

# Responsible Choices

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**iA Financial Corporation Inc.**

**Interim Condensed Consolidated Financial Statements**  
**For the Second Quarter of 2020**

As at June 30, 2020 and 2019





## Interim Condensed Consolidated Financial Statements (unaudited)

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## Consolidated Income Statements

(Unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Revenues</b>				
<b>Premiums</b>				
Gross premiums	2,319	2,186	5,269	4,727
Premiums ceded	(206)	(203)	(401)	(389)
Net premiums (Note 17)	2,113	1,983	4,868	4,338
<b>Investment income (Note 5)</b>				
Interest and other investment income	308	328	751	654
Change in fair value of investments	3,847	1,343	2,547	3,179
	4,155	1,671	3,298	3,833
Other revenues	416	425	856	835
	6,684	4,079	9,022	9,006
<b>Policy benefits and expenses</b>				
Gross benefits and claims on contracts	1,220	1,442	2,833	2,936
Ceded benefits and claims on contracts	(137)	(125)	(271)	(242)
Net transfer to segregated funds	524	196	1,212	420
Increase (decrease) in insurance contract liabilities	4,018	1,550	3,316	3,900
Increase (decrease) in investment contract liabilities	21	7	22	21
Decrease (increase) in reinsurance assets	(19)	(41)	(94)	(80)
	5,627	3,029	7,018	6,955
Commissions	395	410	836	795
General expenses	369	353	781	714
Premium and other taxes	27	32	60	64
Financing charges	19	14	36	29
	6,437	3,838	8,731	8,557
<b>Income before income taxes</b>	247	241	291	449
Income taxes (Note 16)	52	54	50	104
<b>Net income</b>	195	187	241	345
Net income attributed to participating policyholders	7	—	8	1
<b>Net income attributed to shareholders</b>	188	187	233	344
Dividends attributed to preferred shares issued by a subsidiary (Note 12)	5	6	11	12
<b>Net income attributed to common shareholders</b>	183	181	222	332
<b>Earnings per common share (in dollars) (Note 18)</b>				
Basic	1.71	1.70	2.07	3.10
Diluted	1.71	1.69	2.07	3.09
<b>Weighted average number of shares outstanding (in millions of units) (Note 18)</b>				
Basic	107	107	107	107
Diluted	107	107	107	108
<b>Dividends per common share (in dollars) (Note 11)</b>	0.49	0.45	0.97	0.87

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

## Consolidated Comprehensive Income Statements

(Unaudited, in millions of dollars)	Quarters ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Net income</b>	<b>195</b>	<b>187</b>	<b>241</b>	<b>345</b>
<b>Other comprehensive income, net of income taxes</b>				
<b>Items that may be reclassified subsequently to net income:</b>				
Available for sale financial assets				
Unrealized gains (losses) on available for sale financial assets	145	20	27	90
Reclassification of losses (gains) on available for sale financial assets included in net income	(6)	(7)	(14)	(9)
	139	13	13	81
Net investment hedge				
Unrealized gains (losses) on currency translation in foreign operations	(56)	(26)	72	(51)
Hedges of net investment in foreign operations	59	21	(51)	41
	3	(5)	21	(10)
Cash flow hedge				
Unrealized gains (losses) on cash flow hedges	(49)	(1)	31	(2)
<b>Items that will not be reclassified subsequently to net income:</b>				
Remeasurement of post-employment benefits	(125)	(35)	(56)	(57)
Total other comprehensive income	(32)	(28)	9	12
<b>Comprehensive income</b>	<b>163</b>	<b>159</b>	<b>250</b>	<b>357</b>
Comprehensive income attributed to participating policyholders	7	—	8	1
<b>Comprehensive income attributed to shareholders</b>	<b>156</b>	<b>159</b>	<b>242</b>	<b>356</b>

## Income Taxes Included in Other Comprehensive Income

(Unaudited, in millions of dollars)	Quarters ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Income tax recovery (expense) related to:</b>				
<b>Items that may be reclassified subsequently to net income:</b>				
Unrealized losses (gains) on available for sale financial assets	(51)	(6)	(9)	(31)
Reclassification of gains (losses) on available for sale financial assets included in net income	1	2	4	4
Hedges of net investment in foreign operations	(10)	(4)	9	(7)
Unrealized losses (gains) on cash flow hedges	(5)	—	(5)	—
	(65)	(8)	(1)	(34)
<b>Items that will not be reclassified subsequently to net income:</b>				
Remeasurement of post-employment benefits	44	12	20	20
<b>Total income tax recovery (expense) included in other comprehensive income</b>	<b>(21)</b>	<b>4</b>	<b>19</b>	<b>(14)</b>

