EY

Shape the future
with confidence

Financial Reporting Developments

Financial Services Organizations

December 9, 2025

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AGENDA

1. Regulatory Update: *Ontario Securities Commission*
2. IFRS 9 and IFRS 7 amendments: *Amendments to the Classification and Measurement of Financial Instruments*
3. IFRS 18 *Presentation and Disclosure in Financial Statements* Updates
4. IASB Workplan Update: *Financial Instruments with Characteristics of Equity ("FICE")*

Regulatory Update:

Ontario Securities Commission

Regulatory Update

Fall 2025

Ontario Securities Commission

Agenda

1. Enhancing Competitiveness
2. Climate-related Disclosure & Connectivity
3. Financial Reporting Trends & Focus Areas
4. IFRS 18 Presentation and Disclosure & Non-GAAP Financial Measures

Disclaimer

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1

Enhancing Competitiveness

Supporting Competitiveness of Canadian Market

Proposed: Semi-Annual Financial Reporting | Pilot

Eligibility Criteria Highlights

- Venture issuer (TSXV or CSE)
- <$10M Revenue
- Reporting issuer > 12 months
- All required filings
- No penalties, sanctions, or cease trade orders

Exemptions Highlights

- 1st and 3rd quarter interim financial statements and accompanying MD&A
- Certain requirements for the six-month interim period
- Certain MD&A form requirements

79%

Are Listed Venture Issuers[1]

Of all listed issuers across Canada, approximately **79%** are listed on the TSXV or the CSE.[2]

92%

Eligible Issuers

Of the listed venture issuers across Canada, approximately **92%** are eligible for the SAR Pilot with annual revenues of no more than $10 million.

21%

Ontario PR

An estimated **21%** of issuers that are eligible for the SAR Pilot are Ontario PR.

Supporting Competitiveness of Canadian Market

For Immediate Release CSA

April 17, 2025

TORONTO – The Canadian Securities Administrators (CSA) recognizes the current uncertainty in global markets, and the impact this is having on companies and investors' decisions to participate in Canadian capital markets. In response, the CSA is introducing measures to support market participants that choose to go public, maintain a listing, and contribute to capital formation in Canada.

"Canada is a great place to do business, and companies going public here support investors and the vitality of our capital markets," said Stan Magidson, CSA Chair and Chair of the Alberta Securities Commission. "The actions announced today represent the start of incremental measures to support the competitiveness of Canada's capital markets. We are making it easier and more cost-effective for businesses to raise capital and grow in Canada, without sacrificing investor protection."

1

Capital Raising -
Removed 3rd year audited

2

Capital Raising –
Underwritten IPO - flexibility to raise future capital

3

Capital Raising –
Reinvestment for Offering Memorandums

Expanded Capital-Raising Options - Listed Issuers

For Immediate Release CSA

May 14, 2025

VANCOUVER – The Canadian Securities Administrators (CSA) is increasing the limit on capital-raising under the listed issuer financing exemption to support the competitiveness of Canada's capital markets. This move is the latest in a series of recent CSA actions, including **other blanket orders**, to help companies grow.

The CSA is publishing substantively harmonized relief from certain conditions of the listed issuer financing exemption (the exemption) in **National Instrument 45-106 *Prospectus Exemptions*** to allow listed issuers to raise more capital in a cost-effective way.

Listed issuers can now raise the greater of $25 million and 20 per cent of the aggregate market value of their listed securities to a maximum of $50 million in a 12-month period, subject to certain conditions, including that the distribution will not result in an increase of more than 50 per cent of the issuer's outstanding listed equity securities during the period. This is a significant increase from the previous $10 million limit under the exemption.

4

Capital Raising-

Listed issuers can raise greater of:

$25 million

or

20% of market value

maximum of $50 million in 12-month

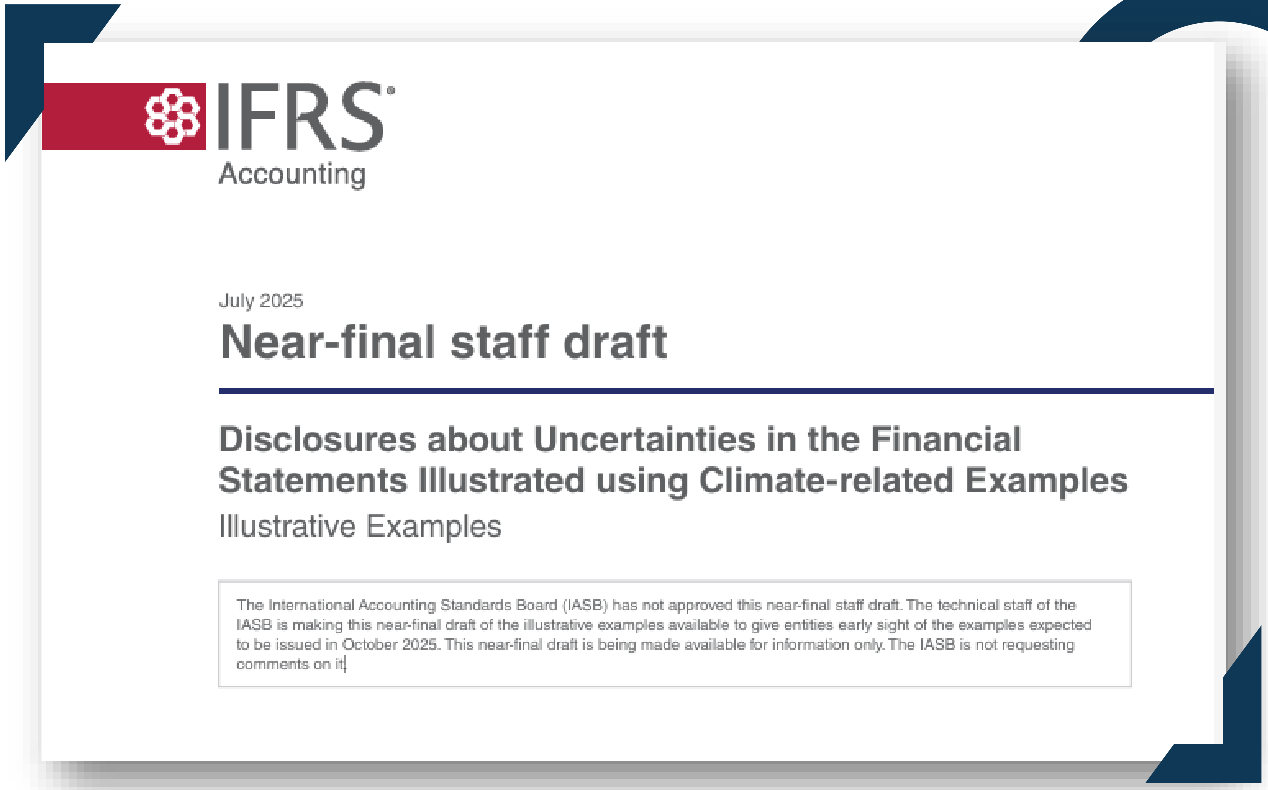
2

Climate-related Disclosure & Connectivity

CSA Pause on Climate-related Disclosure

- Made after careful consideration following recent developments in the U.S. and globally
- Concerns about timing and additional burden
- Continuing to work with domestic and international partners on alignment
- Climate disclosure remains a key area of focus
- Pursuing deeper understanding of current use in Canada
- Materiality still applies and we encourage voluntary disclosure

