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2020 First Quarter
Report to Shareholers

For the Quarter Ended March 31, 2020

iA Financial Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated May 7, 2020. iA Financial Corporation became the parent company of Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") as of January 1, 2019, as a result of a plan of arrangement. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2019. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management's Discussion and Analysis.

TABLE OF CONTENTS

HIGHLIGHTS[1]

Profitability

	First quarter		
	2020	2019	Variation
Net income attributed to common shareholders (in millions)	$39.1	$151.1	(74%)
Weighted average number of common shares (diluted) (in millions)	107.4	108.0	(1%)
Earnings per common share (EPS) (diluted)	$0.36	$1.40	(74%)
Core earnings per common share (EPS) (diluted)	$1.41	$1.28	10%

	March 31, 2020	December 31, 2019	March 31, 2019
Return on common shareholders' equity (ROE)[2]	10.7%	12.9%	12.4%
Core return on common shareholders' equity (ROE)[2]	12.7%	12.6%	12.0%

The Company ended the first quarter of 2020 with net income to common shareholders of $39.1 million versus $151.1 million in 2019, and diluted earnings per common share (EPS) of $0.36 versus $1.40 in 2019 (-74%). The decrease is explained by the impacts of the COVID-19 pandemic and the resulting macroeconomic changes. These impacts are discussed below.

Return on common shareholders' equity (ROE) was 10.7% at March 31, 2020 versus 12.4% at March 31, 2019. ROE is calculated on a trailing-twelve-month basis.

Diluted core EPS of $1.41 is within the guidance of $1.40 to $1.55 initially provided on February 13, 2020 and is up from $1.28 for the same period in 2019 (+10%). Core ROE of 12.7% on a trailing-twelve-month basis is at the high end of guidance of 11.5% to 13.0%.

Business growth – Premiums and deposits totalled more than $3.5 billion for the quarter, up from first quarter 2019 (+19%). Total assets under management and administration were down 7% during the quarter to $175.7 billion at March 31, 2020, a decrease of 3% year over year. In Canada, first quarter sales were particularly good for segregated funds, Employee Plans and iA Auto and Home. Sales in Individual Insurance were up 10% year over year. Gross sales of mutual funds were significantly up at $693.0 million (+27%), and net sales were positive until the pandemic struck in March. In the U.S., sales remained strong in both divisions, particularly in Individual Insurance (+53%).

COVID-19 pandemic and macroeconomic changes – Since March 2020, the COVID-19 pandemic has had major, unprecedented implications for both society and the economy. How long it will last, the effectiveness of government measures to slow its spread and the impact of those measures on the economy all remain uncertain. As a result, at the moment we cannot accurately predict the bearing the pandemic will have on the Company's financial results for 2020, but the impact could be material. Consequently, the Company is withdrawing the 2020 financial guidance communicated to the markets on February 13, 2020. The Company intends to re-establish its annual guidance once the situation has stabilized. Despite the short-term negative impacts of the pandemic on its results, the Company remains financially solid, as demonstrated by its above-target solvency ratio, sound debt ratio, adequate liquidity and well-positioned reserves.

The table below outlines the estimated impact of the pandemic on first quarter EPS. The total negative impact is estimated at $1.12 per share. If this impact were excluded, reported EPS would have been $1.48, which is in the middle of the guidance that had been given for the quarter.

[1] This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.
[2] Trailing twelve months.

Impact on EPS

($)	Pandemic-related			Non-pandemic-related			Total
	Core	Non-core	Subtotal	Core	Non-core	Subtotal	
Policyholder experience[3]	0.01	(0.05)	(0.04)	(0.04)	0.02	(0.02)	(0.06)
Macroeconomic-related	0.00	(0.80)	(0.80)	0.00	0.00	0.00	(0.80)
Strain on sales	(0.03)	0.00	(0.03)	0.00	0.00	0.00	(0.03)
Income on capital[4]	(0.03)	0.00	(0.03)	0.00	0.00	0.00	(0.03)
Taxes	0.00	0.00	0.00	0.04	0.00	0.04	0.04
Specific item - PPI goodwill	0.00	(0.22)	(0.22)	0.00	0.00	0.00	(0.22)
Total	**(0.05)**	**(1.07)**	**(1.12)**	**0.00**	**0.02**	**0.02**	**(1.10)**

Financial position – The solvency ratio was 137% at March 31, 2020, compared with 133% at the end of the previous quarter and 124% a year earlier. The Company's target range is 110% to 116%. The solvency ratio is expected to decrease by 17 percentage points due to the IAS Parent Holdings acquisition to be completed in the coming weeks, and to increase by 1 percentage point due to the sale of iA Investment Counsel to be completed in the second quarter. Lastly, the debt ratio at March 31, 2020 was 25.9%.

Book value – The book value per common share was $52.29 at March 31, 2020, up 1% from the last quarter and 7% over twelve months.

Dividend – The Board of Directors approved a quarterly dividend of $0.4850 per common share payable in the second quarter of 2020.

Normal Course Issuer Bid – In the first quarter of 2020, the Company redeemed and cancelled 86,872 outstanding common shares. Redemptions are on hold for the moment, in accordance with regulators' instructions.

PPI Management Inc. (PPI) goodwill adjustment – In the first quarter, the Company recognized a goodwill impairment of $24.0 million on a non-taxable basis (-$0.22 EPS). This adjustment mainly stems from the COVID-19 pandemic and is explained by an increase in the risk premium used in the projection discount rate and a temporary decrease in projected future revenues.

Acquisition – On January 10, 2020, the Company announced that it was acquiring three companies specializing in vehicle warranties in Canada: WGI Service Plan Division Inc., WGI Manufacturing Inc. and Lubrico Warranty Inc., for a total purchase price of $107 million. WGI manufactures and administers chemical protection products for the automobile industry, distributed through a network of independent dealers across Canada. Lubrico Warranty sells car warranties through a network of used vehicle dealerships across Canada (except in the province of Quebec). As a reminder, on December 4, 2019, the Company entered into an agreement to acquire IAS Parent Holdings, Inc. and its subsidiaries for a purchase price of US$720 million. Subject to regulatory approvals, the transaction is expected to close in the second quarter of 2020.

Sale of iA Investment Counsel – On March 2, 2020, the Company announced an agreement for the sale of iA Investment Counsel Inc. to CWB Financial Group. This sale reflects iA Financial Group's decision to focus on serving the wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices. The transaction is expected to close in the second quarter.

Merger – As announced in the fall of 2019, the merger of The Excellence Life Insurance Company with Industrial Alliance Insurance and Financial Services took effect on January 1, 2020. This merger provides increased operational efficiency and was transparent for existing clients.

Debenture issuance – On February 21, 2020, the Company announced the closing of its offering of $400 million principal amount of 2.400% fixed/floating subordinated debentures due February 21, 2030. Subject to prior regulatory approval, iA Financial Corporation may redeem the debentures, in whole or in part, on or after February 21, 2025. The debentures were rated "BBB (high)" by DBRS Limited and "A-" by S&P Global Ratings.

[3] For all five lines of business and iA Auto and Home affiliate; excluding macroeconomic-related items.
[4] Excluding iA Auto and Home

Litigation – iA Insurance is involved in litigation with a third party, Ituna Investment LP (Ituna), which was seeking to use insurance contracts for purposes not originally intended. The application was heard by the Court of Queen's Bench for Saskatchewan, which issued a decision in favour of iA Insurance on March 15, 2019. Ituna appealed this decision, and the appeal was heard by the Saskatchewan Court of Appeal in mid January 2020. iA Insurance has always maintained that the position taken by Ituna was legally unfounded and has responded to the appeal with the same conviction. Note that the governments of Saskatchewan and New Brunswick have both published new regulations limiting the amount of premiums an insurer may receive or accept for deposit in life insurance policy side accounts, and that these regulations are consistent with the position taken by iA Insurance.

Investor Day – Due to the COVID-19 pandemic, the Investor Day scheduled for June 5, 2020 will be postponed to a later date yet to be confirmed.

BUSINESS GROWTH

Business growth is measured by growth in sales, premiums and assets under management and administration. Sales measure the Company's ability to generate new business and are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include both fund entries from new business written and from in-force contracts. Assets under management and administration measure the Company's ability to generate fees, particularly for investment funds and funds under administration. An additional analysis of revenues by line of business is presented in the “Analysis According to the Financial Statements” section of this Management's Discussion and Analysis.

Net Premiums, Premium Equivalents and Deposits[5,6]

	First quarter		
(In millions of dollars)	**2020**	**2019**	**Variation**
Individual Insurance	397.5	387.8	9.7
Individual Wealth Management	1,771.0	1,266.4	504.6
Group Insurance	461.3	437.1	24.2
Group Savings and Retirement	652.0	669.5	(17.5)
US Operations	178.9	151.2	27.7
General Insurance[7]	84.5	75.1	9.4
Total	3,545.2	2,987.1	558.1

Premiums and deposits surpassed $3.5 billion in the first quarter, an increase of 19% year over year, mainly due to the contribution of the Individual Wealth business line and, to a lesser extent, the Group Insurance and US Operations business lines.

Assets Under Management and Administration[8]

(In millions of dollars)	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Assets under management			
General fund	47,811.4	45,279.6	42,530.9
Segregated funds	25,460.1	27,867.9	25,759.5
Mutual funds	9,908.7	11,594.2	11,467.0
Other	13,893.1	15,500.1	15,199.0
Subtotal	97,073.3	100,241.8	94,956.4
Assets under administration	78,653.6	89,245.8	86,114.1
Total	175,726.9	189,487.6	181,070.5

Assets under management and administration of $175.7 billion were down 3% year over year and 7% quarter over quarter, primarily due to the drop in equity markets in March, which particularly impacted assets under administration.

5 Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance and Group Savings and Retirement sectors and mutual fund deposits.
6 This table presents non-IFRS measures.
7 Includes iAAH and some minor consolidation adjustments.
8 This table presents non-IFRS measures.

Sales Growth by Line of Business[9]

(In millions of dollars, unless otherwise indicated)	First quarter 2020	2019	Variation
Individual Insurance			
Minimum premiums	43.3	39.0	11%
Excess premiums	1.9	2.2	(14%)
Total	45.2	41.2	10%
Individual Wealth Management			
General fund	205.7	109.2	88%
Segregated funds	872.3	610.9	43%
Mutual funds	693.0	546.3	27%
Total	1,771.0	1,266.4	40%
Net sales (after redemptions and transfers)			
Segregated funds	423.8	145.2	278.6
Mutual funds	(99.2)	(88.5)	(10.7)
Group Insurance			
Employee Plans	57.1	25.9	120%
Dealer Services			
Creditor Insurance	58.9	64.8	(9%)
P&C Insurance[10]	62.0	52.6	18%
Car loan originations	103.2	92.1	12%
Special Markets Solutions	75.8	73.6	3%
Group Savings and Retirement	658.9	675.5	(2%)
US Operations ($US)			
Individual Insurance	29.4	19.2	53%
Dealer Services – P&C Insurance[10]	117.2	109.7	7%
General Insurance			
iAAH (auto and home insurance)	73.9	66.2	12%

Individual Insurance in Canada – First quarter sales totalled $45.2 million. Total premium sales were up year over year (+10%), with growth in minimum premium sales of 11%.

Individual Wealth Management – Guaranteed product (general fund) sales for the quarter were up significantly from last year at $205.7 million (+88%). Gross segregated fund sales were up 43% year over year at $872.3 million, and net sales were up significantly at $423.8 million compared to $145.2 million a year earlier. The Company remains number one in the industry for net segregated fund sales. Note that 92% of segregated fund sales in the first quarter were in low-guarantee products, which therefore do not require protection from the hedging program. The proportion of these sales was 91% for the full year in 2019.

Gross mutual fund sales were up 27% year over year at $693.0 million. Net sales were positive through early March, but significant redemptions later in the month amid economic uncertainty from COVID-19 led to net outflows of $99.2 million.

Group Insurance – Employee Plans – First quarter sales totalled $57.1 million, up from $25.9 million in the same quarter last year (+120%). Note that sales in this division vary considerably from one quarter to another based on the size of the contracts sold.

Group Insurance – Dealer Services – Total sales of $224.1 million in the first quarter were up 7% year over year. By product, P&C sales (including extended warranties and replacement insurance) were up 18% from the previous year at $62.0 million, while creditor insurance sales of $58.9 million compared with $64.8 million a year ago. Car loan originations of $103.2 million were up 12% year over year.

Group Insurance – Special Markets Solutions – First quarter sales of $75.8 million were up 3% from a year ago.

9 Sales are not an IFRS measure.
10 Property and casualty insurance.

Group Savings and Retirement – Total first quarter sales amounted to $658.9 million compared to $675.5 million a year earlier, a decrease of 2% due to lower sales in insured annuities. Accumulation product sales were up during the quarter.

US Operations – Year over year, Individual Insurance sales grew by 53% in the first quarter to US $29.4 million. Dealer Services sales grew 7% to US $117.2 million. Sales growth in this division slowed down in March by the effects of the pandemic.

General Insurance (iAAH) – Direct written premiums grew by 12% year over year to $73.9 million.

ANALYSIS ACCORDING TO SOURCES OF EARNINGS

Results According to Sources of Earnings[11]

(In millions of dollars)	First quarter 2020	2019	Variation
Operating profit			
Expected profit on in-force	186.2	174.5	11.7
Experience gains (losses)	(142.9)	16.2	(159.1)
Gain (strain) on sales	(10.5)	(6.1)	(4.4)
Changes in assumptions and management actions[12]	(24.0)	—	(24.0)
Subtotal	8.8	184.6	(175.8)
Income on capital	34.3	22.6	11.7
Income taxes	1.6	(50.4)	52.0
Net income attributed to shareholders	44.7	156.8	(112.1)
Less: dividends on preferred shares issued by a subsidiary	5.6	5.7	(0.1)
Net income attributed to common shareholders	39.1	151.1	(112.0)

The analysis of profitability according to the sources of earnings presents the key variations between reported net income and the Company's expectation for the three-month period ended March 31, 2020. This data complements information presented in the section entitled “Analysis According to the Financial Statements” and provides additional information to better understand the Company's financial results. This analysis contains non-IFRS measures, which are explained in the “Non-IFRS Financial Information” section at the end of this document.