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 June 30 2020 (unaudited) \$	As at December 31 2019 \$
<b>Assets</b>		
<b>Investments (Note 5)</b>		
Cash and short-term investments	1,487	1,108
Bonds	29,964	27,508
Stocks	2,929	3,024
Mortgages and other loans	3,749	3,870
Derivative financial instruments (Note 8)	1,712	1,003
Policy loans	931	900
Other invested assets	547	429
Investment properties	1,989	2,077
	<b>43,308</b>	<b>39,919</b>
Other assets	3,471	2,193
Reinsurance assets	1,273	1,030
Fixed assets	403	394
Deferred income tax assets	64	28
Intangible assets	1,641	1,110
Goodwill	1,339	606
General fund assets	51,499	45,280
Segregated funds net assets (Note 9)	28,505	27,868
<b>Total assets</b>	<b>80,004</b>	<b>73,148</b>
<b>Liabilities</b>		
Insurance contract liabilities	34,178	30,665
Investment contract liabilities	654	630
Derivative financial instruments (Note 8)	859	455
Other liabilities	7,696	6,063
Deferred income tax liabilities	394	287
Debentures	1,448	1,050
General fund liabilities	45,229	39,150
Liabilities related to segregated funds net assets (Note 9)	28,505	27,868
<b>Total liabilities</b>	<b>73,734</b>	<b>67,018</b>
<b>Equity</b>		
Share capital and contributed surplus	1,690	1,684
Preferred shares issued by a subsidiary (Note 12)	525	525
Retained earnings and accumulated other comprehensive income	4,005	3,879
Participating policyholders' accounts	50	42
	<b>6,270</b>	<b>6,130</b>
<b>Total liabilities and equity</b>	<b>80,004</b>	<b>73,148</b>

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

## Consolidated Equity Statements

(Unaudited, in millions of dollars)

As at June 30, 2020

	Participating policyholders' accounts	Common shares (Note 11)	Preferred shares issued by a subsidiary (Note 12)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (Note 13)	Total
	\$	\$	\$	\$	\$	\$	\$
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
<b>Comprehensive income for the year</b>	<b>(10)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>709</b>	<b>12</b>	<b>711</b>
<b>Equity transactions</b>							
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)
<b>Balance as at December 31, 2019</b>	<b>42</b>	<b>1,666</b>	<b>525</b>	<b>18</b>	<b>3,823</b>	<b>56</b>	<b>6,130</b>
Net income attributed to shareholders	—	—	—	—	233	—	233
Net income attributed to participating policyholders' accounts	8	—	—	—	—	—	8
Other comprehensive income	—	—	—	—	—	9	9
<b>Comprehensive income for the period</b>	<b>8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>233</b>	<b>9</b>	<b>250</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	(56)	56	—
Stock option plan	—	—	—	1	—	—	1
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	7	—	—	—	—	7
Redemption of common shares	—	(1)	—	—	(3)	—	(4)
Dividends on common shares	—	—	—	—	(104)	—	(104)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(11)	—	(11)
Other	—	—	—	—	2	—	2
	—	6	—	—	(172)	56	(110)
<b>Balance as at June 30, 2020</b>	<b>50</b>	<b>1,672</b>	<b>525</b>	<b>18</b>	<b>3,884</b>	<b>121</b>	<b>6,270</b>

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

(Unaudited, in millions of dollars)

As at June 30, 2019

	Participating policyholders' accounts	Common shares (Note 11)	Preferred shares issued by a subsidiary (Note 12)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (Note 13)	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2018	52	1,655	525	23	3,440	23	5,718
Net income attributed to shareholders	—	—	—	—	344	—	344
Net income attributed to participating policyholders' accounts	1	—	—	—	—	—	1
Other comprehensive income	—	—	—	—	—	12	12
<b>Comprehensive income for the period</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>344</b>	<b>12</b>	<b>357</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	(57)	57	—
Stock option plan	—	—	—	2	—	—	2
Stock options exercised	—	—	—	(2)	—	—	(2)
Common shares issued	—	15	—	—	—	—	15
Redemption of common shares	—	(38)	—	—	(86)	—	(124)
Dividends on common shares	—	—	—	—	(92)	—	(92)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(12)	—	(12)
Other	—	—	—	—	(3)	—	(3)
	—	(23)	—	—	(250)	57	(216)
Balance as at June 30, 2019	53	1,632	525	23	3,534	92	5,859