Connectivity



IFRS Accounting

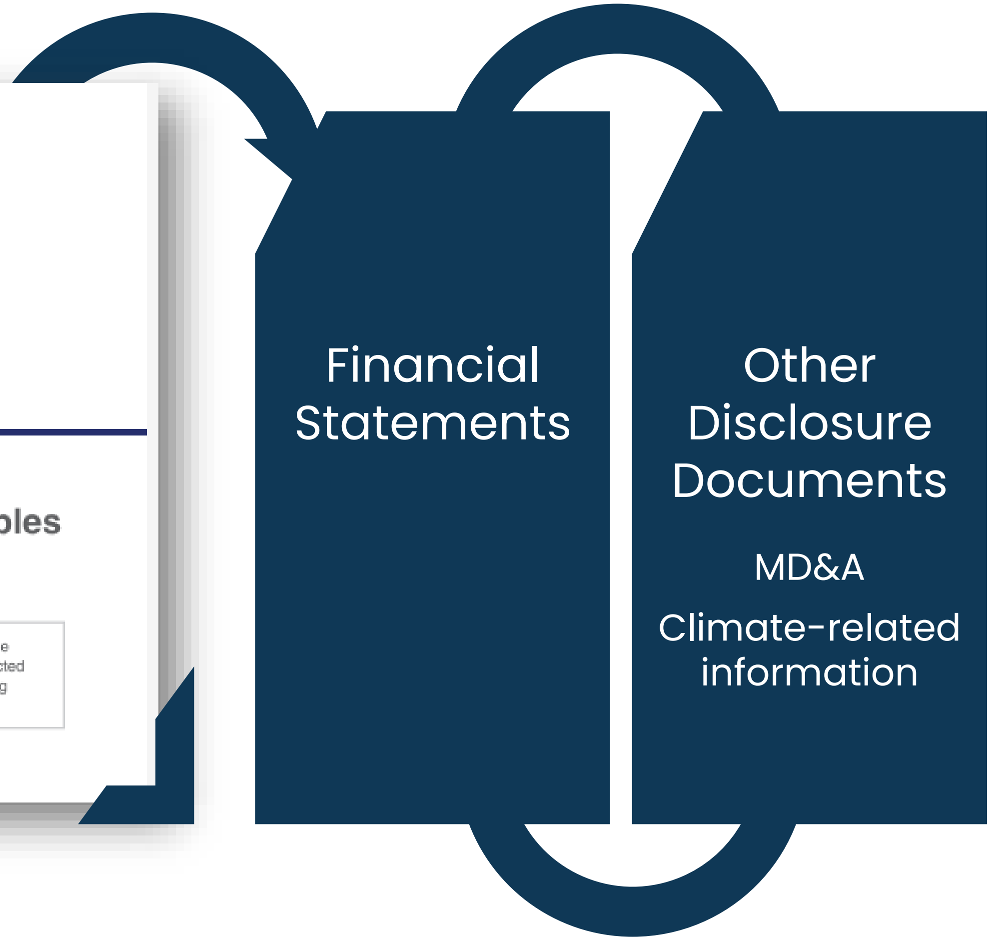
July 2025

Near-final staff draft

Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples

Illustrative Examples

The International Accounting Standards Board (IASB) has not approved this near-final staff draft. The technical staff of the IASB is making this near-final draft of the illustrative examples available to give entities early sight of the examples expected to be issued in October 2025. This near-final draft is being made available for information only. The IASB is not requesting comments on it.



3

Financial Reporting Trends & Focus Areas

Issue-Oriented Review Results

Topic: Statement of Cash Flows and Liquidity Disclosure
Industry: Alternative Financing Services

1. Background & Context
2. Operating vs. Investing Activities
3. Presentation for Loan Modifications & Renewals
4. Liquidity & Collateral Disclosure

Key Findings

Concerns with Certain Acquisitions

*"The guidance relates to reporting issuers that distribute a significant number of securities to acquire assets or businesses that appear to have little or **no actual value** or operating history and **paying what appear to be significantly inflated prices**."*

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 51-366
Regulatory Concerns with Certain Asset or Business Acquisitions

July 3, 2025

1. Introduction

Staff of the Canadian Securities Administrators (**we** or **us**) have identified regulatory concerns with certain transactions, primarily taking place in venture markets, in which reporting issuers distribute a significant number of securities to acquire assets or businesses that appear to have little or no actual value or operating history at what appear to be significantly inflated prices.

We are issuing this notice to illustrate the key regulatory and investor protection concerns we are seeing with these types of acquisitions, including concerns with misleading disclosure that could constitute market manipulation and to remind reporting issuers of the requirements that may apply.

Economic Uncertainty

We Understand

- **Evolving** and **uncertain** environment

We Expect

- Consider relevant **requirements** and **guidance**
- Use **best available** information
- **Well-reasoned** judgements and estimates
- **Disclosure** of significant judgements and estimates
- **Entity-specific** disclosure

We Remind

- As new information becomes available, judgments and estimates **updated** prospectively in financial statements -**interim** & **annual**

Economic Uncertainty

Past Guidance: Reporting under Economic Uncertainty

- CSA Multilateral Staff Notice 51-361- Continuous Disclosure Review Program Activities (2020)
- CSA Staff Notice 51-362 – Staff Review of COVID-19 Disclosures & Guide for Disclosure Improvements (2021)
- IOSCO Statement on Financial Reporting and Disclosure during Economic Uncertainty (2022)

IFRS Near-Final

- Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples Illustrative Examples (July 2025)

AcSB Accounting Standards Board

IFRS® Accounting Standards Discussion Group Meeting Report – May 14, 2025

Extract, Financial Reporting Considerations Related to Tariffs

- Going concern uncertainty
- Impairment
- Restructuring provisions
- Revenue recognition
- Expected credit losses
- Classification of debt
- Share-based payments
- Deferred tax recoverability
- Subsequent events
- Disclosures

4

IFRS 18 Presentation & Disclosure

Non-GAAP Financial measures

IFRS 18 Disclosure Expectations

Before Adoption

Disclose

Known or reasonably estimable info

Progressively entity-specific

(e.g., affects on relevant totals and subtotals)

Reflect

Non-GAAP financial measures disclosure

On Adoption

Interim Financial Statements

(e.g., March 31, 2027 | March 31, 2026)

