessing the impact on its regulatory capital, but it does not expect a change in its overall capital framework, and how it manages its capital. In other jurisdictions where the Company is regulated, the regulatory capital calculations are independent of IFRS 17.

Financial impact

The Company is currently evaluating the impact that IFRS 17, in conjunction with IFRS 9, will have on its Consolidated financial statements. The estimated impact on transition in proportion to Shareholders' equity is not expected to be major as the Company's business is mostly short tail and the current accounting practices of claims liabilities are fairly aligned with IFRS 17. The Company estimates that its Shareholders' equity will be positively impacted up to 3.5% on transition to IFRS 17 mainly due to the deferral of additional indirect costs which were previously expensed as incurred. This preliminary estimate is subject to change and will be finalized in the fourth quarter of 2022.

IFRS 9 will result in reclassification differences as certain equity instruments that are currently classified as AFS will be classified as FVTPL which will result in a reclassification of the unrealized gains or losses in AOCI to Retained earnings as at January 1, 2023 and in increased volatility in Net income subsequently. Based on a preliminary assessment, the ECL model is not expected to have a significant impact, driven by the high quality of the Company's investment portfolio. As a result, the Company does not anticipate a significant impact on its Shareholders' equity on transition to IFRS 9.

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a) Insurance contracts

The following summarizes the Company's main accounting policies under IFRS 17 compared to IFRS 4:

Scope and separating components

Similar to IFRS 4, under IFRS 17 the Company will evaluate if contracts are in scope of the insurance contract standard and will separate its components if necessary.

Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event.

The Company issues insurance contracts in the normal course of business (direct business). The Company also holds reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from one or more insurance contracts issued by the Company. The Company does not underwrite treaty reinsurance and does not issue any investment contracts, including contracts with direct participating features.

As a result, the Company will continue to assess its insurance and reinsurance contracts to determine whether they contain components which must be accounted for under an IFRS other than the insurance contract standard. The Company's insurance policies do not include any components that require separation.

Level of aggregation of insurance contracts

IFRS 17 introduces a new concept of aggregating insurance and reinsurance contracts into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks which are managed together. The Company divides its direct and ceded business into portfolios. Management uses judgement in considering the main geographic areas, lines of businesses, distribution channels and legal entities in which it operates as the relevant drivers for establishing its various portfolios. Portfolios are then divided into groups of contracts based on expected profitability. Groups do not contain contracts issued more than one year apart since they are further subdivided into annual cohorts. This is the level at which the Company will apply the requirements of IFRS 17.

Portfolios of insurance contracts issued that are assets and those that are liabilities and portfolios of reinsurance contracts held that are assets and those that are liabilities will be presented separately in the Consolidated balance sheets, resulting in presentation changes when compared to IFRS 4 as described below in the Presentation and disclosures section.

Measurement models

IFRS 17 introduces a new concept of GMM for the recognition and measurement of insurance contracts. Entities also have the option to use a simplified measurement model (the PAA), for contracts that have a coverage period of one year or less or if the resulting LRC, which represents insurance coverage to be provided after the reporting period, is not expected to materially differ from the LRC measured using the GMM. The accounting under the PAA is similar to current approach under IFRS 4.

The Company does not have any significant contracts with coverage periods that are greater than one year and has developed a methodology for determining whether those contracts are eligible to apply the PAA. Based on its models the PAA will be applicable to all the insurance and reinsurance contracts except in limited circumstances where the GMM is required as described below.

The GMM is required for a limited number of contracts including acquired claims from the RSA acquisition as described below and retroactive reinsurance contracts the Company holds to cover adverse development of existing claims. The GMM requires measuring insurance and reinsurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance and reinsurance contracts. Under this model the LRC is the sum of discounted future cash flows, risk adjustment and CSM representing the unearned profit the Company will recognize as it provides service under the insurance contracts in the group. The Company is still evaluating the impact of the GMM on transition to IFRS 17.

Onerous contracts

IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. Under the PAA, the Company assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Company has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information on planning information, forecast information and historic experience. Models for measuring potential onerous contract losses have been developed by the Company and are within final stages of testing.