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



## Consolidated Cash Flows Statements

(Unaudited, in millions of dollars)	Six months ended June 30	
	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Income before income taxes	291	449
Financing charges	36	29
Income taxes paid, net of refunds	(55)	(156)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	3,426	3,920
Increase (decrease) in investment contract liabilities	24	(12)
Decrease (increase) in reinsurance assets	(125)	(61)
Unrealized losses (gains) on investments	(2,544)	(3,175)
Provisions for losses	37	19
Amortization of premiums and discounts	10	8
Other depreciation	116	119
Goodwill impairment (Note 15)	24	—
Gain on disposal of business (Note 4)	(16)	—
Other items not affecting cash	12	51
Operating activities affecting cash:		
Sales, maturities and repayments on investments	8,054	7,692
Purchases of investments	(7,812)	(8,174)
Realized losses (gains) on investments	(22)	(19)
Other items affecting cash	(286)	(297)
Net cash from (used in) operating activities	1,170	393
<b>Cash flows from investing activities</b>		
Acquisition of businesses, net of cash	(1,042)	(2)
Disposal of business, net of cash	79	—
Sales (purchases) of fixed and intangible assets <sup>1</sup>	(77)	(75)
Net cash from (used in) investing activities	(1,040)	(77)
<b>Cash flows from financing activities</b>		
Issuance of common shares (Note 11)	6	13
Redemption of common shares (Note 11)	(4)	(124)
Issuance of debentures (Note 10)	398	—
Redemption of debentures (Note 10)	—	(250)
Reimbursement of lease liabilities <sup>1</sup>	(17)	(7)
Dividends paid on common shares	(104)	(92)
Dividends paid on preferred shares issued by a subsidiary	(11)	(12)
Interest paid on debentures	(16)	(13)
Interest paid on lease liabilities	(2)	(2)
Net cash from (used in) financing activities	250	(487)
Foreign currency gains (losses) on cash	(1)	(2)
<b>Increase (decrease) in cash and short-term investments</b>	<b>379</b>	<b>(173)</b>
<b>Cash and short-term investments at beginning</b>	<b>1,108</b>	<b>1,046</b>
<b>Cash and short-term investments at end</b>	<b>1,487</b>	<b>873</b>
<b>Supplementary information:</b>		
Cash	943	501
Short-term investments	544	372
Total cash and short-term investments	1,487	873

<sup>1</sup> For the six months ended June 30, 2020, fixed assets and lease liabilities presented in the Consolidated Statements of Financial Position include an amount of \$18 (\$6 for the six months ended June 30, 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

Six months ended June 30, 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 3.

Publication of these Interim Consolidated Financial Statements was authorized for issue by the Company’s Board of Directors on July 30, 2020.

### 2 › Impacts of COVID-19 Pandemic

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, resulted in economic uncertainty and 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, have disrupted the world’s financial markets and economies. This situation had negative effects on the Company’s financial results for the six months ended June 30, 2020. However, the 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 in order to support its clients and mitigate the impacts 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. 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.

At this time, it is impossible to reliably assess the duration and extent of the impacts that these elements could have on the Company’s future financial results, due to uncertainties about future developments. The significant estimates, assumptions and judgments made by management in the preparation of these financial statements take into account these uncertainties.

The effects of the pandemic primarily affected the valuation of the following assets and liabilities of the Company:

#### *Fair Value of Financial Instruments and Investment Properties*

Changes in market factors, such as interest rates, stock prices and exchange rates, caused by COVID-19 resulted in changes in the fair value of financial instruments. Likewise, the financial projections used to establish the fair value of investment properties were reviewed, resulting in a decrease in the fair value of investment properties, which was recorded as a change in fair value in investment income.

The investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the Canadian Asset Liability Method (CALM).

Note 5 “Invested Assets and Investment Income” and Note 6 “Fair Value of Financial Instruments and Investment Properties” present the fair value of the financial assets and liabilities, and investment properties.

#### *Goodwill*

As part of the monitoring of impairment indicators, the revision of the financial projections, which consider the effects of COVID-19, resulted in a reduction in the carrying value of the goodwill of a Company subsidiary. This impairment is recorded as a goodwill impairment in Note 15 “General Expenses”.

*Insurance Contract Liabilities and Investment Contract Liabilities*

Changes in methods and assumptions and the impact of exchange rate fluctuations used in the calculation of provisions for future policy benefits and other insurance contract liabilities, as well as the financial assumptions used in the calculation of investment contract liabilities, take into account the economic uncertainties related to COVID-19.

*Post-Employment Benefits - Net liabilities resulting from the obligation in respect of defined benefits*

COVID-19 had a significant impact on the changes in the financial assumptions used in the measurement of the defined benefit obligation and in the return on defined benefit plan assets, resulting in an increase in the net liability arising from the defined benefit obligation leading to an actuarial loss recognized as a reduction in other comprehensive income as presented in Note 19 “Post-Employment Benefits”.

Actual results could differ from best estimates, as mentioned in Note 2, section b) “Important Estimates, Assumptions, Use of Judgment and Accounting Adjustment” of the Consolidated Financial Statements for the year ended December 31, 2019, which are included in the 2019 Annual Report.

**3 › Changes in Accounting Policies****New Accounting Policies Applied**

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

<b>Standards or amendments</b>	<b>Description of the standards or amendments and impacts on financial statements of the Company</b>
IFRS 4 <i>Insurance Contracts</i>	<p><i>Description:</i> On September 12, 2016, the IASB published an amendment to IFRS 4 <i>Insurance Contracts</i>. This amendment, <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>, provides two options to entities applying IFRS 4:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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.</li> </ul> <p>On June 25, 2020, the IASB published an amendment to IFRS 4 <i>Insurance Contracts</i> to extend the deferral approach until January 1, 2023.</p> <p><i>Status:</i> 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, 2023.</p>
Conceptual Framework for Financial Reporting	<p><i>Description:</i> 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.</p> <p><i>Impact:</i> No impact on the Company’s financial statements.</p>
IFRS 3 <i>Business Combinations</i>	<p><i>Description:</i> On October 22, 2018, the IASB published an amendment to the standard IFRS 3 <i>Business Combinations</i>. The amendment <i>Definition of a Business</i> 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.</p> <p><i>Impact:</i> No impact on the Company’s financial statements.</p>
IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p><i>Description:</i> On October 31, 2018, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendment <i>Definition of Material</i> 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.</p> <p><i>Impact:</i> No impact on the Company’s financial statements.</p>