Comparative Information

Supporting Disclosures

Comply

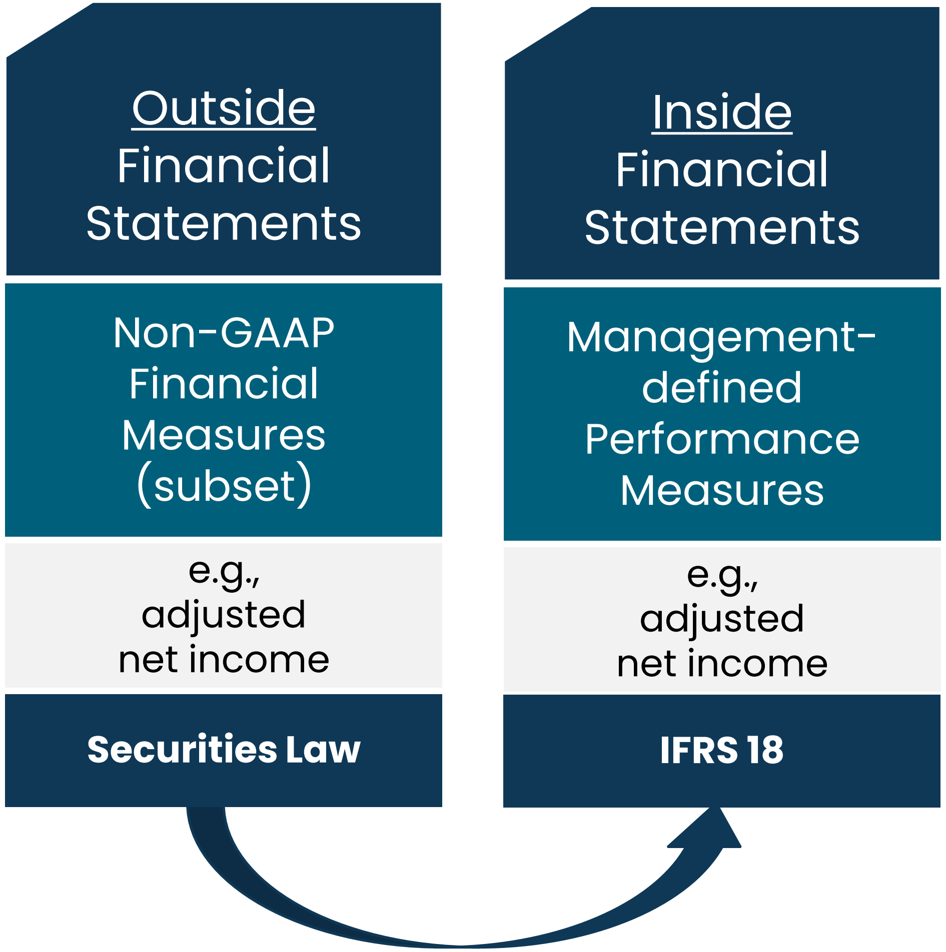
NI 52-112 for non-GAAP disclosure *<u>outside</u>* of financial statements

Relationship: Securities Law & IFRS 18

Public Communications: Management's view of performance

1. **Comply with securities law** when disclosing a non-GAAP financial measure ***outside*** financial statements (e.g., MD&A)

2. Non-GAAP financial measures that meet definition of MPM, disclosed ***inside*** note to financial statements **in compliance with IFRS 18**



Proposed Amendments

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosures
Publication for Comment ~Q4 2025

Cause	Goal	Tactics	Outcomes
• IFRS 18	• Ensure financial measures traditionally considered "non-GAAP" ***continue*** to be regulated by NI 52-112 when disclosed ***outside*** financial statements	• **Update definition** of non-GAAP financial measure • **Allow incorporation by reference** to the notes to the financial statements for certain disclosures	• **No material change** to **reporting practices** for **non-GAAP** financial measures • Opportunities for **reduced duplicative disclosures** • Does not change or override IFRS

Risk of Misleading Non-GAAP Financial Measures

"We remind issuers that compliance with NI 52-112 does not relieve an issuer from other obligations under securities legislation. Specifically, an issuer ***may not present or disclose a non-GAAP financial measure in a way that would be misleading****."*

Ex: Adjusted net income *excluding* unrealized losses on financial instruments but *including* unrealized gains.

Ex: Adjusted core operating income *excluding* lease expenses associated with core production facilities.

Ex: Adjusted net income that changes measurement (e.g., expected credit losses excluded and only realized write-offs included).

Ex: Adjusted net income that changes the pattern of recognition (e.g., acceleration of revenue recognized ratably over time in accordance with IFRS as though revenue was earned when customers were billed).

Questions?

IFRS 9 and IFRS 7 amendments

Amendments to the Classification and Measurement of Financial Instruments

IFRS 9 and IFRS 7 amendments

Amendments to the Classification and Measurement of Financial Instruments

Recognition and derecognition of financial assets and financial liabilities

Clarify the existing requirements for the recognition and derecognition of financial assets and liabilities

Electronic Payment Systems

Introduce an accounting policy election (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date

Contractual cash flow characteristics

Clarify how to assess the contractual cash flow characteristics of financial assets that include ESG linked features and other similar features

Clarify the treatment of non-recourse assets and contractually linked instruments (CLI)

New disclosures in IFRS 7

Introduce new disclosures for financial instruments with contingent features and equity instruments classified at FVOCI

Effective date and transition

Effective for annual reporting periods beginning on or after January 1, 2026.

Applied retrospectively with no requirement to restate prior periods

Early adoption permitted, for some or all elements of the amendments

IFRS 9 and IFRS 7 amendments

Recognition and derecognition of financial assets and financial liabilities

Recognition: Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of Financial Assets:

- Occurs when the entity's rights to the contractual cash flows expire or are transferred.
- Derecognition is based on the expiry of the right to receive cash.
- In the absence of having access to the cash, a confirmation from a debtor that a payment instruction has been initiated does not lead to the expiry of the right. It is only when the cash is received that such a right expires.

Derecognition of Financial Liabilities

- Occurs on the "settlement date", which is the date on which:
  - The obligations are discharged, cancelled or expire, or
  - The liability qualifies for derecognition due to modification or exchange on substantially different terms
- Unless the entity elects the electronic payment settlement option.

IFRS 9 and IFRS 7 amendments

Example: Cheque payment to settle financial liability

Company A (a customer) issues a cheque to Company B (a supplier) for $1,000, dated 27 December 2025 and mails it to settle a financial liability. The cheque is deposited on 31 December 2025 but only and clears from Company A's bank account and into Company B's bank account on 02 January 2026 i.e., not cleared at the reporting date. Both Company A and Company B have a financial year end of December 31.