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For onerous contracts, a loss component determined based on estimated fulfilment cash flows is included in the LRC when insurance contracts are issued with a loss recognized immediately in Net income, resulting in early recognition compared to IFRS 4. The loss component will be reversed to Net income over the coverage period, therefore offsetting incurred claims. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Based on a preliminary assessment, onerous contracts are not expected to have a significant impact on transition to IFRS 17 and the Company anticipates they will have a limited impact on an ongoing basis given its group of contracts are generally expected to be profitable.

Discount rate

IFRS 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risk that reflects the characteristics of the liabilities and the duration of each portfolio. The Company will establish discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. The LIC and the LRC of contracts measured under the GMM approach will be discounted using this methodology. The Company has elected to not discount the LRC of contracts measured under the PAA approach.

Under IFRS 4, claims liabilities are discounted using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date.

Based on a preliminary assessment, the changes in discount methodology are not expected to have a significant impact on transition to IFRS 17 and on an ongoing basis.

There is an accounting policy choice under IFRS 17 to record the MYA on LIC in either Net income or OCI. The Company will elect to record the MYA in Net income, in line with how it is currently presented. The change in the LIC from the MYA and the impact of discount unwinding will be recognized in insurance finance income and expenses outside of underwriting performance, whereas under IFRS 4 it is recognized in Net claims incurred.

Risk adjustment

The measurement of insurance contract liabilities includes a risk adjustment which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflects the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Like the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned.

Contracts acquired in a business combination in the scope of IFRS 3 – *Business combinations*

IFRS 17 introduces a new complexity for acquired contracts, to the extent that it is practicable for past acquisitions, insurance and reinsurance contracts acquired in business combinations in the scope of IFRS 3 are treated as if they had been issued by the Company at the date of their acquisition. Consequently, the acquired LIC is reclassified as a LRC in the acquirer's Consolidated balance sheets.

At their acquisition date, the Company will identify groups of contracts acquired based on the level of aggregation requirements of IFRS 17 and determine the CSM using the consideration received for the contracts as a proxy for the premiums received and exclude any consideration for other assets and liabilities acquired in the same transaction. If the acquired contracts are onerous, the difference between the consideration received and fulfilment cash flows will be recognised as part of the goodwill or gain on bargain purchase.

After the acquisition date, under the GMM the LRC including any CSM will be released into insurance revenue over the service coverage which is the expected claims settlement pattern. As a result, there will be a gross presentation in Net income of insurance service revenue representing the LRC recognized over the claims settlement pattern and expenses representing the settlement of claims. In addition, favourable development of the acquired claims' fulfilment cash flows will be recognized within the CSM, to the extent there was no prior loss component, and the updated CSM will be released into revenue over the expected claims settlements.

The Company used judgment in determining the retrospective transition approach is practicable for the acquisition of RSA but not for any of its prior acquisitions. The Company will elect to use the modified retrospective approach for acquisitions prior to RSA, as a result, the acquired LIC for these acquisitions will not be reclassified as a LRC in the Company's Consolidated balance sheets.

Insurance revenue

Under IFRS 17, direct premiums written will no longer be presented in the Consolidated statements of income, instead insurance revenues on direct business will be allocated to the period and will include:

- Premium receipts net of cancellations, promotional returns, and sales taxes, similar to IFRS 4; and
- Other insurance revenue currently recognized in Other underwriting revenues under IFRS 4. This includes fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans and fees received for the administration of other policies.

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For contracts measured under the PAA, the allocation will be based on the passage of time which is usually 12 months, similar to IFRS 4.

For contracts measured under the GMM, the allocation will be based on the service coverage provided which is the expected claims settlement pattern for acquired claims.

Insurance service expenses

Insurance service expenses will include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of fixed and variable overhead costs. It will be composed of the following:

- Incurred claims and other insurance service expenses, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts;
- Amortization of insurance acquisition cash flows (see below); and
- Losses and reversal of losses on onerous contracts (see above).

IFRS 17 will result in presentation changes to IFRS 4's Underwriting expenses since expenses will be classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expenses or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses currently classified as Underwriting expenses under IFRS 4 will be presented as other expenses under IFRS 17.

Insurance acquisition cash flows

Insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts and are presented in the LRC. These cash flows include direct costs such as commissions and premium taxes and indirect costs such as salaries, rent and technology costs. Under IFRS 17, the PAA provides the option to expense insurance acquisition cash flows as they are incurred. The Company will elect to amortize these costs on a straight-line basis over the coverage period of the related groups.