## 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 <i>Financial Instruments</i>	<p>The Company adopted the amendment to IFRS 4 <i>Insurance Contracts</i> 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.</p> <p><i>Description:</i> On July 24, 2014, the IASB published the standard IFRS 9 <i>Financial Instruments</i> which replaces the provisions of the standard IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard IFRS 9:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• changes the accounting for financial liabilities measured using the fair value option;</li> <li>• 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;</li> <li>• modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities.</li> </ul> <p>The provisions of this new standard will apply retrospectively or on a modified retrospective basis.</p> <p>On October 12, 2017, the IASB published an amendment to IFRS 9 <i>Financial Instruments</i>. The amendment <i>Prepayment Features with Negative Compensation</i> enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.</p> <p><i>Status:</i> The Company is evaluating the impact of this standard on its financial statements.</p>
IFRS 17 <i>Insurance Contracts</i>	<p><i>Description:</i> On May 18, 2017, the IASB published the standard IFRS 17 <i>Insurance Contracts</i> which replaces the provisions of the standard IFRS 4 <i>Insurance Contracts</i>. The standard IFRS 17:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• establishes the principles for recognition, measurement, presentation and disclosure;</li> <li>• defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities;</li> <li>• defines a specific model for contracts of one year or less.</li> </ul> <p>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 <i>Financial Instruments</i> and IFRS 15 <i>Revenue from Contracts with Customers</i> are previously applied.</p> <p>On June 25, 2020, the IASB published an amendment to IFRS 17 <i>Insurance Contracts</i> that clarifies different subjects and that postpones the effective date to financial statements beginning on or after January 1, 2023.</p> <p><i>Status:</i> 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.</p>
IAS 1 <i>Presentation of Financial Statements</i>	<p><i>Description:</i> On January 23, 2020, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i>. 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.</p> <p>On July 15, 2020, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i> that postpones the effective date to financial statements beginning on or after January 1, 2023.</p> <p><i>Status:</i> The Company is evaluating the impact of this amendment on its financial statements.</p>
IAS 16 <i>Property, Plant and Equipment</i>	<p><i>Description:</i> On May 14, 2020, the IASB published an amendment to IAS 16 <i>Property, Plant and Equipment</i>. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.</p> <p><i>Status:</i> The Company is evaluating the impact of this amendment on its financial statements.</p>
IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	<p><i>Description:</i> On May 14, 2020, the IASB published an amendment to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2022. Early adoption is permitted.</p> <p><i>Status:</i> The Company is evaluating the impact of this amendment on its financial statements.</p>

IFRS 3 <i>Business Combinations</i>	<p><i>Description:</i> On May 14, 2020, the IASB published an amendment to IFRS 3 <i>Business Combinations</i>. The amendment updates the reference to the Conceptual Framework and adds an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.</p> <p><i>Status:</i> The Company is evaluating the impact of this amendment on its financial statements.</p>
Annual Improvements to IFRSs 2018-2020 Cycle	<p><i>Description:</i> On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify situations specific to four standards:</p> <ul style="list-style-type: none"> <li>• IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> related to the fact that a subsidiary that becomes a first-time adopter later than its parent, is allowed to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs;</li> <li>• IFRS 9 <i>Financial Instruments</i> related to the fact that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included when the entity applies the '10 per cent' test in assessing whether to derecognize a financial liability;</li> <li>• IFRS 16 <i>Leases</i> related to Illustrative Example 13 accompanying IFRS 16 that removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion;</li> <li>• IAS 41 <i>Agriculture</i> related to the fact that an entity no longer excludes taxation cash flows when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in IFRS 13 <i>Fair Value Measurement</i>.</li> </ul> <p>The provisions of IFRS 1, IFRS 9, and IAS 41 will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The Annual Improvement to IFRS 16 only regards an illustrative example, so this is applicable immediately.</p> <p><i>Status:</i> The Company is evaluating the impact of these improvements on its financial statements.</p>
IFRS 16 <i>Leases</i>	<p><i>Description:</i> On May 28, 2020, the IASB published an amendment to IFRS 16 <i>Leases</i>. The amendment <i>COVID-19 Related Rent Concessions</i> exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before June 30, 2021. The provisions of this amendment will apply retrospectively to financial statements beginning on or after June 1, 2020. Early adoption is permitted.</p> <p><i>Status:</i> The Company is evaluating the impact of this amendment on its financial statements.</p>

#### 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 June 30, 2020, an amount of \$706 (\$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.

## 4 › Acquisition and Disposal of Businesses

### Acquisition of Businesses

#### Group Insurance

On January 10, 2020, the Company announced that it acquired 100% of the shares of three Canadian companies specializing in vehicle warranties: 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).

#### US Operations

On May 22, 2020, the Company acquired 100% of the shares of IAS Parent Holdings, Inc. and its subsidiaries (collectively "IAS") for a total amount of \$977. 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 in the U.S. market.