Expected profit on in-force – The expected profit on in-force represents the portion of income expected to come from policies in force at the beginning of the period based on management's best-estimate assumptions when the 2020 budget was prepared. Expected profit for the wealth lines is updated quarterly to reflect changes in the stock markets and net fund entries.

For the first quarter of 2020, expected profit on in-force was up 7% (+$11.7 million) year over year. Growth was especially strong in Individual Wealth Management and US Operations.

Experience gains (losses) versus expected profit – Experience gains or losses represent the difference between reported income and the income that would have been reported if all assumptions made at the start of the period had materialized. Experience gains and losses include market impact, policyholder experience and certain specific items.

In the first quarter of 2020, the Company recorded a net experience loss of $142.9 million, or $104.7 million after tax (-$0.97 EPS), due to the following:

- *Individual Insurance* – Experience was unfavourable in the first quarter with a loss of $31.2 million after tax (-$0.29 EPS), resulting mainly from the negative market impact on universal life insurance policies (-$0.21 EPS). In addition, mortality and policyholder (lapse) experience were unfavourable (-$0.05 EPS), a loss was recorded on the disposal of an impaired private bond (-$0.02 EPS), and commission income from the PPI subsidiary was lower than expected (-$0.01 EPS).

[11] This table contains measures that have no IFRS equivalents. See “Non-IFRS Financial Information” at the end of this document for more information.
[12] Q1 2020: PPI goodwill impairment.

- *Individual Wealth Management* – Experience for this business line was unfavourable in the first quarter (after-tax loss of $63.1 million or -$0.59 EPS), mainly caused by macroeconomic changes. A loss of $0.57 EPS was generated by the segregated fund hedging program, as explained below. In addition, market impact on investment fund income (MERs) was below expectations (-$0.02 EPS). Income at distribution affiliate iA Securities was above expectations (+ $0.01 EPS) due to increased transactions generated by the market volatility at the end of March. Lastly, strong segregated fund sales generated an increased commission expense (-$0.01 EPS).

  Hedging program for segregated fund guarantees – The Company began its hedging program for segregated fund guarantees in the fourth quarter of 2010. From that time through December 31, 2019, the program generated cumulative gains of $0.77 EPS. In the first quarter of 2020, the program generated an experience loss of $0.57 EPS, mainly due to macroeconomic changes, which can be broken down as follows:
  - A loss of $0.31 EPS related to market volatility risk, caused by the extreme volatility of financial markets in March. Market volatility risk emerges from the difference between realized volatility and expected volatility, which is based on a long-term volatility assumption. March volatility levels were among the highest ever and significantly greater than monthly levels recorded since the program began. Volatility risk remains and may cause other losses in the future.
  - A loss of $0.26 EPS stemming from the program's basis risk and other items. The program's basis risk emerges from the return difference over time between the funds held by clients and the hedging instruments in the program. Since March, various actions have been taken by management to reduce the level of risk from these items going forward.

  The hedging program for segregated fund guarantees continues to be a robust, effective program whose cumulative impact on earnings is expected to be nil in the long term, despite quarterly fluctuations. At its highest point during the quarter, the economic value of the hedged guarantees increased by $575 million. This amount was almost entirely offset by the change in value of assets under the hedging program. The program therefore performed as expected and achieved its objective.

- *Group Insurance* – This business line recorded an after-tax loss of $11.2 million for the quarter (-$0.10 EPS). Experience in Employee Plans was unfavourable for long-term disability (-$0.03 EPS), but favourable for dental coverage (+$0.01 EPS) due to the closure of dental offices at the end of March. In Dealer Services, experience was unfavourable in creditor insurance (-$0.01 EPS) and the provision for car loan credit losses was increased following revised projections due to the impact of the current pandemic (-$0.07 EPS). Lastly, in Special Markets Solutions, experience was in line with expectations.

- *Group Savings and Retirement* – This business line reported an after-tax gain of $1.8 million (+$0.02 EPS) due to favourable longevity experience (+$0.01 EPS) and higher income on assets under administration for accumulation products (+$0.01 EPS).

- *US Operations* – Experience in this business line was slightly below expectations for the quarter (after-tax loss of $1.0 million or -$0.01 EPS), explained by unfavourable experience in the Individual Insurance division (-$0.02 EPS) partially offset by lower expenses in the Dealer Services division (+$0.01 EPS).

Strain in Individual Insurance and US Operations – Strain on new business amounted to $10.4 million pre-tax, or 12% of sales for the quarter. This is above guidance of -5% to 10% and therefore less favourable than expected (-$0.03 EPS) after factoring in the first quarter drop in interest rates. Without this adjustment, strain would have been within guidance.

PPI Management Inc. (PPI) goodwill adjustment – During the first quarter, the Company recognized a goodwill impairment of $24.0 million on a non-taxable basis (-$0.22 EPS). This adjustment mainly stems from the COVID-19 pandemic and is explained by an increase in the risk premium used in the projection discount rate and a temporary decrease in projected future revenues.

Income on capital – Net income earned on the Company’s surplus funds, which includes income from iA Auto and Home (iAAH), was $34.3 million before tax for the first quarter, representing a gain of $0.08 EPS versus management expectations. This is mainly explained by experience at iAAH, which was much more favourable than expected (+$0.11 EPS) due to lower claims in both auto and home insurance. Almost all of this gain was realized before the pandemic struck in mid-March. Investment income on capital was lower than expected (-$0.03 EPS) due to macroeconomic changes in March, but this was partially offset by the February debenture issuance (+$0.01 EPS). Financing expenses were nonetheless slightly higher due to this same issuance (-$0.01 EPS).

Income taxes – Income taxes amounted to a recovery of $1.6 million in the first quarter for an effective tax rate of -3.7%, which is well below annual guidance of 20% to 22%. The effective tax rate was significantly reduced by the impact of the experience losses mentioned above. In addition, a gain of $0.04 EPS was generated essentially due to the Company’s status as a multinational insurer.

Core Earnings Per Common Share

Core earnings per common share is a non-IFRS measure that represents management's view of the Company's capacity to generate sustainable earnings. See "Non-IFRS Financial Information" at the end of this Management's Discussion and Analysis for more information and an explanation of the adjustments applied in the Company's core EPS calculation.

For the first quarter of 2020, diluted core EPS of $1.41 was within the guidance of $1.40 to $1.55 that had been provided on February 13, 2020. Four items were adjusted in the core EPS calculation for the quarter, as shown in the table below. This table reconciles the Company's reported and core EPS on a diluted basis.

Reported EPS and Core EPS Reconciliation

	First quarter		
(On a diluted basis)	**2020**	**2019**	**Variation**
Reported EPS	$0.36	$1.40	(74%)
Adjusted for:			
Specific item:			
PPI goodwill impairment	$0.22	—	
Market-related gains and losses	$0.80	($0.15)	
Policyholder experience gains and losses in excess of $0.04 EPS	$0.10	$0.02	
iA Auto and Home experience gains and losses in excess of $0.04 EPS	($0.07)	—	
Usual income tax gains and losses in excess of $0.04 EPS	—	$0.01	
Core EPS	$1.41	$1.28	10%

ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

The following analysis should be read in conjunction with Note 16 *Segmented Information* in the Company's unaudited interim condensed consolidated financial statements.

Consolidated Income Statements

	First quarter		
(In millions of dollars)	**2020**	**2019**	**Variation**
Revenues			
Net premiums	2,755.1	2,354.8	400.3
Investment income	(857.0)	2,161.8	(3,018.8)
Other revenues	440.1	410.4	29.7
Total	2,338.2	4,927.0	(2,588.8)
Less: policy benefits and expenses	2,294.1	4,719.0	(2,424.9)
Income before income taxes	44.1	208.0	(163.9)
Less: income taxes	(1.9)	50.5	(52.4)
Net income	46.0	157.5	(111.5)
Less: net income attributed to participating policyholders	1.3	0.7	0.6
Net income attributed to shareholders	44.7	156.8	(112.1)
Less: preferred share dividends issued by a subsidiary	5.6	5.7	(0.1)
Net income attributed to common shareholders	39.1	151.1	(112.0)

Revenues

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

Revenues by Line of Business

	First quarter						
(In millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	397.5	1,078.0	423.9	633.0	138.2	84.5	2,755.1
Variation vs. 2019	*9.7*	*357.9*	*27.2*	*(27.3)*	*23.4*	*9.4*	*400.3*
Investment income	(1,246.5)	327.0	16.2	(48.2)	54.0	40.5	(857.0)
Variation vs. 2019	*(3,073.0)*	*302.2*	*(49.4)*	*(202.2)*	*2.3*	*1.3*	*(3,018.8)*
Other revenues	29.4	375.8	20.5	26.8	32.2	(44.6)	440.1
Variation vs. 2019	*0.4*	*21.7*	*6.1*	*2.3*	*14.7*	*(15.5)*	*29.7*
Total	(819.6)	1,780.8	460.6	611.6	224.4	80.4	2,338.2
Variation vs. 2019	*(3,062.9)*	*681.8*	*(16.1)*	*(227.2)*	*40.4*	*(4.8)*	*(2,588.8)*

Net premiums – The $400.3 million increase over the first quarter of 2019 is mainly explained by an increase in net segregated fund premiums due to sales growth and an increase in guaranteed investment certificate (GIC) sales in Individual Wealth Management.

Other factors that can cause premiums to fluctuate from one quarter to another are generally as follows:

- The tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of the year.
- Stock market fluctuations and the signing of new agreements with large groups in the group business lines.

Note that net premiums include amounts invested by insureds in segregated funds, but do not include those invested by clients in mutual funds.

Investment income – The $3,018.8 million decrease in investment income compared to first quarter 2019 is largely due to the decrease in the fair value of bond investments, equity investments and derivatives, mainly caused by variations in exchange rates, interest rates, issuer spreads and market performance. These factors had a greater impact on the fair value of investments due to the extreme volatility of financial markets in March. The decrease in investment income is mitigated by an increase in interest income versus 2019, mostly explained by an increase in the notional value of the portfolio, an increase in foreign revenues due to a higher exchange rate, and an increase in dividend income.

Note that investment income mostly fluctuates based on variations in the fair value of investments due to changes in interest rates, stock markets and issuer spreads, particularly for bonds, equities and derivatives. Investment income also varies based on interest income, dividends, rental income from real estate and realized profits and losses on the disposition of available-for-sale assets.

From an accounting standpoint, the majority of stocks and bonds are classified as “Designated at fair value through profit or loss” and are used as underlying assets for the provisions for future policy benefits. The variation in the fair value of these assets is therefore reflected in the increase (decrease) in insurance contract liabilities.

Other revenues – Other revenues represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company’s brokerage subsidiaries and assets managed for third parties. Other revenues increased $29.7 million in the first quarter of 2020 versus first quarter 2019, essentially due to business growth in Individual Wealth Management.

Policy Benefits and Expenses

Policy benefits and expenses decreased by $2,424.9 million in the first quarter compared to the same period last year. This decrease is explained by:

- A decrease in insurance contract liabilities, essentially due to unfavourable market impact. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.

The decrease in policy benefits and expenses was mitigated by:

- An increase in net benefits reflecting the normal course of business. Net benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- An increase in net transfers to segregated funds compared to 2019 in Individual Wealth Management and Group Savings and Retirement.

Income Taxes

For the first quarter of 2020, the Company recorded an income tax recovery of $1.9 million, compared to an income tax expense of $50.5 million in 2019. These amounts represent the Company’s tax expense net of adjustments for prior years, if applicable.

Net Income Attributed to Common Shareholders

Net income attributed to common shareholders totalled $39.1 million for the first quarter of 2020, compared to $151.1 million for the same period last year. This decrease, related to the impacts of the COVID-19 pandemic and the resulting macroeconomic changes, is mainly explained by losses related to the segregated fund hedging program, the negative impact of markets on universal life insurance policies, the goodwill impairment related to PPI Management Inc. (PPI) and, to a lesser extent, the increase in the provision for car loan credit losses.

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

Selected Financial Data

(In millions of dollars, unless otherwise indicated)	2020	2019				2018[13]			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	2,338.2	2,543.9	3,715.5	4,078.7	4,927.0	2,587.4	1,980.2	2,772.7	2,572.1
Net income attributed to common shareholders	39.1	171.2	183.7	181.4	151.1	149.5	164.9	159.1	139.2
Earnings per common share									
Basic	$0.37	$1.60	$1.73	$1.70	$1.41	$1.37	$1.50	$1.45	$1.30
Diluted	$0.36	$1.59	$1.72	$1.69	$1.40	$1.36	$1.50	$1.44	$1.29

Related Party Transactions

There are no material related party transactions outside the normal course of business to report for the first quarter of 2020.

Liquidity

To honour its commitments, the Company maintains a sufficient level of liquidity by holding a proportion of marketable securities and strictly managing cash flows and matching.

Given the volatility of the financial markets, the Company carries out simulations to measure its liquidity needs under various scenarios, some of which can be qualified as extreme. In addition, the various client support measures implemented in the business lines given the current COVID-19 pandemic were assessed in terms of impact on the Company's liquidity. In light of the simulations carried out, and given the quality of its investment portfolio, the Company believes its current level of liquidity is not an issue.

For more information on liquidity risk and how this risk is managed, refer to the "Risk Management" section of the iA Financial Group *2019 Annual Report*.

The Company also has certain investment commitments as well as a line of credit. Its investment commitments correspond to various contractual commitments related to commercial and residential loan offers, private placements, joint ventures and real estate which are not reflected in the financial statements and may not be fulfilled.

For more information on the Company's commitments, refer to Note 19 of the Company's unaudited interim condensed consolidated financial statements.

[13] iA Financial Corporation became the successor issuer and the financial results of iA Insurance for the year ended December 31, 2018 constitute the financial results of iA Financial Corporation. The comparative data for 2018 presented herein is therefore the same as the data for iA Insurance.

Accounting Policies and Main Accounting Estimates

The Company's first quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 *General Information* of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the iA Financial Group *2019 Annual Report*.