Insurance acquisition cash flows are similar to IFRS 4's deferred acquisition costs except they also include a portion of indirect costs, as a result, the Company will capitalize additional costs under IFRS 17. Based on a preliminary assessment, the Company expects the impact on transition will not be significant in proportion to Shareholders' equity and will have limited impact on an ongoing basis.

Presentation and disclosures

IFRS 17 introduces significant changes to the disclosure and presentation of insurance items in the financial statements including:

- Changes in presentation in the Consolidated balance sheets where the premiums receivable, deferred acquisition costs, claims liabilities, unearned premiums and other related assets and liabilities will be presented together by portfolio on a single line called insurance contract liabilities or assets. Reinsurance assets, reinsurance receivables, deferred acquisition costs ceded, and other related assets and liabilities will be presented together by portfolio on a single line called reinsurance contract assets or liabilities;
- Changes in presentation in the Consolidated statements of income where direct results will be presented separately from reinsurance results;
- Underwriting performance will be presented in the Consolidated statements of income under insurance service result which will be composed of:
 - Insurance revenue which includes revenues related to direct business as described above;
 - Insurance service expenses which include expenses related to direct business as described above; and
 - net income (expenses) from reinsurance contracts held which includes revenues and expenses related to ceded business.
- Insurance service results will be presented without the impact of discount unwinding and MYA which will be shown separately under insurance finance income and expenses; and
- Extensive disclosures are required on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

b) Financial instruments

The following summarizes the Company's main accounting policies under IFRS 9 compared to IAS 39:

Classification and measurement

Business model

Under IFRS 9, the classification of debt instruments is dependent on the business model under which the Company manages its investments as well as their cash flow characteristics.

The Company's primary business model will be held-to-collect and sell because debt securities (except non-rated investments that are not liquid) are held to collect contractual cash flows and sold when required to fund insurance contract liabilities. These financial

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assets will be classified as FVTOCI with changes in fair value recognized in OCI (when unrealized) or in Net gains (losses) when realized or impaired.

A portion of the debt securities used to back insurance liabilities will also be voluntarily designated as FVTPL to reduce an accounting mismatch caused by fluctuations in fair values of the underlying insurance liabilities due to changes in discount rates. Changes in fair value will be recognized in Net gains (losses). This designation will be done on an individual basis on January 1, 2023 and will be irrevocable.

The Company's cash and cash equivalents, non-rated private investments and loans and receivables will fall under the held-to-collect business model where the emphasis is to collect contractual cash flows. These financial assets will be classified as amortized cost.

Common shares and a small portion of the preferred shares will be classified at FVTPL. For the majority of preferred shares, the Company will elect at initial recognition to present fair value changes directly and permanently in OCI.

Solely payments of principal and interest assessment

Financial assets which are held within held-to-collect and sell and held to collect business models are assessed to evaluate if their contractual cash flows are comprised of SPPI. Contractual cash flows generally meet SPPI criteria if such cash flows reflect compensation for basic credit risk and customary returns from a debt instrument which also includes time value for money. Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset will be classified and measured at FVTPL.

Impairment model - Expected credit loss

The new impairment model applies only to financial assets classified as amortized cost and debt securities classified as FVTOCI. The ECL model is forward looking, resulting in a loss allowance being recognized earlier as described below rather than on an incurred credit losses basis under IAS 39.

Staging	Debt securities
Stage 1 (12 months ECL)	Credit risk of the financial instrument is low (investment grade) or credit risk has not increased significantly since initial recognition (performing)
Stage 2 (Lifetime ECL)	Credit risk has increased significantly since inception (underperforming) but the financial instrument is not credit impaired
Stage 3 (Lifetime ECL)	Financial instrument is credit impaired

IFRS 9 provides a simplification where an entity may assume that the criterion for recognizing lifetime ECL is not met if the credit risk on the financial instrument is low ("investment grade") at the reporting date. The Company will use the low credit risk simplification as approximately 95% of the debt securities portfolio consists of investment-grade financial instruments with a quoted market price.

Based on a preliminary assessment, the ECL model is not expected to have a significant impact, due to the high quality of the Company's investment portfolio.

Hedge accounting

IFRS 9 includes an accounting policy choice to continue applying existing hedge accounting rules under IAS 39 until the Dynamic Risk Management (macro hedging) project is finalized, which the Company will elect to apply.