The Company has up to 12 months following the acquisition date to complete the allocation of the acquisition price. As at June 30, 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 June 30, 2020	
	Group Insurance	US Operations
	\$	\$
Fair value of identifiable assets and liabilities acquired	(10)	(149)
Fair value of intangible assets	72	488
Fair value of deferred income tax liabilities on intangible assets	(19)	(102)
Fair value of net identifiable assets acquired	43	237
Goodwill	64	740
	107	977
<b>Acquisition price:</b>		
Cash	107	977

Goodwill is not deductible for tax purposes.

As at June 30, 2020, revenues and net income from WGI and Lubrico did not have a significant impact on the Company's financial results. In addition, revenues and net income from IAS, that have not been considered, would not have a significant impact on the Company's financial results. Integration expenses and acquisition costs of \$9 are included in *General expenses*.

#### Disposal of Business

On June 1, 2020, the Company sold a subsidiary, iA Investment Counsel Inc., to CWB Financial Group. Goodwill of \$26 and intangible assets of \$41 were disposed of in this transaction. A gain before tax of \$16 was recognized in the Income Statement in *Other revenues*. The after-tax gain on this transaction is \$8. 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.

## 5 › Invested Assets and Investment Income

## a) Carrying Value and Fair Value

	As at June 30, 2020					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	\$	\$	\$	\$	\$	\$
<b>Cash and short-term investments</b>	702	—	785	—	1,487	1,487
<b>Bonds</b>						
Governments	12,524	1,389	112	—	14,025	
Municipalities	1,275	180	40	—	1,495	
Corporate and other	10,328	1,707	2,409	—	14,444	
	24,127	3,276	2,561	—	29,964	30,350
<b>Stocks</b>						
Common	1,616	41	—	—	1,657	
Preferred	176	328	—	—	504	
Stock indexes	226	14	—	—	240	
Investment fund units	511	17	—	—	528	
	2,529	400	—	—	2,929	2,929
<b>Mortgages and other loans</b>						
Insured mortgages						
Residential <sup>1</sup>	—	—	817	—	817	
Multi-residential	—	—	1,316	—	1,316	
Non-residential	—	—	5	—	5	
	—	—	2,138	—	2,138	
Conventional mortgages						
Residential <sup>1</sup>	—	—	294	—	294	
Multi-residential	64	—	194	—	258	
Non-residential	30	—	201	—	231	
	94	—	689	—	783	
Other loans	—	—	828	—	828	
	94	—	3,655	—	3,749	3,877
<b>Derivative financial instruments</b>	1,712	—	—	—	1,712	1,712
<b>Policy loans</b>	—	—	931	—	931	931
<b>Other invested assets</b>	—	114	5	428	547	547
<b>Investment properties</b>	—	—	—	1,989	1,989	2,013
<b>Total investments</b>	<b>29,164</b>	<b>3,790</b>	<b>7,937</b>	<b>2,417</b>	<b>43,308</b>	<b>43,846</b>

<sup>1</sup> The residential mortgage loan portfolio is held for sale. See Note 20 "Commitments".

	As at December 31, 2019					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	\$	\$	\$	\$	\$	\$
<b>Cash and short-term investments</b>	489	—	619	—	1,108	1,108
<b>Bonds</b>						
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
<b>Stocks</b>						
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
<b>Mortgages and other loans</b>						
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
<b>Derivative financial instruments</b>	1,003	—	—	—	1,003	1,003
<b>Policy loans</b>	—	—	900	—	900	900
<b>Other invested assets</b>	—	—	5	424	429	429
<b>Investment properties</b>	—	—	—	2,077	2,077	2,099
<b>Total investments</b>	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 and investment fund units classified as available for sale which represent restricted investments.

#### b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at June 30, 2020 and as at December 31, 2019. The carrying value of these investments as at June 30, 2020 is \$428 (\$422 as at December 31, 2019). The share of net income and comprehensive income for the six months ended June 30, 2020 amounts to \$7 (\$11 for the six months ended June 30, 2019).



## c) Investment Income

	Quarters ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Interest and other investment income</b>				
Interest	244	242	563	478
Dividends	24	32	83	60
Derivative financial instruments	—	3	(3)	8
Rental income	47	48	106	96
Gains (losses) realized	8	8	22	19
Variation in provisions for losses	(17)	(11)	(37)	(19)
Other	2	6	17	12
	<b>308</b>	<b>328</b>	<b>751</b>	<b>654</b>
<b>Change in fair value of investments</b>				
Cash and short-term investments	1	2	3	4
Bonds	2,284	912	2,175	2,090
Stocks	61	11	(138)	130
Mortgages and other loans	(5)	(1)	6	(2)
Derivative financial instruments	1,548	416	576	973
Investment properties	(38)	(2)	(71)	(10)
Other	(4)	5	(4)	(6)
	<b>3,847</b>	<b>1,343</b>	<b>2,547</b>	<b>3,179</b>
<b>Total investment income</b>	<b>4,155</b>	<b>1,671</b>	<b>3,298</b>	<b>3,833</b>

## 6 › 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 discounted 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 on 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 on 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 8 "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 \$76 (\$76 as at December 31, 2019). It is secured by an investment property with a carrying value of \$179 (\$181 as at December 31, 2019), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is \$1.