More information on new accounting standards used and changes in accounting policies is presented in Note 2 *Changes in Accounting Policies* of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

Investment Mix

(In millions of dollars, unless otherwise indicated)	March 31, 2020	December 31, 2019	March 31, 2019
Book value of investments	41,561.2	39,919.2	36,572.6
Allocation of investments by asset class			
Bonds	66.7%	68.8%	69.0%
Stocks	6.6%	7.6%	8.5%
Mortgages and other loans	9.2%	9.7%	10.0%
Investment properties	4.9%	5.2%	4.7%
Policy loans	2.2%	2.3%	2.6%
Cash and short-term investments	7.2%	2.8%	2.5%
Other	3.2%	3.6%	2.7%
Total	100.0%	100.0%	100.0%

The total value of the investment portfolio amounted to nearly $41.6 billion at March 31, 2020, up from December 31, 2019 despite the significant drop in financial markets in March. The above table shows the main asset classes that make up the Company's investment portfolio. The proportion of readily marketable securities has been increased, ensuring sufficient liquidity to meet commitments during this period of uncertainty caused by the pandemic.

Quality of Investments

(In millions of dollars, unless otherwise indicated)	March 31, 2020	December 31, 2019	March 31, 2019
Gross impaired investments	5.5	21.4	24.2
Provisions for impaired investments	2.8	10.5	8.6
Net impaired investments	2.7	10.9	15.6
Net impaired investments as a % of total investments	0.01%	0.03%	0.04%
Bonds – Proportion rated BB or lower	0.75%	0.87%	0.92%
Mortgages – Proportion of securitized and insured loans[14]	38.0%	37.8%	39.7%
– Proportion of insured loans	34.3%	36.0%	36.9%
– Delinquency rate	0.06%	0.08%	0.10%
Investment properties – Occupancy rate	95.0%	94.0%	96.0%
Car loans – Average credit loss rate (non-prime)[15]	5.5%	5.4%	5.3%

The indicators in the above table confirm the quality of the investment portfolio in the first quarter. The change in impaired investments is related to the disposal of an impaired private bond, while the increase in the average credit loss rate on non-prime car loans is related to the COVID-19 pandemic and resulting economic crisis. Lastly, the decrease in the proportion of bonds rated BB or lower is mainly explained by the reimbursement of certain assets in this category during the quarter.

[14] A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.
[15] Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.

Derivative Financial Instruments			
(In millions of dollars, unless otherwise indicated)	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Total notional amount ($B)	31.8	29.9	19.5
Company's credit risk			
AA - or higher	100%	100%	100%
A +	—	—	—
Positive fair value	911.9	1,003.4	657.1
Negative fair value	1,755.9	454.8	237.1

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

Derivative financial instruments are used as part of the Company’s hedging program designed to alleviate the sensitivity of segregated fund guarantees to interest rate and stock market fluctuations. They are also used to hedge the Company's foreign exchange and interest rate risks and as part of investment strategies to reduce the Company’s risk profile. Despite the success of this program since its implementation, it led to losses in the first quarter, mainly attributable to the extreme volatility on the markets in mid-March due to the COVID-19 pandemic.

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

For more information, refer to Note 4 and Note 7 of the Company's unaudited interim condensed consolidated financial statements.

FINANCIAL POSITION

Capitalization			
(In millions of dollars)	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Equity			
Common shares	1,671.9	1,666.5	1,634.5
Preferred shares issued by a subsidiary	525.0	525.0	525.0
Contributed surplus	17.2	17.5	22.5
Retained earnings	3,878.4	3,823.5	3,467.0
Accumulated other comprehensive income	27.5	55.6	84.8
Subtotal	6,120.0	6,088.1	5,733.8
Debentures	1,447.9	1,049.7	901.5
Participating policyholders' accounts	43.3	41.9	52.7
Total	7,611.2	7,179.7	6,688.0

The Company’s capital amounted to more than $7.6 billion at March 31, 2020, up $431.5 million from December 31, 2019. This increase stems mainly from the subordinated debenture issuance in February mentioned at the beginning of this document.

Solvency[16]

(In millions of dollars, unless otherwise indicated)	March 31, 2020	December 31, 2019	March 31, 2019
Available capital			
Tier 1	3,136.3	3,212.7	3,082.7
Tier 2	1,954.0	1,596.4	1,403.4
Surplus allowance and eligible deposits	4,432.9	4,461.8	4,268.2
Total	9,523.2	9,270.9	8,754.3
Base solvency buffer	6,972.1	6,980.2	7,048.1
Solvency ratio	137%	133%	124%

The Company ended the first quarter of 2020 with a solvency ratio of 137%. The positive variation of four percentage points versus December 31, 2019 is the net result of the following items: subordinated debenture issuance in February (+6.0 percentage points), losses related to the segregated fund hedging program (-1.0 percentage point), organic capital generation (+0.5 percentage points), acquisition of three Canadian dealer services companies in January (-2.0 percentage points), deployment of capital into higher-yielding assets (-0.5 percentage points), macroeconomic changes related to interest rates and financial markets (+3.0 percentage points) and macroeconomic changes related to credit spreads (-2.0 percentage points). The Company's solvency ratio target range is 110% to 116%.

In addition, the solvency ratio is expected to decrease by 17 percentage points due to the IAS Parent Holdings acquisition to be completed in the coming weeks, and to increase by 1 percentage point due to the sale of iA Investment Counsel to be completed in the second quarter.

During the first quarter, the Company organically generated approximately $35 million in additional capital.

Financial Leverage

	March 31, 2020	December 31, 2019	March 31, 2019
Debt ratio			
Debentures/capital	19.0%	14.6%	13.5%
Debentures + preferred shares issued by a subsidiary/capital	25.9%	21.9%	21.3%
Coverage ratio[17]	13.3x	16.6x	14.8x

The increase in debt ratios during the first quarter is essentially due to the subordinated debenture issuance. The decrease in the coverage ratio at March 31, 2020 reflects the decrease in profits realized and the increase in financing charges over the past twelve months.

Book Value per Common Share and Market Capitalization

	March 31, 2020	December 31, 2019	March 31, 2019
Book value per common share	$52.29	$51.99	$48.73
Number of common shares outstanding	107,008,827	106,966,199	106,944,397
Value per share at close	$44.24	$71.49	$49.28
Market capitalization	$4,734,070,506	$7,647,013,567	$5,270,219,884

Book value per common share was $52.29 at March 31, 2020, up 1% from December 31, 2019 and 7% over the last twelve months. Book value growth was slowed during the first quarter due to a lower contribution of earnings.

[16] This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

[17] Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, dividends on preferred shares issued by a subsidiary and redemption premiums on preferred shares issued by a subsidiary (if applicable).

The slight increase in the number of common shares during the quarter is due to the exercise of stock options under the stock option plan for senior managers. In addition, during the first quarter of 2020, the Company redeemed 86,872 shares under its Normal Course Issuer Bid. Under this program, the Company may redeem up to 5,335,397 common shares, representing approximately 5% of its common shares issued and outstanding as at November 1, 2019. The redemption purchases are made at market price at the time of purchase through the facilities of the Toronto Stock Exchange or an alternative Canadian trading system, in accordance with market rules and policies. The common shares redeemed are cancelled. In accordance with regulators' instructions, redemptions are currently on hold.

The Company's market capitalization was over $4.7 billion at March 31, 2020, a decrease of 38.1% during the quarter mainly due to the decrease in the Company's stock price.

DECLARATION OF DIVIDEND

The Board of Directors of iA Financial Corporation approved a quarterly dividend of $0.4850 per share on the Company's outstanding common shares, the same as that announced the previous quarter.

The Board of Directors of iA Insurance approved a quarterly dividend of $0.2875 per Non-Cumulative Class A Preferred Share – Series B, $0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and $0.3000 per Non-Cumulative Class A Preferred Share – Series I.

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

Declaration of Dividend

	Amount	Payment date	Closing date	
Common share – iA Financial Corporation	$0.4850	June 15, 2020	May 22, 2020	
Class A Preferred Share – Series B – iA Insurance	$0.2875	June 30, 2020	May 29, 2020	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	$0.2360625	June 30, 2020	May 29, 2020	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	$0.3000	June 30, 2020	May 29, 2020	Non-cumulative dividend

No dividend will be paid in the second quarter to iA Insurance's sole common shareholder, iA Financial Corporation.

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

Reinvestment of Dividends

Registered shareholders wishing to enrol in the Company's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on June 15, 2020 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on May 14, 2020. Enrolment information is provided on iA Financial Group's website at ia.ca under *About iA,* in the *Investor Relations/Dividends* section. Common shares issued under the Company's DRIP will be purchased on the secondary market and no discount will apply.

SENSITIVITY ANALYSIS

Sensitivity Analysis[18]			
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
S&P/TSX Closing Value	13,379 points	17,063 points	16,102 points
Solvency ratio	137%	133%	124%
Impact of a drop in the stock markets (S&P/TSX Index)[19]			
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(13%)	(24%)	(26%)
Index trigger threshold	11,700 points	13,000 points	11,900 points
Net income impact due to provision strengthening for each 1% S&P/TSX additional decrease below this level	($19.3M)	N/A	N/A
Decrease in index that reduces the solvency ratio to 110%	(87%)	(91%)	(73%)
Index trigger threshold	1,800 points	1,500 points	4,400 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	($26M)	($31M)	($32M)
Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates			
Drop in initial reinvestment rate (IRR)	$0M	$2M	($13M)
Drop in ultimate reinvestment rate (URR)	($66M)	($61M)	($68M)

Caution related to sensitivities

The sensitivities presented above are estimates of the impact on the financial statements of sudden changes in interest rates and equity values. Actual results can differ significantly from these estimates for a variety of reasons such as the interaction between these factors, changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors and limitations of our internal models. Therefore, these sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions indicated above. Given the nature of these calculations, we cannot provide assurance that the actual impact on net income and the solvency ratio will be as outlined.

Capital sensitivities to equity market – Equity market variation represents an immediate change in public and private equity investments (excluding infrastructure investments) at quarter-end. These sensitivities include the use of the Company’s stock market protection to prevent an impact on net income and the impact of rebalancing equity hedges for the Company’s dynamic hedging program. They exclude any subsequent action on the Company’s investment portfolio.

RISK UPDATE

No changes have been made to the Company's risk management and governance practices presented in the *2019 Annual Report*. This section evaluates the impact of the COVID-19 crisis on the Company's main risks.

Our preliminary observations are based on the information currently available and are subject to change as the crisis and the government measures impacting equity markets and policyholder behaviour evolve over the coming months.

Business Continuity

When the first alerts were issued by the World Health Organization (WHO) in late January, the Incident Coordination Committee (ICC) set up a risk watch and put together a comprehensive action plan for the Company. In February 2020, the Company began putting measures in place to protect employees and the community. Virtually all employees have been working remotely since mid-March.

To fully support the distribution network amid social distancing requirements, the Company accelerated the development of its digital tools, trained its advisors and safeguarded its processes to allow remote client support and ensure business continuity.

[18] The sensitivity analysis is based on non-IFRS measures.
[19] The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.

Data Security and Cyber Risk
In the deployment of the business continuity plan, and in particular with respect to remote working, the Company has closely monitored data security risk and other cyber risks and reinforced the controls in place where appropriate.

Insurance Risk
COVID-19 has temporarily increased uncertainty about claims volume due to policyholder behaviour, mortality, morbidity, longevity and general insurance claims. Although COVID-19 is expected to have a one-time impact over the next few quarters, as at March 31, 2020, no significant changes have been made to the actuarial assumptions for insurance risk used in the provisions for future policy benefits. The Company's sensitivity related to these assumptions is presented in the "Risk Management" section of the *2019 Annual Report*.

Interest Rate Risk
The following tables summarize the impact of matching and interest rate risk on net income attributed to common shareholders and on accumulated other comprehensive income.

Variation in Net Income Attributed to Common Shareholders Resulting from Adverse Deviations

(In millions of dollars)	Q1-2020	2019
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR)	(1)	(6)
10 basis point decrease in the ultimate reinvestment rate (URR)	66	61

Variation in Accumulated Other Comprehensive Income Resulting from Interest Rate Fluctuations

(In millions of dollars)	Q1-2020	2019
Interest rate risk		
25 basis point drop in interest rates	5	(6)

Stock Market Risk
The Company estimates that a sudden 10% drop in the markets as at March 31, 2020 would have led to a $26 million decrease in net income ($31 million as at December 31, 2019) and a $43 million decrease in other comprehensive income over a twelve-month period ($48 million as at December 31, 2019).

The Company still has the leeway to absorb, without a significant impact on its provisions for future policy benefits related to individual insurance, a drop in the markets of 13% compared to their levels at March 31, 2020.

NOTICE AND GENERAL INFORMATION

Internal Control Over Financial Reporting
No changes were made to the Company’s internal control over financial reporting during the interim period ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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

Non-IFRS financial measures published by iA Financial Corporation include, but are not limited to: return on common shareholders' equity (ROE), core earnings per common share (core EPS), core return on common shareholders' equity (core ROE), sales, net sales, assets under management (AUM), assets under administration (AUA), premium equivalents, deposits, sources of earnings measures (expected profit on in-force, experience gains and losses, strain on sales, changes in assumptions, management actions and income on capital), capital, solvency ratio, interest rate and equity market sensitivities, loan originations, finance receivables and average credit loss rate on car loans.

The analysis of profitability according to the sources of earnings presents sources of income in compliance with the guideline issued by the Office of the Superintendent of Financial Institutions and developed in co-operation with the Canadian Institute of Actuaries. This analysis is intended to be a supplement to the disclosure required by IFRS and to facilitate the understanding of the Company's financial position by both existing and prospective stakeholders to better form a view as to the quality, potential volatility and sustainability of earnings. It provides an analysis of the difference between actual income and the income that would have been reported had all assumptions at the start of the reporting period materialized during the reporting period. It sets out the following measures: expected profit on in-force business (representing the portion of the consolidated net income on business in force at the start of the reporting period that was expected to be realized based on the achievement of best-estimate assumptions); experience gains and losses (representing gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period); new business strain (representing the point-of-sale impact on net income of writing new business during the period); changes in assumptions, management actions and income on capital (representing the net income earned on the Company's surplus funds).

