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iA Financial Corporation Inc.

Management's Discussion and Analysis for the First Quarter of 2020

May 7, 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.

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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]

(In millions of dollars)	First quarter		
	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]			
	First quarter		
(In millions of dollars, unless otherwise indicated)	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]

	First quarter		
(In millions of dollars)	**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

(In millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
	First quarter						
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.

Conference Call

Management will hold a conference call to present iA Financial Group's first quarter results on Thursday, May 7, 2020 at 11:30 a.m. (ET). The dial-in number is 416-981-9095 or 1-800-684-5526 (toll-free within North America). A replay of the conference call will be available for a one-week period, starting at 2:00 p.m. on Thursday, May 7, 2020. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21956188. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at ia.ca.

Annual Meeting

iA Financial Corporation is holding its Annual Meeting virtually at 2:00 p.m. (ET) on Thursday, May 7, 2020, at the following web address: https://www.icastpro.ca/fia200507a. An audio webcast of the meeting as well as a copy of management's presentation will be available on the Company's website at ia.ca under *About iA*, in the *Investor Relations/Events and Presentations* 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).

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	**2,755**	2,355
Investment income		
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	**(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	**6**	6
Net income attributed to common shareholders	**39**	151
Earnings per common share (in dollars)		
Basic	**0.37**	1.41
Diluted	**0.36**	1.40
Weighted average number of shares outstanding (in millions of units)		
Basic	**107**	108
Diluted	**107**	108
Dividends per common share (in dollars)	**0.49**	0.42

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of dollars)	**As at March 31**	As at December 31
	2020	2019
	(unaudited)	
	$	$
Assets		
Investments		
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	**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	**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	**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	**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	**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

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 INFORMATION (Continued)

Segmented Income Statements

(in millions of Canadian dollars)	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

SEGMENTED INFORMATION (Continued)

Segmented Income Statements (continued)

(in millions of Canadian dollars)	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 INFORMATION (Continued)

Segmented Premiums

(in millions of Canadian dollars)	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**

(in millions of Canadian dollars)	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 INFORMATION (Continued)

Segmented Assets and Liabilities

(in millions of Canadian dollars)	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**

(in millions of Canadian dollars)	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