*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 June 30, 2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Cash and short-term investments</b>				
Held for trading	—	702	—	702
<b>Bonds</b>				
Designated at fair value through profit or loss				
Governments	486	12,038	—	12,524
Municipalities	—	1,275	—	1,275
Corporate and other	—	10,187	141	10,328
	486	23,500	141	24,127
Available for sale				
Governments	80	1,309	—	1,389
Municipalities	—	180	—	180
Corporate and other	—	1,696	11	1,707
	80	3,185	11	3,276
	566	26,685	152	27,403
<b>Stocks</b>				
Designated at fair value through profit or loss	1,224	—	1,305	2,529
Available for sale	38	328	34	400
	1,262	328	1,339	2,929
<b>Mortgages and other loans</b>				
Designated at fair value through profit or loss	—	94	—	94
<b>Derivative financial instruments</b>				
Held for trading	215	1,496	1	1,712
<b>Other investments</b>				
Available for sale	69	45	—	114
<b>Investment properties</b>				
	—	—	1,989	1,989
<b>General fund investments recognized at fair value</b>	2,112	29,350	3,481	34,943
<b>Segregated funds financial instruments and investment properties</b>	21,370	6,710	242	28,322
<b>Total financial assets at fair value</b>	23,482	36,060	3,723	63,265

	As at December 31, 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Cash and short-term investments</b>				
Held for trading	—	489	—	489
<b>Bonds</b>				
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
<b>Stocks</b>				
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
<b>Mortgages and other loans</b>				
Designated at fair value through profit or loss	—	94	—	94
<b>Derivative financial instruments</b>				
Held for trading	229	774	—	1,003
<b>Investment properties</b>				
	—	—	2,077	2,077
<b>General fund investments recognized at fair value</b>	2,483	25,843	3,539	31,865
<b>Segregated funds financial instruments and investment properties</b>	21,343	6,373	90	27,806
<b>Total financial assets at fair value</b>	23,826	32,216	3,629	59,671

Transfers from Level 1 to Level 2 during the six months ended June 30, 2020 amount to \$564 (none for the year ended December 31, 2019). These transfers took place during the three months ended March 31, 2020 and result from the application of a fair value adjustment for events that took place after the market close but before the valuation date. Transfers from Level 2 to Level 1 during the six months ended June 30, 2020 amount to \$574 (none for the year ended December 31, 2019). The adjustment made in the three months ended March 31, 2020 was not required for the three months ended June 30, 2020. These transfers are related to segregated fund financial instruments and investment properties.

Transfers from Level 2 to Level 3 during the six months ended June 30, 2020 amount to \$3 (none for the year ended December 31, 2019). These transfers are from bonds designated at fair value through profit or loss. The fair value of these bonds is measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments. However, the price of these bonds has remained unchanged for more than 30 days which, according to our internal policy, results in a transfer.

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 1.48% to 3.25% as at June 30, 2020 (1.09% to 2.68% as at December 31, 2019). Stocks classified into Level 3 are mainly valued 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 June 30, 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 the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the 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:

Six months ended June 30, 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 June 30, 2020	Total unrealized gains (losses) included in net income on investments still held
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Bonds</b>								
Designated at fair value through profit or loss	129	9	—	27	(27)	3	141	9
Available for sale	11	—	—	—	—	—	11	—
<b>Stocks</b>								
Designated at fair value through profit or loss	1,291	(48)	—	122	(60)	—	1,305	(48)
Available for sale	31	—	3	1	(1)	—	34	—
<b>Derivative financial instruments</b>								
Held for trading	—	1	—	—	—	—	1	1
<b>Investment properties</b>	<b>2,077</b>	<b>(71)</b>	<b>—</b>	<b>14</b>	<b>(31)</b>	<b>—</b>	<b>1,989</b>	<b>(71)</b>
<b>General fund investments recognized at fair value</b>	<b>3,539</b>	<b>(109)</b>	<b>3</b>	<b>164</b>	<b>(119)</b>	<b>3</b>	<b>3,481</b>	<b>(109)</b>
<b>Segregated funds financial instruments and investment properties</b>	<b>90</b>	<b>2</b>	<b>—</b>	<b>152</b>	<b>(3)</b>	<b>1</b>	<b>242</b>	<b>2</b>
<b>Total</b>	<b>3,629</b>	<b>(107)</b>	<b>3</b>	<b>316</b>	<b>(122)</b>	<b>4</b>	<b>3,723</b>	<b>(107)</b>