Core earnings per common share is a non-IFRS measure used to better understand the capacity of the Company to generate sustainable earnings.

Management's estimate of core earnings per common share excludes: 1) specific items, including but not limited to year-end assumption changes and unusual income tax gains and losses; 2) gains and losses from macroeconomic variations related to universal life policies, the level of assets backing long-term liabilities, investment funds (MERs) and the dynamic hedging program for segregated fund guarantees; 3) gains and losses in excess of $0.04 per share, on a quarterly basis, for strain on Individual Insurance sales, for policyholder experience by business segment (Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations and iA Auto and Home Insurance), for usual income tax gains and losses and for investment income on capital.

Sales is a non-IFRS measure used to assess the Company's ability to generate new business. They are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include fund entries from both in-force contracts and new business written during the period. Assets under management and administration is a non-IFRS measure used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration. An analysis of revenues by sector is presented in the "Analysis According to the Financial Statements" section of the Management's Discussion and Analysis.

Forward-Looking Statements

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

Although iA Financial Group believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions; level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of iA Financial Group including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by iA Financial Group; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the “Risk Management” section of the Management's Discussion and Analysis for 2019, the “Management of Risks Associated with Financial Instruments” note to the audited consolidated financial statements for the year ended December 31, 2019, the “Risk Update” section of this Management's Discussion and Analysis, and elsewhere in iA Financial Group's filings with Canadian Securities Administrators, which are available for review at sedar.com.

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

Documents Related to the Financial Results

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

Consolidated Income Statements

(Unaudited, in millions of dollars, unless otherwise indicated)	Three months ended March 31	
	2020	2019
	$	$
Revenues		
Premiums		
Gross premiums	**2,950**	2,541
Premiums ceded	**(195)**	(186)
Net premiums (Note 16)	**2,755**	2,355
Investment income (Note 4)		
Interest and other investment income	**443**	326
Change in fair value of investments	**(1,300)**	1,836
	(857)	2,162
Other revenues	**440**	410
	2,338	4,927
Policy benefits and expenses		
Gross benefits and claims on contracts	**1,613**	1,494
Ceded benefits and claims on contracts	**(134)**	(117)
Net transfer to segregated funds	**688**	224
Increase (decrease) in insurance contract liabilities	**(702)**	2,350
Increase (decrease) in investment contract liabilities	**1**	14
Decrease (increase) in reinsurance assets	**(75)**	(39)
	1,391	3,926
Commissions	**441**	385
General expenses	**412**	361
Premium and other taxes	**33**	32
Financing charges	**17**	15
	2,294	4,719
Income before income taxes	**44**	208
Income taxes (Note 15)	**(2)**	50
Net income	**46**	158
Net income attributed to participating policyholders	**1**	1
Net income attributed to shareholders	**45**	157
Dividends attributed to preferred shares issued by a subsidiary (Note 11)	**6**	6
Net income attributed to common shareholders	**39**	151
Earnings per common share (in dollars) (Note 17)		
Basic	**0.37**	1.41
Diluted	**0.36**	1.40
Weighted average number of shares outstanding (in millions of units) (Note 17)		
Basic	**107**	108
Diluted	**107**	108
Dividends per common share (in dollars) (Note 10)	**0.49**	0.42

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated Comprehensive Income Statements

(Unaudited, in millions of dollars)	Three months ended March 31	
	2020	2019
	$	$
Net income	**46**	158
Other comprehensive income, net of income taxes		
Items that may be reclassified subsequently to net income:		
Available for sale financial assets		
Unrealized gains (losses) on available for sale financial assets	**(118)**	70
Reclassification of losses (gains) on available for sale financial assets included in net income	**(8)**	(2)
	(126)	68
Net investment hedge		
Unrealized gains (losses) on currency translation in foreign operations	**128**	(25)
Hedges of net investment in foreign operations	**(110)**	20
	18	(5)
Cash flow hedge		
Unrealized gains (losses) on cash flow hedges	**80**	(1)
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	**69**	(22)
Total other comprehensive income	**41**	40
Comprehensive income	**87**	198
Comprehensive income attributed to participating policyholders	**1**	1
Comprehensive income attributed to shareholders	**86**	197

Income Taxes Included in Other Comprehensive Income

(Unaudited, in millions of dollars)	Three months ended March 31	
	2020	2019
	$	$
Income tax recovery (expense) related to:		
Items that may be reclassified subsequently to net income:		
Unrealized losses (gains) on available for sale financial assets	**42**	(25)
Reclassification of gains (losses) on available for sale financial assets included in net income	**3**	2
Unrealized losses (gains) on cash flow hedges	**(12)**	—
Hedges of net investment in foreign operations	**19**	(3)
	52	(26)
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	**(24)**	8
Total income tax recovery (expense) included in other comprehensive income	**28**	(18)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated Statements of Financial Position

(In millions of dollars)	**As at March 31**	As at December 31
	2020	2019
	(unaudited)	
	$	$
Assets		
Investments (Note 4)		
Cash and short-term investments	**2,992**	1,108
Bonds	**27,708**	27,508
Stocks	**2,752**	3,024
Mortgages and other loans	**3,815**	3,870
Derivative financial instruments (Note 7)	**912**	1,003
Policy loans	**927**	900
Other invested assets	**433**	429
Investment properties	**2,022**	2,077
	41,561	39,919
Other assets	**2,667**	2,193
Reinsurance assets	**1,258**	1,030
Fixed assets	**399**	394
Deferred income tax assets	**66**	28
Intangible assets	**1,200**	1,110
Goodwill	**660**	606
General fund assets	**47,811**	45,280
Segregated funds net assets (Note 8)	**25,460**	27,868
Total assets	**73,271**	73,148
Liabilities		
Insurance contract liabilities	**30,175**	30,665
Investment contract liabilities	**632**	630
Derivative financial instruments (Note 7)	**1,756**	455
Other liabilities	**7,359**	6,063
Deferred income tax liabilities	**278**	287
Debentures	**1,448**	1,050
General fund liabilities	**41,648**	39,150
Liabilities related to segregated funds net assets (Note 8)	**25,460**	27,868
Total liabilities	**67,108**	67,018
Equity		
Share capital and contributed surplus	**1,689**	1,684
Preferred shares issued by a subsidiary (Note 11)	**525**	525
Retained earnings and accumulated other comprehensive income	**3,906**	3,879
Participating policyholders' accounts	**43**	42
	6,163	6,130
Total liabilities and equity	**73,271**	73,148

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated Equity Statements

(Unaudited, in millions of dollars)	As at March 31, 2020						
	Participating policyholders' accounts	Common shares	Preferred shares issued by a subsidiary	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 10)	(Note 11)			(Note 12)	
	$	$	$	$	$	$	$
Balance as at December 31, 2018	52	1,655	525	23	3,440	23	5,718
Net income attributed to shareholders	—	—	—	—	709	—	709
Net income attributed to participating policyholders' accounts	(10)	—	—	—	—	—	(10)
Other comprehensive income	—	—	—	—	—	12	12
Comprehensive income for the year	(10)	—	—	—	709	12	711
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	(21)	21	—
Stock option plan	—	—	—	4	—	—	4
Stock options exercised	—	—	—	(9)	—	—	(9)
Common shares issued	—	54	—	—	—	—	54
Redemption of common shares	—	(43)	—	—	(96)	—	(139)
Dividends on common shares	—	—	—	—	(188)	—	(188)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(22)	—	(22)
Other	—	—	—	—	1	—	1
	—	11	—	(5)	(326)	21	(299)
Balance as at December 31, 2019	42	1,666	525	18	3,823	56	6,130
Net income attributed to shareholders	**—**	**—**	**—**	**—**	**45**	**—**	**45**
Net income attributed to participating policyholders' accounts	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**41**	**41**
Comprehensive income for the period	**1**	**—**	**—**	**—**	**45**	**41**	**87**
Equity transactions							
Transfer of post-employment benefits	**—**	**—**	**—**	**—**	**69**	**(69)**	**—**
Stock options exercised	**—**	**—**	**—**	**(1)**	**—**	**—**	**(1)**
Common shares issued	**—**	**7**	**—**	**—**	**—**	**—**	**7**
Redemption of common shares	**—**	**(1)**	**—**	**—**	**(3)**	**—**	**(4)**
Dividends on common shares	**—**	**—**	**—**	**—**	**(52)**	**—**	**(52)**
Dividends on preferred shares issued by a subsidiary	**—**	**—**	**—**	**—**	**(6)**	**—**	**(6)**
Other	**—**	**—**	**—**	**—**	**2**	**—**	**2**
	—	**6**	**—**	**(1)**	**10**	**(69)**	**(54)**
Balance as at March 31, 2020	**43**	**1,672**	**525**	**17**	**3,878**	**28**	**6,163**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

(Unaudited, in millions of dollars)	As at March 31, 2019						
	Participating policyholders' accounts	Common shares	Preferred shares issued by a subsidiary	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 10)	(Note 11)			(Note 12)	
	$	$	$	$	$	$	$
Balance as at December 31, 2018	52	1,655	525	23	3,440	23	5,718
Net income attributed to shareholders	—	—	—	—	157	—	157
Net income attributed to participating policyholders' accounts	1	—	—	—	—	—	1
Other comprehensive income	—	—	—	—	—	40	40
Comprehensive income for the period	1	—	—	—	157	40	198
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	(22)	22	—
Stock option plan	—	—	—	1	—	—	1
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	7	—	—	—	—	7
Redemption of common shares	—	(28)	—	—	(58)	—	(86)
Dividends on common shares	—	—	—	—	(45)	—	(45)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(6)	—	(6)
Other	—	—	—	—	1	—	1
	—	(21)	—	—	(130)	22	(129)
Balance as at March 31, 2019	53	1,634	525	23	3,467	85	5,787

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated Cash Flows Statements

(Unaudited, in millions of dollars)	Three months ended March 31	
	2020	2019
	$	$
Cash flows from operating activities		
Income before income taxes	**44**	208
Financing charges	**17**	15
Income taxes paid, net of refunds	**(51)**	(116)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	**(663)**	2,377
Increase (decrease) in investment contract liabilities	**2**	(2)
Decrease (increase) in reinsurance assets	**(93)**	(69)
Unrealized losses (gains) on investments	**1,302**	(1,834)
Provisions for losses	**20**	8
Amortization of premiums and discounts	**4**	3
Other depreciation	**54**	40
Goodwill impairment (Note 14)	**24**	—
Other items not affecting cash	**19**	(34)
Operating activities affecting cash:		
Sales, maturities and repayments on investments	**4,026**	3,459
Purchases of investments	**(3,788)**	(3,779)
Realized losses (gains) on investments	**(14)**	(11)
Other items affecting cash	**805**	(212)
Net cash from (used in) operating activities	**1,708**	53
Cash flows from investing activities		
Acquisition of businesses, net of cash	**(104)**	—
Sales (purchases) of fixed and intangible assets[1]	**(38)**	(35)
Net cash from (used in) investing activities	**(142)**	(35)
Cash flows from financing activities		
Issuance of common shares (Note 10)	**6**	6
Redemption of common shares (Note 10)	**(4)**	(86)
Issuance of debentures (Note 9)	**398**	—
Reimbursement of lease liabilities[1]	**(13)**	(4)
Dividends paid on common shares	**(52)**	(45)
Dividends paid on preferred shares issued by a subsidiary	**(6)**	(6)
Interest paid on debentures	**(16)**	(10)
Interest paid on lease liabilities	**(1)**	(1)
Net cash from (used in) financing activities	**312**	(146)
Foreign currency gains (losses) on cash	**6**	(1)
Increase (decrease) in cash and short-term investments	**1,884**	(129)
Cash and short-term investments at beginning	**1,108**	1,046
Cash and short-term investments at end	**2,992**	917
Supplementary information:		
Cash	**2,625**	479
Short-term investments	**367**	438
Total cash and short-term investments	**2,992**	917

[1] For the three months ended March 31, 2020, fixed assets and lease liabilities presented in the Consolidated Statements of Financial Position include an amount of $18 ($4 for the three months ended March 31, 2019) of initial capitalization not affecting cash.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2020 and 2019 (unaudited) (in millions of dollars, unless otherwise indicated)

1 › General Information

iA Financial Corporation Inc. (iA Financial Corporation) is a holding company listed on the Toronto Stock Exchange and incorporated under the *Business Corporations Act* (Quebec). iA Financial Corporation and its subsidiaries (the "Company") offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, auto and home insurance, mortgages, and other financial products and services. The Company's products and services are offered on both an individual and group basis and extend throughout Canada and the United States.

On January 1, 2019, Industrial Alliance Insurance and Financial Services Inc. (iA Insurance) and iA Financial Corporation completed an operation pursuant to which iA Financial Corporation became the holding company that owns all the common shares of iA Insurance by way of a plan of arrangement under the Companies Act (Quebec) and the Business Corporations Act (Quebec) (the "arrangement") .

Pursuant to the arrangement, all of the outstanding common shares of iA Insurance as at January 1, 2019 were exchanged for newly issued common shares of the Company, on a one for one basis. Issued and outstanding iA Insurance preferred shares and debentures remain issued by iA Insurance and have been guaranteed by the Company in accordance with the terms of the arrangement. The Company is a "successor issuer" of iA Insurance as defined in the securities regulations with respect to previously issued common shares of iA Insurance. This change in company structure was recorded at the carrying amount.

The Company's Interim Consolidated Financial Statements are prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB). These Interim Consolidated Financial Statements do not contain all the information required in a complete annual financial statement and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2019, which are included in the 2019 Annual Report. The significant accounting policies used to prepare these Interim Consolidated Financial Statements are consistent with those found in the 2019 Annual Report, except for items mentioned in Note 2.

Publication of these Interim Consolidated Financial Statements was authorized for issue by the Company's Board of Directors on May 7, 2020.