27 Dec. 2025	30 Dec. 2025	31 Dec. 2025	2 January 2026
Mailing of the cheque - payment is released by Company A	Mailed cheque received by Company B	Financial year-end Cheque deposited by Company B	Cheque clears – payment is completed

A common current practice

	Company A (customer)	Company B (supplier)
27 Dec. 2025 (mailing of cheque)	DR Trade payable 1,000 CR Cash 1,000	No entry
30 Dec. 2025 (deposit of cheque)	No entry	DR Cash 1,000 CR Receivable 1.000
2 Jan. 2026 (settlement date)	No entry	No entry

After the amendments

	Company A (customer)	Company B (supplier)
27 Dec. 2025 (mailing of cheque)	No entry	No entry
30 Dec. 2025 (deposit of cheque)	No entry	No entry
2 Jan. 2026 (settlement date)	DR Trade payable 1,000 CR Cash 1,000	DR Cash 1,000 CR Receivable 1.000

How will the amendments impact current practice?

- Change in practice for the recognition or derecognition of a financial asset or financial liability
- The amendments create a difference from US GAAP for in-transit payments

IFRS 9 and IFRS 7 amendments

Example:

Cheque payment to settle financial liability

27 Dec. 2025	30 Dec. 2025	31 Dec. 2025	2 January 2026
Mailing of the cheque - payment is released by Company A	Mailed cheque received by Company B	Financial year-end Cheque deposited by Company B	Cheque clears - payment is completed

Practical challenges to consider:

Banking system time lag between the deposit of a cheque and the recipient's ability to access the cash (i.e. bank hold period)

- Company A does not have the information to determine when the cash reaches Company B's bank account and when Company B gains access to the cash
- Company B will see the deposited cheque in their bank records, but may not have clarity as to when the bank hold is released and Company B gains access to the cash

Consideration of presentation and disclosure

- Company A should consider how to present / disclose cash balances
- Company B should consider how to present / disclose balances subject to hold

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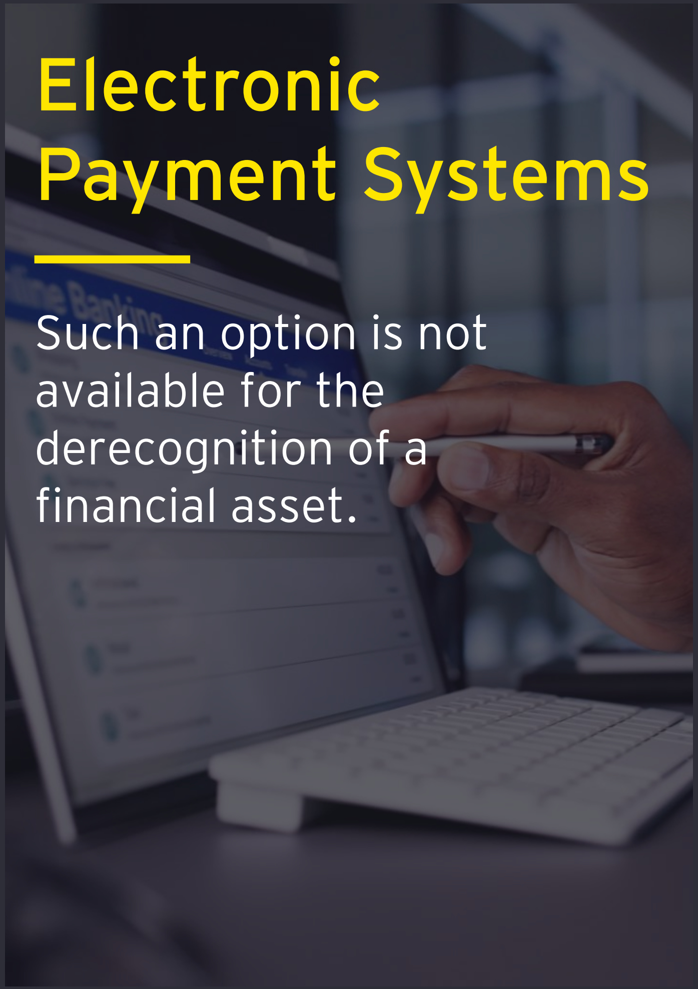
IFRS 9 and IFRS 7 amendments



Electronic Payment Systems

Such an option is not available for the derecognition of a financial asset.

Accounting policy election for derecognition of financial liabilities that are settled through an electronic payment system prior to the settlement date.

This election is available if all of the following criteria are met:

- The entity has no practical ability to withdraw, stop or cancel the payment instruction;
- The entity has no practical ability to access the cash to be used for settlement; and
- The settlement risk associated with the electronic payment system is insignificant:
  - Completion of the payment instruction follows a standard administrative process
  - Delivery time to counterparty is short

IFRS 9 and IFRS 7 amendments

Example : Electronic payment to settle financial liability

Company A (a customer) submits a payment through an electronic payment system to Company B (a supplier) for $1,000 on 30 December 2025, to settle its financial liability. At the time of payment instruction, Company A's bank balance is reduced. The payment will be credited to Company B's bank account in two business days and Company B receives notification of the incoming transfer on December 31, 2025. Both Company A and Company B have a financial year end of December 31.

30 Dec. 2025 – Payment instruction submitted by Company A - payment is initiated

31 Dec. 2025 – Receipt of notification of the incoming transfer

2 January 2026 – Electronic payment process is completed – payment is completed

Upon payment initiation (30 Dec. 2025):	Company A has no practical ability to cancel the payment	Company A has no practical ability to access the $1,000	Settlement risk associated with the payment system is insignificant

A common current practice

	Company A	Company B
30. Dec. 2025	DR Trade payable 1,000 CR Cash 1,000	No entry
31. Dec. 2025	No entry	DR Cash 1,000 CR Receivable from customer 1,000
2. Jan. 2026	No entry	No entry

After the amendments – election is used

	Company A	Company B
30. Dec. 2025	DR Trade payable 1,000 CR Cash 1,000	No entry
31. Dec. 2025	No entry	No entry
2. Jan. 2026	No entry	DR Cash 1,000 CR Receivable from customer 1,000

After the amendments – election is not used

	Company A	Company B
30. Dec. 2025	No entry	No entry
31. Dec. 2025	No entry	No entry
2. Jan. 2026	DR Trade payable 1,000 CR Cash 1,000	DR Cash 1,000 CR Receivable from customer 1,000

IFRS Discussion Group (IDG) September 2025

IFRS 9 Amendments to the Derecognition of Financial Liabilities

Do the amendments to IFRS 9 impact the timing for the derecognition of cash-settled liabilities that are outside the scope of IFRS 9?

The amendments made to IFRS 9 **did not include** consequential amendments to other IFRS Accounting Standards.