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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Bonds</b>								
Designated at fair value through profit or loss	140	7	—	—	(18)	—	129	7
Available for sale	16	—	—	—	(5)	—	11	—
<b>Stocks</b>								
Designated at fair value through profit or loss	1,134	5	—	198	(46)	—	1,291	5
Available for sale	29	—	(1)	3	—	—	31	—
<b>Derivative financial instruments</b>								
Held for trading	1	—	—	—	(1)	—	—	—
<b>Investment properties</b>	1,720	44	—	318	(5)	—	2,077	44
<b>General fund investments recognized at fair value</b>	3,040	56	(1)	519	(75)	—	3,539	56
<b>Segregated funds financial instruments and investment properties</b>	47	1	—	44	(2)	—	90	2
<b>Total</b>	3,087	57	(1)	563	(77)	—	3,629	58

For the six months ended June 30, 2020, an amount of \$14 (\$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 9 “Segregated Funds Net Assets”. *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 13 “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 June 30, 2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Classified as loans and receivables</b>				
<b>Bonds</b>				
Governments	—	8	141	149
Municipalities	—	54	—	54
Corporate and other	—	225	2,519	2,744
	—	287	2,660	2,947
<b>Mortgages and other loans</b>	—	3,783	—	3,783
<b>Total of assets classified as loans and receivables</b>	—	4,070	2,660	6,730

	As at December 31, 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Classified as loans and receivables</b>				
<b>Bonds</b>				
Governments	—	8	132	140
Municipalities	—	51	—	51
Corporate and other	—	243	2,138	2,381
	—	302	2,270	2,572
<b>Mortgages and other loans</b>	—	3,823	—	3,823
<b>Total of assets classified as loans and receivables</b>	—	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 June 30, 2020			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Other liabilities</b>				
Held for trading	52	226	—	278
<b>Derivative financial instruments</b>				
Held for trading	87	741	31	859
<b>Total of liabilities classified as held for trading</b>	139	967	31	1,137
<b>Classified at amortized cost</b>				
<b>Other liabilities</b>				
Securitization liabilities	—	1,128	—	1,128
Mortgage debt	—	76	—	76
<b>Debentures</b>	—	1,499	—	1,499
<b>Total of liabilities classified at amortized cost</b>	—	2,703	—	2,703

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

## 7 › Management of Risks Associated with Financial Instruments

### a) Impairment of Financial Assets Classified as Available for Sale

During the six months ended June 30, 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 June 30, 2020			As at December 31, 2019		
	Fair value	Unrealized losses	Unrealized gains	Fair value	Unrealized losses	Unrealized gains
	\$	\$	\$	\$	\$	\$
<b>Bonds</b>						
Governments	1,389	—	81	1,870	(1)	57
Municipalities	180	—	9	166	—	3
Corporate and other	1,707	(3)	74	1,721	(2)	40
	3,276	(3)	164	3,757	(3)	100
<b>Stocks</b>	400	(62)	8	513	(21)	10
<b>Other investments</b>	114	—	—	—	—	—
<b>Total</b>	<b>3,790</b>	<b>(65)</b>	<b>172</b>	<b>4,270</b>	<b>(24)</b>	<b>110</b>

### 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 June 30, 2020	As at December 31, 2019
	\$	\$
AAA	1,212	1,866
AA	14,481	13,101
A	9,048	7,960
BBB	4,975	4,343
BB and lower	248	238
<b>Total</b>	<b>29,964</b>	<b>27,508</b>

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 \$2,170 as at June 30, 2020 (\$2,054 as at December 31, 2019).

##### Mortgages and Other Loans

	As at June 30, 2020	As at December 31, 2019
	\$	\$
Insured mortgages	2,138	2,271
Conventional mortgages	783	805
Other loans	828	794
<b>Total</b>	<b>3,749</b>	<b>3,870</b>

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 and which is not subject to a measure deployed by the Company to support its clients or in foreclosure is assumed to be impaired. Any loan in default which is not insured and fully guaranteed is generally impaired.

As at June 30, 2020				
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$
<b>Gross values</b>				
Not past due and not impaired	2,525	2,824	822	6,171
Past due and not impaired				
30 – 89 days in arrears	—	3	23	26
90 – 119 days in arrears	—	—	3	3
120 days or more in arrears	—	—	3	3
Impaired	44	—	—	44
<b>Total of gross values</b>	<b>2,569</b>	<b>2,827</b>	<b>851</b>	<b>6,247</b>
Specific provisions for losses	8	—	—	8
	<b>2,561</b>	<b>2,827</b>	<b>851</b>	<b>6,239</b>
Collective provisions	—	—	23	23
<b>Total of net values</b>	<b>2,561</b>	<b>2,827</b>	<b>828</b>	<b>6,216</b>

As at December 31, 2019				
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$
<b>Gross values</b>				
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
<b>Total of gross values</b>	<b>2,340</b>	<b>2,982</b>	<b>804</b>	<b>6,126</b>
Specific provisions for losses	10	—	—	10
	<b>2,330</b>	<b>2,982</b>	<b>804</b>	<b>6,116</b>
Collective provisions	—	—	10	10
<b>Total of net values</b>	<b>2,330</b>	<b>2,982</b>	<b>794</b>	<b>6,106</b>

**Foreclosed Properties**

During the six months ended June 30, 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 June 30, 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	(2)	—	—	(2)
<b>Balance at end</b>	<b>8</b>	<b>—</b>	<b>—</b>	<b>8</b>

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
<b>Balance at end</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>10</b>

**8 › 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 June 30, 2020 is \$1,709 (\$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 derivative financial instrument contracts.