2 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2020.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 4 *Insurance Contracts*	*Description:* On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts*. This amendment, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, provides two options to entities applying IFRS 4: • the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; • the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities. On March 17, 2020, the IASB decided to extend the deferral approach until January 1, 2023. The IASB expects to issue the amendment to IFRS 17 *Insurance Contracts* in the second quarter of 2020. *Status:* The Company met all criteria and chose the deferral approach, as described below. The Company will apply IFRS 9 only to financial statements beginning on January 1, 2021, or January 1, 2023 once the amendment has been published.
Conceptual Framework for Financial Reporting	*Description:* On March 29, 2018, the IASB published a revised version of the Conceptual Framework for Financial Reporting. The IASB decided to revise the Conceptual Framework because important issues were not addressed and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. This revised version applies prospectively. *Impact:* No impact on the Company's financial statements.
IFRS 3 *Business Combinations*	*Description:* On October 22, 2018, the IASB published an amendment to the standard IFRS 3 *Business Combinations*. The amendment *Definition of a Business* clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment applies prospectively. *Impact:* No impact on the Company's financial statements.

IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Description:* On October 31, 2018, the IASB published an amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment *Definition of Material* clarifies the definition of material in IAS 1 along with the explanation accompanying that definition and aligns the definitions used across IFRS standards. This amendment applies prospectively. *Impact:* No impact on the Company's financial statements.

Future Changes in Accounting Policies
Standards or amendments are presented on the basis of their publication date unless a more relevant approach allows for better information.

Standards or amendments	Description of the standards or amendments
IFRS 9 *Financial Instruments*	The Company adopted the amendment to IFRS 4 *Insurance Contracts* described in the section "New Accounting Policies Applied". Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17. *Description:* On July 24, 2014, the IASB published the standard IFRS 9 *Financial Instruments* which replaces the provisions of the standard IAS 39 *Financial Instruments: Recognition and Measurement*. The standard IFRS 9: • requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets; • changes the accounting for financial liabilities measured using the fair value option; • proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; • modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. The provisions of this new standard will apply retrospectively or on a modified retrospective basis. On October 12, 2017, the IASB published an amendment to IFRS 9 *Financial Instruments*. The amendment *Prepayment Features with Negative Compensation* enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation. *Status:* The Company is evaluating the impact of this standard on its financial statements.
IFRS 17 *Insurance Contracts*	*Description:* On May 18, 2017, the IASB published the standard IFRS 17 *Insurance Contracts* which replaces the provisions of the standard IFRS 4 *Insurance Contracts*. The standard IFRS 17: • has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement; • establishes the principles for recognition, measurement, presentation and disclosure; • defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities; • defines a specific model for contracts of one year or less. The provisions of this new standard will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2021. Early adoption is permitted if IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are previously applied. On March 17, 2020, the IASB decided to extend the date of application to financial statements beginning on or after January 1, 2023. The IASB expects to issue the amendment to IFRS 17 *Insurance Contracts* in the second quarter of 2020. *Status:* The Company is evaluating the impact on presentation, disclosure and measurement of the insurance contract liabilities that this standard will have on its financial statements.
IAS 1 *Presentation of Financial Statements*	*Description:* On January, 23 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. *Status:* The Company is evaluating the impact of this amendment on its financial statements.

Information on the Deferral of the Application of IFRS 9 *Financial Instruments*
The Company applies IFRS 4 *Insurance Contracts* in its operations. This standard was amended in 2016 to allow entities that apply IFRS 4 to defer the application of IFRS 9 *Financial Instruments* if total liabilities for insurance activities represent more than 90% of the entity's total liabilities. This calculation is made as of the closing date preceding April 1, 2016, the calculation date identified in the standard.

For this calculation, the Company primarily considered insurance contract liabilities, investment contract liabilities, liabilities related to segregated funds net assets and debentures as at December 31, 2015. Liabilities related to its insurance activities are greater than 90% of total liabilities.

The Company has decided to defer the application of IFRS 9 until IFRS 17 Insurance Contracts is adopted. IFRS 17 includes the measurement principles of these policies. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables or available for sale as at March 31, 2020, an amount of $653 ($756 as at December 31, 2019) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

3 › Acquisition of Businesses

Preliminary Allocation of the Acquisition Price

On January 10, 2020, the Company announced that it has acquired 100% of the shares of three companies specializing in vehicle warranties in Canada: WGI Service Plan Division Inc. and WGI Manufacturing Inc. (collectively "WGI") as well as Lubrico Warranty Inc. for a total amount of $107. WGI wholesale manufactures and administrates chemical protection products for the automobile industry through independent dealers across Canada. As for Lubrico Warranty Inc., it sells car warranties through used vehicle dealerships across Canada (except in the province of Quebec).

The Company has up to 12 months following the acquisition date to complete the allocation of the acquisition price. As at March 31, 2020, the goodwill acquired in these businesses acquisitions had not been allocated yet to a cash-generating unit (CGU). Once the analysis is finalized, allocation of the preliminary purchase price and its distribution by line of business could be adjusted.

The preliminary allocation of the acquisition price is summarized as follows:

	As at March 31, 2020
	$
Fair value of preliminary identifiable assets and liabilities acquired	(23)
Fair value of preliminary intangible assets	72
Fair value of preliminary deferred income tax liabilities on intangible assets	(19)
Fair value of preliminary net identifiable assets acquired	30
Preliminary goodwill	77
	107
Acquisition price :	
Cash	109
Account receivable	(2)
	107

Revenues and net income of all the acquired entities did not have a significant impact on the Company's financial results. Goodwill is not deductible for tax purposes.

4 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

	As at March 31, 2020					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	$	$	$	$	$	$
Cash and short-term investments	1,710	—	1,282	—	2,992	2,992
Bonds						
Governments	11,327	1,428	106	—	12,861	
Municipalities	1,183	172	40	—	1,395	
Corporate and other	9,374	1,722	2,356	—	13,452	
	21,884	3,322	2,502	—	27,708	27,997
Stocks						
Common	1,631	44	—	—	1,675	
Preferred	152	284	—	—	436	
Stock indexes	182	12	—	—	194	
Investment fund units	441	6	—	—	447	
	2,406	346	—	—	2,752	2,752
Mortgages and other loans						
Insured mortgages						
Residential	—	—	820	—	820	
Multi-residential	—	—	1,349	—	1,349	
Non-residential	—	—	6	—	6	
	—	—	2,175	—	2,175	
Conventional mortgages						
Residential	—	—	302	—	302	
Multi-residential	71	—	197	—	268	
Non-residential	31	—	231	—	262	
	102	—	730	—	832	
Other loans	—	—	808	—	808	
	102	—	3,713	—	3,815	3,963
Derivative financial instruments	912	—	—	—	912	912
Policy loans	—	—	927	—	927	927
Other invested assets	—	—	4	429	433	433
Investment properties	—	—	—	2,022	2,022	2,044
Total investments	27,014	3,668	8,428	2,451	41,561	42,020

	As at December 31, 2019					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	$	$	$	$	$	$
Cash and short-term investments	489	—	619	—	1,108	1,108
Bonds						
Governments	11,714	1,870	111	—	13,695	
Municipalities	1,106	166	40	—	1,312	
Corporate and other	8,601	1,721	2,179	—	12,501	
	21,421	3,757	2,330	—	27,508	27,750
Stocks						
Common	1,621	34	—	—	1,655	
Preferred	186	374	—	—	560	
Stock indexes	215	98	—	—	313	
Investment fund units	489	7	—	—	496	
	2,511	513	—	—	3,024	3,024
Mortgages and other loans						
Insured mortgages						
Residential	—	—	846	—	846	
Multi-residential	—	—	1,419	—	1,419	
Non-residential	—	—	6	—	6	
	—	—	2,271	—	2,271	
Conventional mortgages						
Residential	—	—	293	—	293	
Multi-residential	66	—	193	—	259	
Non-residential	28	—	225	—	253	
	94	—	711	—	805	
Other loans	—	—	794	—	794	
	94	—	3,776	—	3,870	3,917
Derivative financial instruments	1,003	—	—	—	1,003	1,003
Policy loans	—	—	900	—	900	900
Other invested assets	—	—	5	424	429	429
Investment properties	—	—	—	2,077	2,077	2,099
Total investments	25,518	4,270	7,630	2,501	39,919	40,230

The *At fair value through profit or loss* category includes securities held for trading, mainly derivative financial instruments and short-term investments as well as securities designated at fair value through profit or loss. Other invested assets are made up of notes receivable, investments in associates and investments in joint ventures accounted for using the equity method.

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at March 31, 2020 (ranging from 25% to 50% as at December 31, 2019). The carrying value of these investments as at March 31, 2020 is $429 ($422 as at December 31, 2019). The share of net income and comprehensive income for the three months ended March 31, 2020 amounts to $2 ($5 for the three months ended March 31, 2019).

c) Investment Income

	Three months ended March 31	
	2020	2019
	$	$
Interest and other investment income		
Interest	**319**	236
Dividends	**59**	28
Derivative financial instruments	**(3)**	5
Rental income	**59**	48
Gains (losses) realized	**14**	11
Variation in provisions for losses	**(20)**	(8)
Other	**15**	6
	443	326
Change in fair value of investments		
Cash and short-term investments	**2**	2
Bonds	**(109)**	1,178
Stocks	**(199)**	119
Mortgages and other loans	**11**	(1)
Derivative financial instruments	**(972)**	557
Investment properties	**(33)**	(8)
Other	**—**	(11)
	(1,300)	1,836
Total investment income	**(857)**	2,162

5 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management exercises its judgment to determine the data that will be used to measure the fair value of financial assets and liabilities, particularly for financial instruments classified as Level 3. Fair value of various categories of financial instruments and investment properties is determined as described below.

Financial Assets

Short-Term Investments – Carrying value of these investments represents the fair value due to their short-term maturity.

Bonds – Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have a similar risk profile and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation and other reference data published by the market. Management uses its best estimates when such data are not available.

Stocks – Stocks are valued based on quote price, observed on active markets. If the price is not available on the active markets, fair value is determined using equity valuation models, which analyze the fair value of the net asset, and other techniques that rely on comparisons with reference data, such as market indices. Investment fund units are evaluated at the net asset value published by the fund manager.

Mortgages and Other Loans – The fair value of mortgages and other loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for loans with substantially the same credit risk and terms.

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative financial instrument. Fair value of derivative financial instruments, such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable in the market is used to ascertain the fair value of these derivative financial instruments. While these data are not observable, they are based on assumptions deemed appropriate given the circumstances. Once the restricted trading period ends, the instruments are valued using standard valuation models based on data observable in the market, as described previously. The Company's use of non-observable data is limited to the trading restrictions period, and their effect on the fair value of derivative financial instruments does not represent a significant amount.

Policy Loans – Policy loans are carried at amortized cost. They are guaranteed and may be reimbursed at any time. Their fair value approximates their carrying value due to their nature.

Other Investments – The fair value of other investments is approximately the same as the carrying value due to the nature of these elements.

Other Assets – The fair value of the other financial assets is approximately the same as the carrying value due to their short-term nature.

Investment Properties

The fair value of investment properties is determined using various recognized methods and standards of assessment in the real estate sector. Among these methods, the income approach is the most commonly used, as it is based on an investor's behaviour in relation to income expected to be generated by an investment property. Under this approach, discounting of the cash flows generated by an investment property is preferred as it measures the relationship between the market value and the reasonably discounted incomes over an investment horizon. Expected cash flows include contractual and projected income as well as the investment property's operating expenses. These cash flows reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect and estimates of future cash inflows, including revenues projected for future leases, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, current type and quality of the building, and market data and projections as of the date of the valuation. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. Highest and best use is one of the possible valuation methods. Highest and best use of a site is an integral part of the process to establish the fair value of an investment property. This use is the one that, at the time of the appraisal, provides the highest fair value for the investment property. As a result, this use is determined by considering possible, legally admissible, financially feasible physical use achievable in the short term based on demand and must be tied to the likelihood of being achieved rather than to the simple possibility. Assessments are carried out by external independent appraisers on an annual basis or by qualified Company personnel quarterly.

Financial Liabilities

Derivative Financial Instruments – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 7 "Derivative Financial Instruments" and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the "Financial Assets" section.

Other Liabilities – The fair value of other liabilities, except short-selling securities, securitization liabilities and mortgage debt, is approximately the same as the carrying value due to their short-term nature.

Short-selling securities, classified as held for trading, are measured using the observed market prices in active markets for identical or similar financial instruments. If quoted prices in active markets are not available, fair value is estimated using standard methods of assessment, such as a model based on discounted future cash flows or similar techniques. These methods take into account the current observable market data for financial instruments with a similar risk profile and comparable terms. Important data used in these models include, but are not limited to, yield curves, credit risk, issuer spreads, the measure of volatility and liquidity and other reference data published by the markets.

The fair value of securitization liabilities and mortgage debt is estimated by discounting cash flows with the interest rates currently prevailing on the market for new debts with substantially the same terms.

The fair value of the mortgage debt is $75 ($76 as at December 31, 2019). It is secured by real estate with a carrying value of $74 ($74 as at December 31, 2019), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is less than $1 (less than $1 for the three months ended March 31, 2019).

Debentures – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments.

b) Hierarchy of the Fair Value

Disclosures regarding financial instruments and investment properties must be presented as a hierarchy that categorizes the inputs to valuation models used to measure the fair value of financial assets and financial liabilities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobserved inputs. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.

Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.

Level 3 – Valuation model based on valuation techniques that use largely unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

If a financial instrument classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2. If the measurement of its fair value requires the use of significant unobservable inputs, it is directly reclassified into Level 3.