Other cash-settled liabilities could arise from:

- IFRS 2 – Share-based Payments
- IFRS 17 – Insurance Contracts
- IAS 12 – Income Taxes
- IAS 19 – Employee Benefits
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

IFRS Discussion Group (IDG) September 2025

IFRS 9 Amendments to the Derecognition of Financial Liabilities

Potential considerations discussed during the IDG meeting:

1. Does the financial liability arise from an IFRS Accounting Standard other than IFRS 9 that has **specific or distinct derecognition requirements** relating to the liability?
   - Consider requirements of each IFRS Accounting Standard for which it has recognized material liabilities

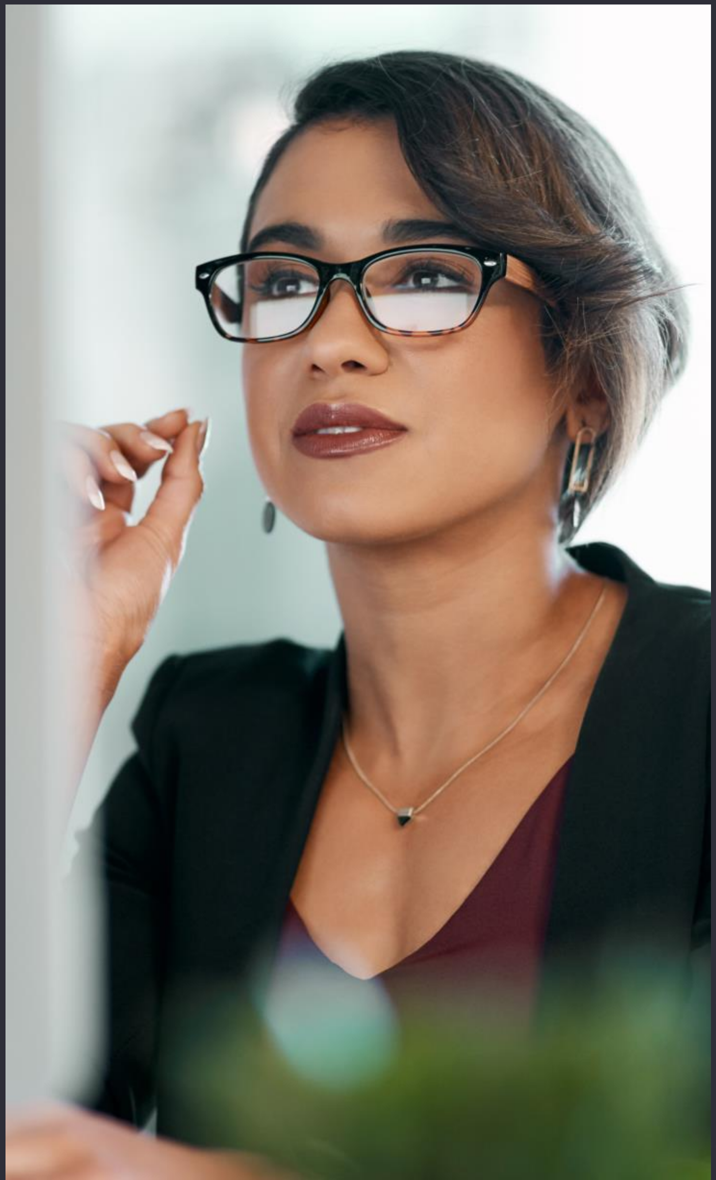
2. Does the IFRS Accounting Standard **cross-reference to, or use language**, that indicates that the IFRS 9 amendments relating to derecognition requirements should be applied?
   - Consider if there is unclarity due to lack of cross referencing
     - Insurance contract liabilities under the scope of *IFRS 17 - Insurance Contract Liabilities* specifically contains derecognition language that was drawn from pre-amendment IFRS 9
     - Lease liabilities under the scope of *IFRS 16 – Leases* must apply IFRS 9 derecognition requirements, as stated in IFRS 9.2.1(b)(ii). Consequently, the amended derecognition requirements within IFRS 9 amendments should be applied to IFRS 16 lease liabilities

3. Is it **sufficiently clear** from the IFRS Accounting Standard that **an accounting policy different** to that indicated by IFRS 9 amendments would be supportable?
   - Consider whether it would be appropriate to continue with an existing accounting policy for de-recognition, different from what is now required for IFRS 9 liabilities

Does the IFRS Accounting Standard cross-reference to, or use language, that indicates that the IFRS 9 derecognition requirements should be applied?

IFRS 9

Paragraph B3.1.2A *"Unless an entity elects to apply paragraph B3.3.8, a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires (see paragraph 3.3.1) or the liability otherwise qualifies for derecognition (see paragraph 3.3.2)."*



IFRS 17

Paragraph 74 *"An entity shall derecognize an insurance contract when, and only when:*

a. *it is extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled.*

b. *any of the conditions in paragraph 72 are met."*

Paragraph BC 321 in the Basis for Conclusions *"IFRS 17 requires an entity to derecognize an insurance contract liability from its statement of financial position only when it is extinguished or modified in the way discussed in paragraph BC317. An insurance contract is extinguished when the obligation specified in the insurance contract expires or is discharged or cancelled.* ***This requirement is consistent with the derecognition requirements for financial liabilities in IFRS 9.*** *This requirement also provides symmetrical treatment for the recognition and derecognition of insurance contracts."*

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IFRS 9 and IFRS 7 amendments

Accounting and Process Implications of the Amendments

Other practical challenges when applying the amendments

- Bank reconciliations: Bank statements are generally prepared based on the trade date, while the amendments emphasize settlement date accounting
- Batch entries: A single journal entry may encompass multiple payments via different means, including cheque and electronic payment systems
- Companies may use multiple electronic payment systems (including for cross border payments), each of which will require assessment for election
- Applying the exception to only some but not all settlement systems/mechanisms may create more complexity
- Inter-company balances: Exercise of electronic payments option could lead to inconsistencies in the accounting for inter-company payables and receivables
- Accounting policy election introduces a new area of judgment in determining whether an entity has no practical ability to withdraw, stop or cancel the payment instruction

Assessment of electronic payment systems

- Prepare an inventory of electronic payment systems used, including a detailed description of each electronic payment system and the jurisdictions in which the payment systems operate
- Understand the policies and rules governing each payment system, particularly the cut-off times at which a payment instruction can no longer be withdrawn or canceled.
- Analyze the specific settlement risk associated with the electronic payment system, particularly for entities that operate multi-jurisdictionally or have cross- border payments.
- Examine administrative processes, focusing on the timeframe between when the entity loses the practical ability to withdraw, stop or cancel the payment instruction, and when the cash is actually delivered to the counterparty.
- Examine financial reporting systems and processes, such as bank reconciliations.