Assets

	As at March 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	—	1,710	—	1,710
Bonds				
Designated at fair value through profit or loss				
Governments	578	10,749	—	11,327
Municipalities	—	1,183	—	1,183
Corporate and other	—	9,246	128	9,374
	578	21,178	128	21,884
Available for sale				
Governments	150	1,278	—	1,428
Municipalities	—	172	—	172
Corporate and other	—	1,711	11	1,722
	150	3,161	11	3,322
	728	24,339	139	25,206
Stocks				
Designated at fair value through profit or loss	1,033	—	1,373	2,406
Available for sale	29	284	33	346
	1,062	284	1,406	2,752
Mortgages and other loans				
Designated at fair value through profit or loss	—	102	—	102
Derivative financial instruments				
Held for trading	45	867	—	912
Investment properties	—	—	2,022	2,022
General fund investments recognized at fair value	1,835	27,302	3,567	32,704
Segregated funds financial instruments and investment properties	18,646	6,386	195	25,227
Total financial assets at fair value	20,481	33,688	3,762	57,931

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	—	489	—	489
Bonds				
Designated at fair value through profit or loss				
Governments	850	10,864	—	11,714
Municipalities	—	1,106	—	1,106
Corporate and other	—	8,472	129	8,601
	850	20,442	129	21,421
Available for sale				
Governments	76	1,794	—	1,870
Municipalities	—	166	—	166
Corporate and other	—	1,710	11	1,721
	76	3,670	11	3,757
	926	24,112	140	25,178
Stocks				
Designated at fair value through profit or loss	1,220	—	1,291	2,511
Available for sale	108	374	31	513
	1,328	374	1,322	3,024
Mortgages and other loans				
Designated at fair value through profit or loss	—	94	—	94
Derivative financial instruments				
Held for trading	229	774	—	1,003
Investment properties	—	—	2,077	2,077
General fund investments recognized at fair value	2,483	25,843	3,539	31,865
Segregated funds financial instruments and investment properties	21,343	6,373	90	27,806
Total financial assets at fair value	23,826	32,216	3,629	59,671

Transfers from level 1 to level 2 during the three months ended March 31, 2020 have a value of $564 (none for the year ended December 31, 2019). Transfers from level 1 to level 2 result from the application of a fair value adjustment for events which took place after the market close but before the valuation date. These transfers are related to segregated fund financial instruments and investment properties.

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.45% to 4.57% as at March 31, 2020 (1.09% to 2.68% as at December 31, 2019). Stocks classified into Level 3 are mainly valuated from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at March 31, 2020 are the discount rate, which is between 5.25% and 7.75% (5.25% and 7.75% as at December 31, 2019) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.25% as at December 31, 2019). The discount rate is based on market activity by type of building and the location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and location. This rate reflects the expected rate of return on the investment over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

Due to the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company does not assess whether the application of other assumptions would have an impact on fair value. Also, the investment properties as well as bonds and stocks classified as designated at fair value through profit or loss support the Company's insurance contract liabilities. Consequently, changes in fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the Canadian Asset Liability Method (CALM). Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

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

	Three months ended March 31, 2020							
	Balance as at December 31, 2019	**Realized and unrealized gains (losses) included in net income**	**Realized and unrealized gains (losses) included in other comprehensive income**	**Purchases**	**Sales and settlements**	**Transfers in (out) of Level 3**	**Balance as at March 31, 2020**	**Total unrealized gains (losses) included in net income on investments still held**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Bonds								
Designated at fair value through profit or loss	**129**	**—**	**—**	**25**	**(26)**	**—**	**128**	**—**
Available for sale	**11**	**—**	**—**	**—**	**—**	**—**	**11**	**—**
Stocks								
Designated at fair value through profit or loss	**1,291**	**29**	**—**	**90**	**(37)**	**—**	**1,373**	**30**
Available for sale	**31**	**—**	**1**	**1**	**—**	**—**	**33**	**—**
Investment properties	**2,077**	**(33)**	**—**	**9**	**(31)**	**—**	**2,022**	**(33)**
General fund investments recognized at fair value	**3,539**	**(4)**	**1**	**125**	**(94)**	**—**	**3,567**	**(3)**
Segregated funds financial instruments and investment properties	**90**	**5**	**—**	**101**	**(1)**	**—**	**195**	**5**
Total	**3,629**	**1**	**1**	**226**	**(95)**	**—**	**3,762**	**2**

	Year ended December 31, 2019							
	Balance as at December 31, 2018	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers in (out) of Level 3	Balance as at December 31, 2019	Total unrealized gains (losses) included in net income on investments still held
	$	$	$	$	$	$	$	$
Bonds								
Designated at fair value through profit or loss	140	7	—	—	(18)	—	129	7
Available for sale	16	—	—	—	(5)	—	11	—
Stocks								
Designated at fair value through profit or loss	1,134	5	—	198	(46)	—	1,291	5
Available for sale	29	—	(1)	3	—	—	31	—
Derivative financial instruments								
Held for trading	1	—	—	—	(1)	—	—	—
Investment properties	1,720	44	—	318	(5)	—	2,077	44
General fund investments recognized at fair value	3,040	56	(1)	519	(75)	—	3,539	56
Segregated funds financial instruments and investment properties	47	1	—	44	(2)	—	90	2
Total	3,087	57	(1)	563	(77)	—	3,629	58

For the three months ended March 31, 2020, an amount of $9 ($55 for the year ended December 31, 2019) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets ($2 for the year ended December 31, 2019).

Realized and unrealized gains (losses) included in net income and *Total unrealized gains (losses) included in net income on financial instruments still held* are presented in the *Investment income* in the Income Statement, except the value of segregated funds assets, which are not presented in the Income Statement, but are included in the change in segregated funds net assets in Note 8 "Segregated Funds Net Assets". *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 12 "Accumulated Other Comprehensive Income" in *Unrealized gains (losses).*

Fair Value Disclosed in the Notes

The Company classifies certain financial instruments as loans and receivables. These financial instruments are measured at amortized cost and fair value is disclosed in the notes. The following table shows the hierarchy level of such fair values:

	As at March 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Classified as loans and receivables				
Bonds				
Governments	**—**	**9**	**138**	**147**
Municipalities	**—**	**51**	**—**	**51**
Corporate and other	**—**	**248**	**2,345**	**2,593**
	—	**308**	**2,483**	**2,791**
Mortgages and other loans	**—**	**3,861**	**—**	**3,861**
Total of assets classified as loans and receivables	**—**	**4,169**	**2,483**	**6,652**

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Classified as loans and receivables				
Bonds				
Governments	—	8	132	140
Municipalities	—	51	—	51
Corporate and other	—	243	2,138	2,381
	—	302	2,270	2,572
Mortgages and other loans	—	3,823	—	3,823
Total of assets classified as loans and receivables	—	4,125	2,270	6,395

Financial Liabilities

The following table presents financial liabilities measured at fair value on a recurring basis and those whose fair value is disclosed in a note by hierarchy level:

	As at March 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Recurring fair value measurements				
Other liabilities				
Held for trading	**73**	**174**	**—**	**247**
Derivative financial instruments				
Held for trading	**49**	**1,684**	**23**	**1,756**
Total of liabilities classified as held for trading	**122**	**1,858**	**23**	**2,003**
Classified at amortized cost				
Other liabilities				
Securitization liabilities	**—**	**1,214**	**—**	**1,214**
Mortgage debt	**—**	**75**	**—**	**75**
Debentures	**—**	**1,411**	**—**	**1,411**
Total of liabilities classified at amortized cost	**—**	**2,700**	**—**	**2,700**

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Other liabilities				
Held for trading	46	165	—	211
Derivative financial instruments				
Held for trading	80	339	36	455
Total of liabilities classified as held for trading	126	504	36	666
Classified at amortized cost				
Other liabilities				
Securitization liabilities	—	1,183	—	1,183
Mortgage debt	—	76	—	76
Debentures	—	1,063	—	1,063
Total of liabilities classified at amortized cost	—	2,322	—	2,322

6 › Management of Risks Associated with Financial Instruments

a) Impairment of Financial Assets Classified as Available for Sale

During the three months ended March 31, 2020 and the year ended December 31, 2019, the Company did not reclassify any unrealized losses of stocks classified as available for sale from *Other comprehensive income* to *Investment income* in the Income Statement.

Since the financial assets designated at fair value through profit or loss are matched, variations of fair value, other than those related to credit risk, are directly reflected in the *Increase (decrease) in insurance contract liabilities*, which prevents a disparity of the treatment in the net income. Only variations in the fair value related to credit events regarding cash flows would have an impact on the Company's net income.

The unrealized gains and losses on financial assets classified as available for sale and included in the *Accumulated other comprehensive income* are the following:

	As at March 31, 2020			As at December 31, 2019		
	Fair value	**Unrealized losses**	**Unrealized gains**	Fair value	Unrealized losses	Unrealized gains
	$	**$**	**$**	$	$	$
Bonds						
Governments	**1,428**	**(2)**	**48**	1,870	(1)	57
Municipalities	**172**	**—**	**5**	166	—	3
Corporate and other	**1,722**	**(44)**	**19**	1,721	(2)	40
	3,322	**(46)**	**72**	3,757	(3)	100
Stocks	**346**	**(117)**	**6**	513	(21)	10
Total	**3,668**	**(163)**	**78**	4,270	(24)	110

b) Credit Risk

Credit risk corresponds to the possibility that the Company will sustain a financial loss if a counterparty or a debtor does not meet their commitments.

b) i) Credit Quality Indicators

Bonds by Investment Grade

	As at March 31, 2020	As at December 31, 2019
	$	$
AAA	**1,394**	1,866
AA	**13,151**	13,101
A	**8,466**	7,960
BBB	**4,488**	4,343
BB and lower	**209**	238
Total	**27,708**	27,508

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of $2,178 as at March 31, 2020 ($2,054 as at December 31, 2019).

Mortgages and Other Loans

	As at March 31, 2020	As at December 31, 2019
	$	$
Insured mortgages	**2,175**	2,271
Conventional mortgages	**832**	805
Other loans	**808**	794
Total	**3,815**	3,870

The credit quality of mortgages and other loans is assessed internally, on a regular basis, when the review of the portfolio is made.

b) ii) Past Due or Impaired Financial Assets

Past Due Bonds, Mortgages and Other Loans

Bonds, mortgages and other loans are considered in arrears when the counterparty has not made a payment at a contractual date. Any loan on which contractual payments are in arrears for 90 days or more in the case of mortgages and 120 days or more in the case of other loans or in foreclosure is assumed to be impaired. Any loan in default which is not insured and fully guaranteed is generally impaired.

	As at March 31, 2020			
	Bonds classified as loans and receivables	**Mortgages classified as loans and receivables**	**Other loans**	**Total**
	$	**$**	**$**	**$**
Gross values				
Not past due and not impaired	**2,500**	**2,901**	**781**	**6,182**
Past due and not impaired				
30 – 89 days in arrears	**—**	**4**	**38**	**42**
90 – 119 days in arrears	**—**	**—**	**6**	**6**
120 days or more in arrears	**—**	**—**	**2**	**2**
Impaired	**5**	**—**	**1**	**6**
Total of gross values	**2,505**	**2,905**	**828**	**6,238**
Specific provisions for losses	**3**	**—**	**—**	**3**
	2,502	**2,905**	**828**	**6,235**
Collective provisions	**—**	**—**	**20**	**20**
Total of net values	**2,502**	**2,905**	**808**	**6,215**

	As at December 31, 2019			
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	$	$	$	$
Gross values				
Not past due and not impaired	2,319	2,978	760	6,057
Past due and not impaired				
30 – 89 days in arrears	—	2	36	38
90 – 119 days in arrears	—	2	5	7
120 days or more in arrears	—	—	2	2
Impaired	21	—	1	22
Total of gross values	2,340	2,982	804	6,126
Specific provisions for losses	10	—	—	10
	2,330	2,982	804	6,116
Collective provisions	—	—	10	10
Total of net values	2,330	2,982	794	6,106

Foreclosed Properties

During the three months ended March 31, 2020, the Company took possession of properties held as collateral on mortgages for a value of less than $1 ($3 for the year ended December 31, 2019). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in *Other Assets.*

Specific Provisions for Losses

	As at March 31, 2020			
	Bonds classified as loans and receivables	**Mortgages classified as loans and receivables**	**Other loans**	**Total**
	$	**$**	**$**	**$**
Balance at beginning	**10**	**—**	**—**	**10**
Variation in specific provisions for losses	**(7)**	**—**	**—**	**(7)**
Balance at end	**3**	**—**	**—**	**3**

	As at December 31, 2019			
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	$	$	$	$
Balance at beginning	8	1	—	9
Variation in specific provisions for losses	2	(1)	—	1
Balance at end	10	—	—	10

7 › Derivative Financial Instruments

The Company is an end user of derivative financial instruments in the normal course of managing exposure to fluctuations in interest rates, currency exchange rates and fair values of invested assets. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates, other financial instruments or indexes.

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at March 31, 2020 is $905 ($1,001 as at December 31, 2019). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

	As at March 31, 2020					
	Notional amount				**Fair value**	
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**
	$	**$**	**$**	**$**	**$**	**$**
Equity contracts						
Swap contracts	**439**	**742**	**97**	**1,278**	**31**	**(96)**
Futures contracts	**1,052**	**—**	**—**	**1,052**	**6**	**(40)**
Options	**4,851**	**—**	**—**	**4,851**	**51**	**(10)**
Currency contracts						
Forward contracts	**6,207**	**1,078**	**—**	**7,285**	**42**	**(334)**
Swap contracts	**54**	**794**	**2,573**	**3,421**	**9**	**(769)**
Interest rate contracts						
Swap contracts	**681**	**3,201**	**5,509**	**9,391**	**604**	**(290)**
Forward contracts	**1,015**	**3,159**	**—**	**4,174**	**168**	**(194)**
Other derivative contracts	**1**	**1**	**359**	**361**	**1**	**(23)**
Total	**14,300**	**8,975**	**8,538**	**31,813**	**912**	**(1,756)**

	As at December 31, 2019					
	Notional amount				Fair value	
	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
	$	$	$	$	$	$
Equity contracts						
Swap contracts	490	719	97	1,306	21	(2)
Futures contracts	632	—	—	632	1	(4)
Options	5,594	—	—	5,594	236	(77)
Currency contracts						
Forward contracts	4,315	1,057	—	5,372	70	(34)
Swap contracts	21	777	2,406	3,204	33	(169)
Interest rate contracts						
Swap contracts	643	3,188	5,697	9,528	361	(65)
Forward contracts	1,165	2,544	200	3,909	280	(68)
Other derivative contracts	1	2	357	360	1	(36)
Total	12,861	8,287	8,757	29,905	1,003	(455)

	As at March 31, 2020		
	Notional amount	**Fair value**	
		Positive	**Negative**
	$	**$**	**$**
Derivative financial instruments not designated as hedge accounting	**28,335**	**900**	**(1,576)**
Net investment hedge	**1,336**	**1**	**(117)**
Fair value hedges			
Interest risk	**985**	**10**	**(30)**
Currency risk	**18**	**—**	**(1)**
Cash flow hedges			
Currency risk	**1,139**	**1**	**(32)**
Total of derivative financial instruments	**31,813**	**912**	**(1,756)**

	As at December 31, 2019		
	Notional amount	Fair value	
		Positive	Negative
	$	$	$
Derivative financial instruments not designated as hedge accounting	26,568	964	(425)
Net investment hedge	1,284	23	—
Fair value hedges			
Interest risk	1,002	14	(5)
Currency risk	17	1	—
Cash flow hedges			
Currency risk	1,034	1	(25)
Total of derivative financial instruments	29,905	1,003	(455)

Embedded Derivative Financial Instruments

The Company owns perpetual preferred shares with call options that give the issuer the right to redeem the shares at a predetermined price. Accounting standards require that the value of the call options be measured separately from the preferred shares. The value of the call options for embedded derivative financial instruments is determined using a valuation that relies predominantly on the volatility, quoted price on markets and characteristics of the underlying preferred shares. Embedded derivative financial instruments are presented as other derivative contracts.

Net Investment Hedge

Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 2 years as at March 31, 2020 (less than 2 years as at December 31, 2019). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the three months ended March 31, 2020 and 2019, the Company did not recognize any ineffectiveness.

Fair Value Hedges

Interest rate risk hedging

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk related to financial assets classified as available for sale. The Company entered into interest rate swap contracts with maturities ranging from 1 year to 15 years as at March 31, 2020 (from 2 years to 15 years as at December 31, 2019).

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The Company entered into interest rate swap contracts with maturities of less than 1 year to 8 years as at March 31, 2020 (less than 1 year to 9 years as at December 31, 2019).

For the three months ended March 31, 2020, the Company has recognized a loss of $27 on the hedging instruments (gain of $19 for the three months ended March 31, 2019) and a gain of $29 on the hedged items (loss of $19 for the three months ended March 31, 2019). For the three months ended March 31, 2020, the Company has recognized an ineffectiveness of $2 (none for the three months ended March 31, 2019).

Currency rate risk hedging

The Company entered into a fair value hedge to manage its exposure to changes in currency rate risk related to financial assets classified as available for sale. The Company entered into forward contracts with maturities of less than 2 years as at March 31, 2020 (less than 2 years as at December 31, 2019).

For the three months ended March 31, 2020 and 2019, the Company did not recognize any ineffectiveness.

Cash Flow Hedges

The Company entered into a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on financial assets denominated in foreign currency. The Company entered into swap contracts that have maturities from 4 years to 10 years as at March 31, 2020 (from 4 years to 10 years as at December 31, 2019). For the three months ended March 31, 2020 and 2019, the Company did not recognize any ineffectiveness.

The Company uses a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on forecasted transactions. The Company uses forward contracts that have maturities of less than 1 year (less than 1 year as at December 31, 2019). For the three months ended March 31, 2020, the Company has recognized no ineffectiveness.

8 › Segregated Funds Net Assets

	As at March 31	As at December 31
	2020	2019
	$	$
Assets		
Cash and short-term investments	**861**	992
Bonds	**5,227**	5,509
Stocks	**19,227**	21,362
Mortgages	**22**	21
Investment properties	**17**	17
Derivative financial instruments	**—**	20
Other assets	**1,250**	285
Total assets	**26,604**	28,206
Liabilities		
Accounts payable and accrued expenses	**1,098**	338
Derivative financial instruments	**46**	—
Total liabilities	**1,144**	338
Net assets	**25,460**	27,868

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

	Three months ended March 31	
	2020	2019
	$	$
Balance at beginning	**27,868**	23,781
Add:		
Amounts received from policyholders	**1,778**	1,056
Interest and dividends	**124**	131
Net realized gains	**76**	8
Net increase (decrease) in fair value	**(3,174)**	1,734
	26,672	26,710
Less:		
Amounts withdrawn by policyholders	**1,086**	836
Operating expenses	**126**	115
	1,212	951
Balance at end	**25,460**	25,759

9 › Debentures

On February 21, 2020, the Company issued subordinated debentures in the amount of $400 due February 21, 2030, bearing interest of 2.40%, payable semi-annually from August 21, 2020 to February 21, 2025, and variable interest equal to the 3-month bankers' acceptance rate (Canadian Dollar Offered Rate (CDOR)), increased by 0.71%, payable quarterly, starting May 21, 2025 and ending on February 21, 2030. These subordinated debentures are redeemable by the Company, in whole or in part, starting February 21, 2025, subject to prior approval by the Autorité des marchés financiers (AMF). The carrying amount of these debentures includes transaction costs and an issuance discount for a total of $2.

10 › Share Capital

As a result of the change in company structure (Note 1), the Company's authorized share capital consists of the following:

Common Shares

Unlimited common shares without par value, with one voting right.

Class A Preferred Shares

Class A preferred shares, without par value, that can be issued in series. The number that may be issued is limited to not more than one-half of the number of common shares issued and outstanding at the time of the proposed issue of such Class A preferred shares.

	As at March 31, 2020		As at December 31, 2019	
	Number of shares (in thousands)	**Amount $**	Number of shares (in thousands)	Amount $
Common shares				
Balance at beginning	**106,966**	**1,666**	108,575	1,655
Shares issued on exercise of stock options	**129**	**7**	1,206	54
Shares redeemed	**(87)**	**(1)**	(2,815)	(43)
Balance at end	**107,008**	**1,672**	106,966	1,666

Stock Option Plan

Following the change in company structure (Note 1), the stock option plan of iA Insurance was replaced by an identical plan offered by the Company. Consequently, all shares issued under the plan are issued by the Company. As at March 31, 2020, the number of outstanding stock options (in thousands) was 2,109 (1,965 as at December 31, 2019). For the three months ended March 31, 2020, the Company granted (in thousands) 285 stock options exercisable at $73.93 (348 stock options exercisable at $49.85 for the year ended December 31, 2019).

Normal Course Issuer Bid Redemption

With the approval of the Toronto Stock Exchange, the Board of Directors has renewed the Normal Course Issuer Bid redemption of 2018 and has authorized the Company to purchase, in the normal course of its activities, from November 12, 2019 to November 11, 2020, up to 5,335,397 common shares (5,482,768 common shares in the Normal Course Issuer Bid redemption of 2018), representing approximately 5% of its 106,707,949 common shares issued and outstanding as at November 1, 2019. For the three months ended March 31, 2020, a total of 86,872 common shares (2,815,373 as at December 31, 2019) were purchased and cancelled for a net cash amount of $4 ($139 as at December 31, 2019), of which $1 was recorded against share capital ($43 as at December 31, 2019) and $3 against retained earnings ($96 in 2019). Redemptions are currently suspended, in accordance with instructions from regulatory authorities.

Dividends

	Three months ended March 31			
	2020		2019	
	Total $	**Per share (in dollars)**	Total $	Per share (in dollars)
Common shares	**52**	**0.49**	45	0.42

Dividends Declared and Not Recognized on Common Shares

A dividend of 0.485 dollars per share was approved by the Board of Directors of the Company on May 7, 2020. This dividend was not recorded as a liability in these interim financial statements. This dividend will be paid on June 15, 2020 to the shareholders of record as of May 22, 2020, date on which it will be recognized in the equity of the Company.

Dividend Reinvestment and Share Purchase Plan

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

11 › Preferred Shares Issued by a Subsidiary

Preferred shares issued by iA Insurance, a subsidiary of the Company, are the following:

	As at March 31, 2020		As at December 31, 2019	
	Number of shares (in thousands)	**Amount $**	Number of shares (in thousands)	Amount $
Preferred shares, Class A, issued by iA Insurance				
Balance at beginning and at end	**21,000**	**525**	21,000	525

Dividends

	Three months ended March 31			
	2020		2019	
	Total $	**Per share (in dollars)**	Total $	Per share (in dollars)
Preferred shares, issued by iA Insurance				
Class A – Series B	**2**	**0.29**	2	0.29
Class A – Series G	**2**	**0.24**	2	0.24
Class A – Series I	**2**	**0.30**	2	0.30
Total	**6**		6	

12 › Accumulated Other Comprehensive Income

	Bonds	Stocks	Currency translation	Hedging	Total
	$	$	$	$	$
Balance as at December 31, 2019	**73**	**(8)**	**73**	**(82)**	**56**
Unrealized gains (losses)	**(62)**	**(98)**	**—**	**—**	**(160)**
Income taxes on unrealized gains (losses)	**16**	**26**	**—**	**—**	**42**
Other	**—**	**—**	**128**	**(37)**	**91**
Income taxes on other	**—**	**—**	**—**	**7**	**7**
	(46)	**(72)**	**128**	**(30)**	**(20)**
Realized losses (gains)	**(9)**	**(2)**	**—**	**—**	**(11)**
Income taxes on realized losses (gains)	**2**	**1**	**—**	**—**	**3**
	(7)	**(1)**	**—**	**—**	**(8)**
Balance as at March 31, 2020	**20**	**(81)**	**201**	**(112)**	**28**
Balance as at December 31, 2018	6	(10)	135	(108)	23
Unrealized gains (losses)	110	1	—	—	111
Income taxes on unrealized gains (losses)	(28)	—	—	—	(28)
Other	—	—	(62)	31	(31)
Income taxes on other	—	—	—	(5)	(5)
	82	1	(62)	26	47
Realized losses (gains)	(20)	1	—	—	(19)
Income taxes on realized losses (gains)	5	—	—	—	5
	(15)	1	—	—	(14)
Balance as at December 31, 2019	73	(8)	73	(82)	56
Balance as at December 31, 2018	6	(10)	135	(108)	23
Unrealized gains (losses)	89	6	—	—	95
Income taxes on unrealized gains (losses)	(24)	(1)	—	—	(25)
Other	—	—	(25)	22	(3)
Income taxes on other	—	—	—	(3)	(3)
	65	5	(25)	19	64
Realized losses (gains)	(5)	1	—	—	(4)
Income taxes on realized losses (gains)	3	(1)	—	—	2
	(2)	—	—	—	(2)
Balance as at March 31, 2019	69	(5)	110	(89)	85

13 › Capital Management

Regulatory Requirements and Solvency Ratio

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

According to CARLI, many items are included in the solvency ratio:

The available capital represents the total Tier 1 and Tier 2 capital, less other deductions prescribed by the AMF.

Tier 1 capital contains more permanent equity items and is primarily composed of equity attributable to common shareholders and preferred shares. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is primarily composed of subordinated debentures.

The surplus allowance is the value of specific provisions for adverse deviations included in insurance contract liabilities.

The eligible deposits are amounts related to unregistered reinsurance agreements, which are deposited in guarantee instruments.

The base solvency buffer is determined according to five risk categories, namely credit risk, market risk, insurance risk, segregated funds guarantee risk and operational risk. These risk components are calculated using various methods and consider the risks associated to asset and liability elements that are on and off the Statement of Financial Position. The base solvency buffer represents the sum of risk components minus some credits (for example, for between-risk diversification and for adjustable products) multiplied by a scalar of 1.05.

The CARLI total ratio is calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.

According to the AMF guideline, the Company must set a target level of available capital that exceeds the minimum requirements. The guideline also stipulates that most of the available capital must be Tier 1, which absorbs the losses related to current operations.

The Company manages its capital on a consolidated basis. As at March 31, 2020, the Company maintains a ratio that satisfies the regulatory requirements.

	March 31, 2020
	$
Available Capital	
Tier 1 Capital	**3,136**
Tier 2 Capital	**1,954**
Surplus allowance and eligible deposits	**4,433**
Total	**9,523**
Base solvency buffer	**6,972**
Total ratio	**137%**

In the Company's consolidated financial statements as at December 31, 2019, the solvency ratio was 133% and the Company maintained a ratio that satisfied the regulatory requirements.

14 › General Expenses

Impairment of Goodwill

Following effects of the COVID-19 pandemic described on Note 20, the Company reviewed the financial projections of PPI Management Inc. Following this review, an impairment test was performed with respect to PPI Management Inc. activities included in the Individual Insurance Sector CGU. This led the Company to recognize an impairment of goodwill of $24. This amount was recognized in the Income Statement in *General Expenses*. To determine the recoverable amount of the CGU, the value in use was determined using cash flow projections before tax based covering a five-year period.

15 › Income Taxes

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

	Three months ended March 31			
	2020		2019	
	$	**%**	$	%
Income before income taxes	**44**		208	
Income tax expense at Canadian statutory tax rate	**12**	**27**	56	27
Increase (decrease) in income taxes due to:				
Differences in tax rates on income not subject to tax in Canada	**(1)**	**(2)**	(1)	—
Tax-exempt investment income	**(21)**	**(48)**	(5)	(3)
Non-taxable portion of the change in fair value of investment properties	**4**	**8**	—	—
Adjustments of previous years	**(1)**	**(2)**	—	—
Variation in tax rates	**(1)**	**(2)**	(1)	—
Other	**6**	**15**	1	—
Income tax expense (recovery) and effective income tax rate	**(2)**	**(4)**	50	24

16 › Segmented Information

The Company operates and manages its activities according to five main reportable operating segments, which reflect its company structure for decision making. Management uses judgment in the aggregation of business units into the Company's operating segments. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada and the United States. The main products and services offered by each segment are the following:

Individual Insurance – Life, health, disability and mortgage insurance products.

Individual Wealth Management – Individual products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage, trust operations and mutual funds.

Group Insurance – Life, health, accidental death and dismemberment, dental care and short and long-term disability insurance products for employee plans; creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services; and specialized products for special markets.

Group Savings and Retirement – Group products and services for savings plans, retirement funds and segregated funds.

US Operations – Miscellaneous insurance products sold in the United States such as life insurance products and extended warranties relating to dealer services.

Other – Auto and home insurance products, services supporting the activities that have no link with key segments such as asset management and financing, Company capital and some adjustments related to consolidation.

The Company uses assumptions, judgments and methodologies to allocate general expenses that are not directly attributable to a business segment. The allocation of other activities is mainly performed according to a formula based on equity and is uniformly applied to each operating segment.

The other assets and other liabilities, except mainly for derivative financial instruments, are classified in their entirety in the *Other* column since they are used for the operational support of the Company's activities.