IFRS 9 and IFRS 7 amendments

EY's Applying IFRS

How classification and measurement under IFRS 9 has changed

November 2024

IFRS 18 Presentation and disclosure in financial statements: Updates

IFRS 18 Transition reminders

Overview

EFFECTIVE DATE Reporting periods beginning **on or after 1 January 2027**

EARLY APPLICATION PERMITTED

APPLICATION RETROSPECTIVELY

In the year of adoption and thereafter, entities that prepare condensed interim financial statements in compliance with IAS 34 must present the same headings and subtotals it expects to use in their annual financial statements and will also need to include disclosures on management-defined performance measures.

IFRS 18 Transition reminders

Overview

PRIMARY FINANCIAL STATEMENTS

Statement of financial position	Statement of profit or loss	Statement presenting comprehensive income	Statement of changes in equity	Statement of cash flows

NOTES TO THE FINANCIAL STATEMENTS

Management defined performance measures

Disclosure of expenses aggregated in the operating category by function

Other disclosures carried forward to IFRS 18 or IAS 8

Material accounting policies

Sources of estimation uncertainty

Capital management

Debt covenants

Going concern uncertainty

Fair presentation

Compliance with IFRS Accounting Standards

Significant changes: Statement of profit or loss; Management defined performance measures

Some changes: Statement of cash flows; Disclosure of expenses aggregated in the operating category by function

Minimal changes: Statement of financial position; Statement presenting comprehensive income; Statement of changes in equity; Other disclosures carried forward to IFRS 18 or IAS 8

Significant changes   Some changes   Minimal changes

IFRS 18

Specified main business activities

IFRS 18 requires an entity to assess whether it...

- invests in particular types of assets as a main business activity?
- provides financing to customers as a main business activity?

Whether an entity has specified main business activities...

- Is a matter of fact and not merely an assertion
- Entity uses judgement to assess
- Based on observable evidence to the extent available
- Assessed for the reporting entity as a whole

The assessment is a continuous one and may change over time

Operating category

Investing category

Specific income and expenses

Financing category

Specific income and expenses

IFRS 18

Investing category

Specified income and expenses from:

assets that generate a return individually and largely independently of the company's other resources	investments in unconsolidated subsidiaries, associates and joint ventures ***not accounted for using the equity method***	investments in unconsolidated subsidiaries, associates and joint ventures ***accounted for using the equity method***	cash and cash equivalents

Is investing in the asset a main business activity?

Yes → Operating

No → Investing

Investments accounted for using the equity method → Investing

Cash and cash equivalents → See separate slide

Entity needs to disclose the fact it has investing in assets as its main business activity.

IFRS 18

Cash & cash equivalents

Does the entity invest in financial assets‡, which generate a return individually and largely independently of the entity's other resources, as a main business activity?

- Yes → Classify the specified income and expenses in the ***operating*** category
- No → **Does the entity provide financing to customers as main business activity?**
  - Yes → **Does the cash or cash equivalents relate to providing financing to customers?**
    - Yes → Classify the specified income and expenses in the ***operating*** category
    - No → Accounting policy choice to classify the specified income and expenses in the ***operating* or *investing*** categories
  - No → Classify the specified income and expenses in the ***investing*** category

‡ Other than cash and cash equivalents, associates, joint ventures and unconsolidated subsidiaries

IFRS 18

Financing category

Type 1 liabilities [that arise from transactions that involve only the raising of finance]

Income and expenses from initial and subsequent measurement, including on derecognition

+

Incremental expenses directly attributable to the issue and extinguishment

Is providing financing to customers a main business activity?

Yes

Is the liability related to providing financing to customers?

Yes

No

No

Accounting policy choice

Operating

Financing

Type 2 liabilities [*other liabilities that are not Type 1 liabilities*]

Interest income and expense identified for the purpose of applying other standards

+

Income and expenses from changes in interest rates identified for the purpose of applying other standards

Financing

Other income and expenses from Type 2 liabilities (e.g. fair value remeasurement of IFRS 3 contingent consideration)

Operating

Entity needs to disclose the fact it has provision of financing to customers as a main business activity.

Incremental considerations for Insurers

Operating category

- Income and expenses from an entity's main business activity, for example:
  - Insurance service revenues and expenses
  - Insurance finance income and expenses
- Income and expenses from:
  - Cash and cash equivalents
  - Assets invested in as a main business activity

Investing category

- Income and expenses related to investments in joint ventures and associates accounted for using the **equity method**
- Specific income and expenses from investments unrelated to the investing in assets as a "main business activity" of the entity

Financing category

- Income and expenses from liabilities relating to transactions involving only the raising of financing (e.g., subordinated loans)
- Interest expense and effects of changes in interest rates related to other liabilities (e.g., IFRS 16 lease liabilities, IAS 19 defined benefit pension liabilities, IAS 37 litigation liabilities)

Additional subtotals that may be necessary to provide a useful structured summary

- Net insurance income
- Net fee and commission income
- Total income or revenue

The above considerations **assume that insurers invest in assets as a main business activity**. A company may have a different classification in its individual financial statements and in its reporting to the group because the "main business activities" may differ between the individual and group views.

Incremental considerations for Banks & Financial Institutions

Operating category

- Interest income and expense, as well as incremental expenses directly attributable to the issue and extinguishment from:
  - Type 1 liabilities that relate to providing financing to customers
    - *Policy choice: financing category for those that don't relate directly to providing financing for customers* ‡
- Income and expenses from:
  - Cash and cash equivalents
  - Assets invested in as a main business activity

Investing category

- Income and expenses related to investments in joint ventures and associates accounted for using the **equity method**
- Specific income and expenses from investments unrelated to the investing in assets as a "main business activity" of the entity

Financing category

- Interest expense and effects of changes in interest rates related to type 2 liabilities (e.g., IFRS 16 lease liabilities, IAS 19 defined benefit pension liabilities, IAS 37 litigation liabilities)

Additional subtotals that may be necessary to provide a useful structured summary

- Net interest income
- Net fee and commission income

‡ Policy choice should be consistently applied. Must classify in Operating category if entity cannot determine whether related to providing financing to customers.

The above considerations **assume that Banks & Financial institutions provide financing and invests in assets as a main business activity**. A company may have a different classification in its individual financial statements and in its reporting to the group because the "main business activities" may differ between the individual and group views.

Additional classification considerations

Gains and losses on derivative financial instruments

Item	Category of gains/income and losses/expense
Financial instruments designated as hedging instruments	**Same category** as the income and expenses exposed to the risks that the derivative is covering; unless this would require grossing up of those gains and losses, in which case classify as **operating**
Derivatives not designated as hedging instruments, but used to manage exposure to identified risks	**Same category** as the income and expenses exposed to the risks that the derivative is covering; unless this would require **grossing up of those gains and losses or undue cost and effort**, in which case classify as operating
Non-derivative financial instruments not designated as hedging instruments, but used to manage exposure to identified risks	Operating, financing, or investing, based on general classification requirements

Derivatives not used to manage exposure to identified risks	▪ If no MBA of providing financing to customers
	  ▪ Financing if the derivative involves only the raising of financing (type 1 liabilities)
	  ▪ Otherwise, operating
	▪ If MBA of providing financing to customers
	  ▪ Operating if the derivative relates to providing financing to customers (type 1 liabilities)
	  ▪ Otherwise, policy choice of operating or financing‡

‡ Policy choice should be consistently applied and made the same way as the policy choice related to other type 1 liabilities not related to providing financing to customers. Must classify in Operating category if entity cannot determine whether related to providing financing to customers.

How to combine the presentation of banking and insurance

Illustrative statement of profit or loss for an investment and retail bank with insurance activities

Investment/retail bank with insurance activities	20X4	20X3
Interest revenue calculated using the effective interest method	356,000	333,800
Interest expense calculated using the effective interest method	-281,000	-259,000
Net interest income	75,000	74,800
Fee and commission income	76,800	74,300
Fee and commission expenses	-45,300	-44,800
Net fee and commission income	31,500	29,500
Insurance revenue	148,200	143,800
Insurance service expenses	-103,000	-101,000
Net expenses from reinsurance contracts held	-14,000	-15,000
Insurance service result	31,200	27,800
Net trading income	9,100	900
Net investment income	128,600	110,800
Credit impairment losses	-22,300	-20,600
Insurance finance expenses for insurance contracts issued	-93,900	-92,500
Insurance finance income for reinsurance contracts held	8,000	8,500
Net financial result	22,900	7,100
Other operating expenses excluding insurance service expenses	-70,000	-64,600
Operating profit	*97,200*	*74,600*
Share of profit or loss of associates and joint ventures	-3,600	-6,900
Interest expense on pension and lease liabilities*	-4,700	-4,000
Profit before tax	*88,900*	*77,500*
Income tax expense	-21,400	-18,000
Profit for the year	*67,500*	*59,500*

Fact pattern: Group A is a bancassurance conglomerate. Its banking activities consist of investment and retail banking activities that invest in financial assets and provides financing to customers in the course of its main business activities. Group A also conducts insurance operations that invests in financial assets as part of its main business activities.

- Required (sub)totals
- Examples of subtotals similar to gross profit (as listed in IFRS 18.B123)

* The Group decided to present all income and expenses from Type 1 Liabilities and cash and cash equivalents in the operating category, therefore the use of *Profit before financing and tax* subtotal is not permitted.

Further line items/ disclosure may be required if material.

IFRS 18

Classification related questions – foreign exchange

Basic principle for classifying foreign exchange differences:

1. Follows the category in which the related income and expenses have been classified

   Examples regarding classification of FX differences on foreign currency denominated:

   a) Customer deposits → Operating

   b) Debt instrument liability (Type 1) → Operating (on the basis that providing financing to customers is a *main business activity* and the liability related to providing financing to customers)

   c) Investments in financial assets that generate a return individually and largely independently of the company's other resources → Operating (on the basis that investing in the asset is a *main business activity*)

   d) Type 2 liability → judgement is required - need to consider point #2 below

2. Shall not be allocated between categories when it arises on a Type 2 liability.

If applying these requirements would involve undue cost or effort, then all such differences are classified in the operating category.

Only applicable to the subset of differences that cannot be classified without undue cost or effort

Performed for each item giving rise to foreign exchange differences and is specific to the facts and circumstances of each case

IFRS 18

Classification related questions – foreign exchange

Classification of foreign exchange gains and losses on:

Intercompany borrowings

Operating?

Investing?

Financing?

IFRIC Tentative Agenda Decision (open for comment until November 25, 2025)

- **View 1:** Operating category (default)
- **View 2:** Same category in which the income and expenses from the intragroup loan would have been classified before their elimination on consolidation, or if undue cost or effort, in the Operating category.

Summary of some key classification and presentation topics:

Topic	IFRS 18 requirements	Considerations for banks and insurers
Income and expenses from other investments	▪ Income and expenses on assets that an entity invests in as a main business activity are classified in the operating category, while specific income/expenses from other assets are classified in the investing category.	▪ An assessment is required in order to identify the assets that the entity invests in as part of the main business activity of investing in assets.
Income/expenses from associates and joint ventures accounted for using the equity method	▪ IFRS 18 requires these income and expenses to be presented in investment activities. ▪ Under current GAAP, some financial institutions consider them as part of the operating activity because these are investments backing liabilities related to a main business activity of investing or financing and, therefore, if they were classified as investment activities, they would create a mismatch with the related income and expenses of the liabilities which are classified as operating.	Potential solutions to deal with this are as follow: ▪ Use the option provided in transition to IFRS 18 and value associates and JVs to FVTPL ▪ Insert a new subtotal "Operating profit and income and expenses from all associates and JVs" ▪ Create an MPM to show "Operating profit and income and expenses from specific associates and JVs"
Presentation of expenses by nature or function	▪ IFRS 18, like IAS 1, provides for the possibility of presenting expenses by nature, by function or both, but in case some are presented by function it requires additional disclosure. ▪ Insurers generally present expenses by function under the line item "insurance service expenses". ▪ Banks generally present expenses by a combination of nature and function under the line item "non-interest expenses".	When some expenses are presented by function, information on expenses by nature is required to be disclosed for the following: ▪ Amortization ▪ Depreciation ▪ Employee benefits costs ▪ Impairment losses For each of the above, entities are required to disclose: ▪ The total amount relating to each line item in the operating category activity; and ▪ A list of any line items outside the operating category that also include amounts relating to the total

MPM definition refresher

IFRS 18 Presentation and disclosure in financial statements

Subtotals of income and expenses not defined/specified by IFRS Accounting Standards

Used in public communications outside financial statements

Measures that communicate management's view of an entity's financial performance

Considerations for insurers: MPMs or not?

To identify potential MPMs being used in Canada, we looked at the publicly available information such as MD&A, press releases, and investor presentations of Canadian insurers, noting measures used to communicate financial performance. Applying MPM criteria, we classified: (1) Measures that generally do not meet the MPM definition, and (2) Measures that potentially meet the definition.