Segmented Income Statements

	Three months ended March 31, 2020						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Revenues							
Net premiums	397	1,078	424	633	138	85	2,755
Investment income	(1,246)	327	16	(48)	54	40	(857)
Other revenues	29	376	21	27	32	(45)	440
	(820)	1,781	461	612	224	80	2,338
Operating expenses							
Gross benefits and claims on contracts	229	557	295	386	125	21	1,613
Ceded benefits and claims on contracts	(63)	—	(13)	(6)	(74)	22	(134)
Net transfer to segregated funds	—	425	—	263	—	—	688
Increase (decrease) in insurance contract liabilities	(1,235)	476	10	(68)	115	—	(702)
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	(12)	—	3	1	(67)	—	(75)
Commissions, general and other expenses	244	351	151	28	113	(1)	886
Financing charges	5	—	8	—	—	4	17
	(832)	1,809	455	604	212	46	2,294
Income before income taxes and allocation of other activities	12	(28)	6	8	12	34	44
Allocation of other activities	25	2	1	1	5	(34)	—
Income before income taxes	37	(26)	7	9	17	—	44
Income taxes	(3)	(3)	(1)	1	4	—	(2)
Net income	40	(23)	8	8	13	—	46
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	39	(23)	8	8	13	—	45

	Three months ended March 31, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Revenues							
Net premiums	388	720	397	660	115	75	2,355
Investment income	1,826	25	66	154	52	39	2,162
Other revenues	29	354	14	25	17	(29)	410
	2,243	1,099	477	839	184	85	4,927
Operating expenses							
Gross benefits and claims on contracts	226	520	291	315	98	44	1,494
Ceded benefits and claims on contracts	(52)	—	(15)	(6)	(54)	10	(117)
Net transfer to segregated funds	—	147	—	77	—	—	224
Increase (decrease) in insurance contract liabilities	1,788	59	11	415	89	(12)	2,350
Increase (decrease) in investment contract liabilities	—	—	14	—	—	—	14
Decrease (increase) in reinsurance assets	(15)	—	2	3	(40)	11	(39)
Commissions, general and other expenses	200	323	145	26	79	5	778
Financing charges	5	—	6	—	—	4	15
	2,152	1,049	454	830	172	62	4,719
Income before income taxes and allocation of other activities	91	50	23	9	12	23	208
Allocation of other activities	19	(2)	1	1	4	(23)	—
Income before income taxes	110	48	24	10	16	—	208
Income taxes	25	13	6	3	3	—	50
Net income	85	35	18	7	13	—	158
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	84	35	18	7	13	—	157

Segmented Premiums

	Three months ended March 31, 2020						
	Individual		**Group**				
	Insurance	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums							
Invested in general fund	**487**	**206**	**459**	**48**	**257**	**29**	**1,486**
Invested in segregated funds	**—**	**872**	**—**	**592**	**—**	**—**	**1,464**
	487	**1,078**	**459**	**640**	**257**	**29**	**2,950**
Premiums ceded							
Invested in general fund	**(90)**	**—**	**(35)**	**(7)**	**(119)**	**56**	**(195)**
Net premiums	**397**	**1,078**	**424**	**633**	**138**	**85**	**2,755**

	Three months ended March 31, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Gross premiums							
Invested in general fund	478	109	431	329	198	48	1,593
Invested in segregated funds	—	611	—	337	—	—	948
	478	720	431	666	198	48	2,541
Premiums ceded							
Invested in general fund	(90)	—	(34)	(6)	(83)	27	(186)
Net premiums	388	720	397	660	115	75	2,355

Segmented Assets and Liabilities

	As at March 31, 2020						
	Individual		**Group**				
	Insurance	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Assets							
Invested assets	**22,859**	**2,462**	**1,979**	**4,037**	**1,193**	**9,031**	**41,561**
Segregated funds net assets	**—**	**14,894**	**—**	**10,566**	**—**	**—**	**25,460**
Reinsurance assets	**(691)**	**—**	**226**	**131**	**1,731**	**(139)**	**1,258**
Other	**115**	**1,360**	**—**	**—**	**43**	**3,474**	**4,992**
Total assets	**22,283**	**18,716**	**2,205**	**14,734**	**2,967**	**12,366**	**73,271**
Liabilities							
Insurance contract liabilities and investment contract liabilities	**20,233**	**2,324**	**2,236**	**4,073**	**2,040**	**(99)**	**30,807**
Liabilities related to segregated funds net assets	**—**	**14,894**	**—**	**10,566**	**—**	**—**	**25,460**
Other	**1,432**	**114**	**16**	**28**	**—**	**9,251**	**10,841**
Total liabilities	**21,665**	**17,332**	**2,252**	**14,667**	**2,040**	**9,152**	**67,108**

	As at December 31, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Assets							
Invested assets	23,113	1,880	1,881	3,998	1,058	7,989	39,919
Segregated funds net assets	—	16,392	—	11,476	—	—	27,868
Reinsurance assets	(702)	—	233	132	1,491	(124)	1,030
Other	121	866	—	—	38	3,306	4,331
Total assets	22,532	19,138	2,114	15,606	2,587	11,171	73,148
Liabilities							
Insurance contract liabilities and investment contract liabilities	21,470	1,839	2,199	4,142	1,744	(99)	31,295
Liabilities related to segregated funds net assets	—	16,392	—	11,476	—	—	27,868
Other	342	37	5	5	—	7,466	7,855
Total liabilities	21,812	18,268	2,204	15,623	1,744	7,367	67,018

17 › Earnings Per Common Share

Basic Earnings Per Share

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

	Three months ended March 31	
	2020	2019
Net income attributed to common shareholders	**39**	151
Weighted average number of outstanding shares (in millions of units)	**107**	108
Basic earnings per share (in dollars)	**0.37**	1.41

Diluted Earnings Per Share

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

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the period). For the three months ended March 31, 2020, an average of 109,221 antidilutive stock options (227,049 for the three months ended March 31, 2019) were excluded from the calculation.

	Three months ended March 31	
	2020	2019
Net income attributed to common shareholders	**39**	151
Weighted average number of outstanding shares (in millions of units)	**107**	108
Add: dilutive effect of stock options granted and outstanding (in millions of units)	**—**	—
Weighted average number of outstanding shares on a diluted basis (in millions of units)	**107**	108
Diluted earnings per share (in dollars)	**0.36**	1.40

There was no transaction on common shares that could affect these calculations after the closing date and before the date of authorization for issue of these financial statements.

18 › Post-Employment Benefits

The Company maintains a number of funded and unfunded defined benefit plans that provide pension benefits and defined contribution plans.

The Company also provides other post-retirement benefits. These include additional health care benefits, life insurance and dental benefits. The Company also provides post-employment benefits such as salary continuation for short-term disabilities.

Amounts Recognized in Net Income and Other Comprehensive Income

	Three months ended March 31			
	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Current service cost	**15**	**1**	12	1
Net interest	**2**	**—**	2	—
Components of the cost of defined benefits recognized in the net income	**17**	**1**	14	1
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**162**	**—**	(93)	—
Actuarial losses (gains) on financial assumption changes	**(253)**	**(2)**	122	1
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**(91)**	**(2)**	29	1
Total of defined benefit cost components	**(74)**	**(1)**	43	2

[1] Market based assumptions, such as expected rate of return on assets and changes in financial assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

Items that will not be reclassified subsequently to net income

	Three months ended March 31			
	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	**(91)**	**(2)**	29	1
Income taxes on remeasurement of post-employment benefits	**23**	**1**	(8)	—
Total of other comprehensive income	**(68)**	**(1)**	21	1

19 › Commitments

Businesses Acquisition and Disposal

On December 4, 2019, the Company entered into an agreement to acquire the American company IAS Parent Holdings, Inc. and its subsidiaries (collectively “IAS”). The agreed purchase price is US $720. IAS is one of the largest independent providers of solutions in the U.S. vehicle warranty market. IAS provides a comprehensive portfolio of vehicle warranties and related software and services sold through one of the industry’s broadest and most diverse distribution networks. The closing of the transaction, subject to usual regulatory approvals, is expected in the second quarter of 2020. This commitment has not been reflected in the financial statements and may not be executed.

On March 2, 2020, the Company entered into an agreement for the sale of iA Investment Counsel Inc. to CWB Financial Group. The sale reflects the Company’s decision to focus on serving wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices. Subject to regulatory approval, the transaction is expected to close between May and July 2020. This commitment has not been reflected in the financial statements and may not be executed.

Investment Commitments

In the normal course of the Company’s business, various outstanding contractual commitments related to offers for commercial and residential loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. As at March 31, 2020, there were $909 ($803 as at December 31, 2019) of outstanding commitments, of which the estimated disbursements will be $78 ($65 as at December 31, 2019) in 30 days, $371 ($314 as at December 31, 2019) in 31 to 365 days and $460 ($424 as at December 31, 2019) in more than one year.

Letters of Credit

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at March 31, 2020, the balance of these letters is $7 ($7 as at December 31, 2019).

Lines of Credit

As at March 31, 2020, the Company had operating lines of credit totalling $56 ($56 as at December 31, 2019). As at March 31, 2020 and 2019, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

20 › Event After the Reporting Period

COVID-19

Since the beginning of 2020, the spread of the COVID-19 virus, elevated to a pandemic by the World Health Organization (WHO) on March 11, 2020, has negatively impacted the financial markets, has resulted in economic uncertainty as well as shaken the operations of the business community. The COVID-19 pandemic has forced governments to implement exceptional measures to slow the progression of this crisis. These measures, which include travel bans, periods of isolation and social distancing, disrupted the world's financial markets and economies. This situation had negative effects on March 31, 2020 Company's financial results. However, risk management program established by the Company made it possible to partially mitigate the effects of this crisis on the results of the Company. The Company deployed initiatives, for the majority subsequent to March 31, 2020, in order to support its customers and mitigate the impact of the crisis, in addition to the measures implemented by levels of government to contain this pandemic. In addition, governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions. At this time, it is impossible to reliably assess the duration and extent of the impacts that these events could have on the Company's future financial results, due to uncertainties about future developments. With regards to the operations of the Company, measures are used to protect the health and the safety of its employees, while ensuring the continuity of its activities.

21 › Comparative Figures

Certain comparative figures have been reclassified to comply with the current presentation. The reclassifications had no impact on the net income of the Company.

Conference Call

Management held a conference call to present its results on Thursday, May 7, at 11:30 a.m. (ET). You can listen to a replay of the conference call for a 90-day period on the Company's website at ia.ca, under *About iA,* in the *Investor Relations/Financial Reports* section.

About iA Financial Group

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

Shareholder Information

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

For questions regarding your shares, contact Industrial Alliance's share transfer agent:
Computershare Investor Services Inc.
Telephone: 514 982-7555
1 877 684-5000 (toll free)
Email: ia@computershare.com

For questions regarding the Dividend Reinvestment and Share Purchase Plan:
Computershare Trust Company of Canada
Telephone: 514 982-7555
1 877 684-5000 (toll free)
Email: ia@computershare.com

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

For questions regarding Industrial Alliance products and services, contact your agent. If you don't have an agent, contact Industrial Alliance at:
Industrial Alliance Insurance and Financial Services Inc.
1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
Telephone: 418 684-5000
1 800 463-6236 (toll free)
Website: www.ia.ca

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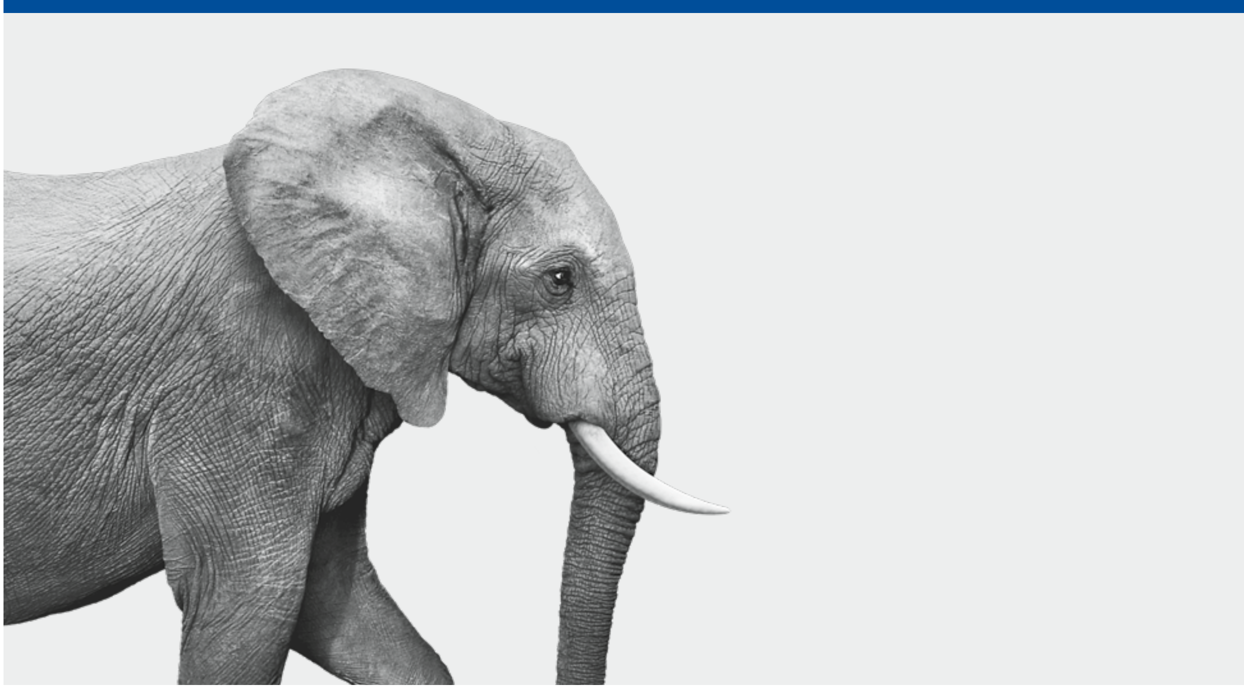
Telephone: 418-684-5000
Toll-free: 1-800-463-6236



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