Financial measures that are generally not expected to be a subtotal of income and expenses

Stand-alone financial measures

- Annualized premium sales (APE Sales), gross premium or other premium related measures
- Assets under management (AUM) or other asset related metrics
- Adjusted average common shareholders' equity
- Adjusted cash provided by (used in) operating activities
- Contractual service margin (CSM)
- New business CSM
- New business value
- Organic capital generation
- Organic or non-organic CSM movement

- Insurance revenue
- Investment income
- Claims and adjustments expenses
- Underwriting expenses
- Catastrophe losses
- Prior year claims development (PYD)

Non-financial measures

- Retention rate
- Financial strength rating

Ratios

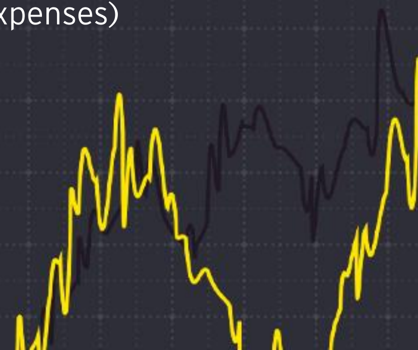
- Base dividend payout ratio
- Dividend per share
- Book value per share (BVPS)
- Combined ratios (discounted and undiscounted)
- Claims ratio, loss ratio or severity ratio
- Expense ratio or efficiency ratio
- Financial leverage ratio
- LICAT, MCT, MICAT ratio or similar capital ratio
- Catastrophe loss ratio
- Commission expense ratio
- Prior year claims Development Ratio

Subtotals specifically required by IFRS accounting standards

- Profit or loss (usually named as net income or net earnings)

Financial measures which are specifically excluded under IFRS 18.118

- Net fee and commission income
- Insurance service result
- Net financial result (investment income minus insurance finance income and expenses)



Considerations for insurers: Potential MPMs

Insurers often adjust reported results to reflect core business performance by excluding one-off events, significant initiative costs, catastrophe losses, and uncontrollable market impacts. These adjustments focus on investors' priorities—highlighting recurring operations rather than temporary distortions. These adjustments result in subtotals of revenue and expenses that could potentially meet the definition of MPMs.

- Adjusted Operating Profit | Underlying Net Income
- Adjusted Net Insurance Service Result | Net underwriting Revenue
- Adjusted Net Investment Result
- Core Drivers of Earnings (DOE) | Core Earnings | Base Earnings
- Distribution Income
- Non-Operating Gain (loss)
- Net Claims and Adjustments Expenses

Adjusted subtotals

Adjusted subtotals are presented in various formats with different components across the industry.

As these represent subtotals of income and expenses disclosed publicly, they may qualify as MPMs depending on the specific circumstances of each entity.

- Adjusted / Core EBITDA

Earnings Before Interest, Taxes, Depreciation, and Amortization

EBITDA is excluded from MPMs only if it is calculated as "operating profit before depreciation, amortisation and impairments within the scope of IAS36".

- Return on Equity (ROE) | Underlying ROE | Operating ROE
- Adjusted Earnings Per Share (AEPS)
- Net Operating Income Per Share (NOIPS)

Financial ratios

Financial ratios are not considered MPMs, but the numerator or denominator of a financial ratio may qualify as an MPM if it meets the definition independently, even if not used alone in public communications. Entities must evaluate the numerator and denominator (e.g. underlying return or adjusted earnings/loss) against the MPM criteria, focusing on whether the ratio itself is used in public communications to convey management's view of performance.

IFRS 18 Transition reminders

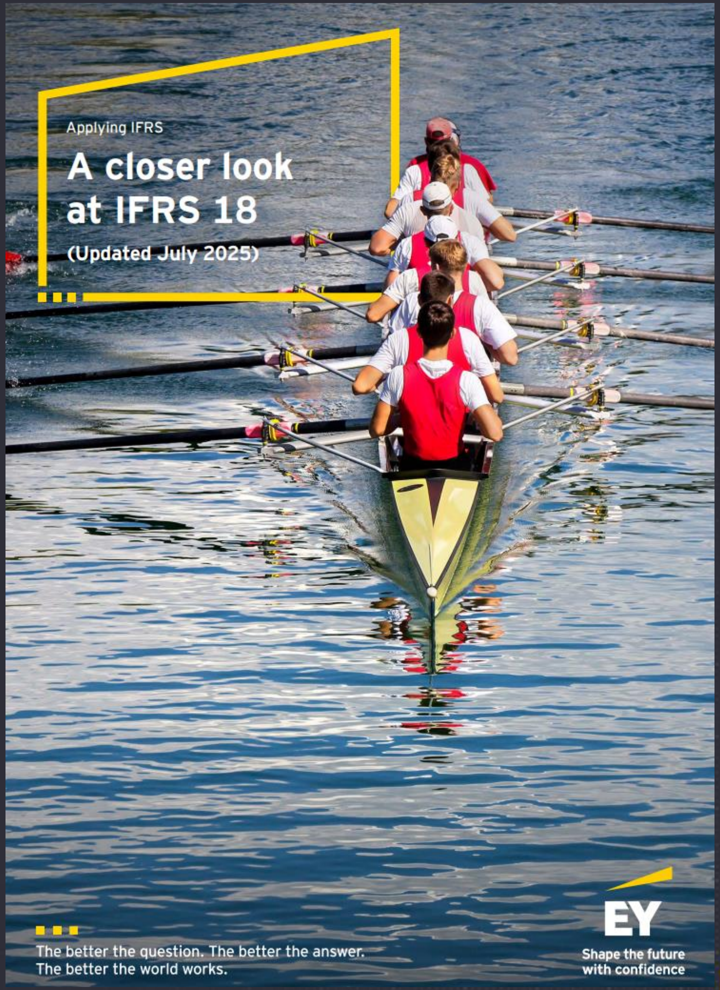
Helpful resources

EY's publication on Applying IFRS 18

- Refer to our recently updated publication, ***Applying IFRS: A closer look at IFRS 18***, for further guidance on IFRS 18 implementation and transition considerations
- Also refer to the 2025 Spring Financial Reporting Developments session where several other implementation questions were covered, including items discussed in our ***Applying IFRS: A closer look at IFRS 18*** publication

EY's Good Group IFRS 18 illustrative financial statements (December 2025)

- This version of Good Group has been prepared based on the new requirements of IFRS 18 Presentation and Disclosure in Financial Statements.



IASB Workplan Update:

Financial Instruments with Characteristics of Equity ("FICE")

Exposure Draft - Financial instruments with characteristics of equity (FICE)

In November 2023, the IASB published the Exposure Draft FICE - proposed amendments IAS 32 *Financial Instruments: Presentation*, IFRS 7 *Financial Instruments: Disclosures*, and IAS 1 *Presentation of Financial Statements*.

The proposal:

- Clarification of the underlying classification principles of IAS 32 to help companies distinguish between financial liabilities and equity;
- Disclosures to further explain complexities around instruments that have both financial liability and equity characteristics; and
- Presentation requirements for amounts – including profit and total comprehensive income –attributable to ordinary shareholders separately from amounts attributable to other holders of equity instruments.

Exposure Draft - Financial instruments with characteristics of equity (FICE)

NOVEMBER
2023

ED Published

MARCH
2024

Comment period deadline

JUNE
2025

Redeliberated and tentatively decided on presentation and disclosure requirements

SEPTEMBER
2025

Redeliberated and tentatively decided on the reclassification and shareholder decision-making rights proposals

H1
2026

Redeliberate and tentatively decide on the remaining elements of the ED

H2
2026

Final amendments expected

Thank you!

CE certificate: If you attended today's webinar, you'll receive a certificate of attendance within the next couple of weeks.

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