As at June 30, 2020						
	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
	\$	\$	\$	\$	\$	\$
<b>Equity contracts</b>						
Swap contracts	582	624	91	1,297	59	(2)
Futures contracts	875	—	—	875	2	(9)
Options	6,243	—	—	6,243	221	(79)
<b>Currency contracts</b>						
Forward contracts	4,046	1,078	—	5,124	71	(58)
Swap contracts	55	789	2,677	3,521	13	(491)
<b>Interest rate contracts</b>						
Swap contracts	910	3,688	5,181	9,779	696	(190)
Forward contracts	1,510	3,159	—	4,669	649	—
Options	23	—	—	23	—	—
<b>Credit risk contracts</b>						
Swap contracts	—	21	—	21	—	—
<b>Other derivative contracts</b>	2	3	354	359	1	(30)
<b>Total</b>	<b>14,246</b>	<b>9,362</b>	<b>8,303</b>	<b>31,911</b>	<b>1,712</b>	<b>(859)</b>

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

	As at June 30, 2020		
	Notional amount	Fair value	
		Positive	Negative
	\$	\$	\$
Derivative financial instruments not designated as hedge accounting	29,348	1,672	(802)
Net investment hedge	1,439	27	(19)
Fair value hedges			
Interest risk	988	12	(34)
Currency risk	19	1	—
Cash flow hedges			
Currency risk	117	—	(4)
<b>Total of derivative financial instruments</b>	31,911	1,712	(859)

	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)
<b>Total of derivative financial instruments</b>	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 traded over the counter, 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 June 30, 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 six months ended June 30, 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 June 30, 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 June 30, 2020 (less than 1 year to 9 years as at December 31, 2019).

For the six months ended June 30, 2020, the Company has recognized a loss of \$27 on the hedging instruments (gain of \$28 for the six months ended June 30, 2019) and a gain of \$28 on the hedged items (loss of \$28 for the six months ended June 30, 2019). For the six months ended June 30, 2020, the Company has recognized an ineffectiveness of \$1 (none for the six months ended June 30, 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 traded over the counter with maturities of less than 2 years as at June 30, 2020 (less than 2 years as at December 31, 2019).

For the six months ended June 30, 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 9 years as at June 30, 2020 (from 4 years to 10 years as at December 31, 2019). For the six months ended June 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

During the six months ended June 30, 2020, the Company ended a cash flow hedging relationship which was entered into in 2019 in order to manage its exposure to changes in currency rate risk on forecasted transactions. The Company was using forward contracts that had maturities of less than 1 year as at December 31, 2019. For the six months ended June 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

**9 › Segregated Funds Net Assets**

	As at June 30	As at December 31
	2020	2019
	\$	\$
<b>Assets</b>		
Cash and short-term investments	1,143	992
Bonds	5,767	5,509
Stocks	21,456	21,362
Mortgages	23	21
Investment properties	16	17
Derivative financial instruments	22	20
Other assets	833	285
<b>Total assets</b>	<b>29,260</b>	<b>28,206</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	755	338
<b>Net assets</b>	<b>28,505</b>	<b>27,868</b>

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

	Quarters ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Balance at beginning	25,460	25,759	27,868	23,781
Add:				
Amounts received from policyholders	1,046	967	2,824	2,023
Interest and dividends	155	149	279	280
Net realized gains	137	239	213	247
Net increase (decrease) in fair value	2,370	185	(804)	1,919
	29,168	27,299	30,380	28,250
Less:				
Amounts withdrawn by policyholders	539	788	1,625	1,624
Operating expenses	124	122	250	237
	663	910	1,875	1,861
<b>Balance at end</b>	<b>28,505</b>	<b>26,389</b>	<b>28,505</b>	<b>26,389</b>

## 10 › Debentures

On February 21, 2020, the Company issued subordinated debentures in the amount of \$400 maturing 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 three-month Canadian Dealer Offered Rate (CDOR), plus 0.71%, payable quarterly, commencing May 21, 2025 until February 21, 2030. These subordinated debentures are redeemable by the Company starting February 21, 2025, in whole or in part, subject to prior approval by the Autorité des marchés financiers (AMF). The carrying value of the debentures includes amortized transaction costs and an issuance discount for a total of \$2.

On May 16, 2019, the Company redeemed all of its \$250 subordinated debentures maturing May 16, 2024, bearing interest of 2.80% payable semi-annually until May 16, 2019. The subordinated debentures were redeemed at nominal value plus accrued and unpaid interest. Consequently, the Company paid a total of \$254.

## 11 › 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.

The share capital issued by the Company is as follows:

	As at June 30, 2020		As at December 31, 2019	
	Number of shares (in thousands)	Amount \$	Number of shares (in thousands)	Amount \$
<b>Common shares</b>				
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)
<b>Balance at end</b>	<b>107,008</b>	<b>1,672</b>	<b>106,966</b>	<b>1,666</b>

### 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 June 30, 2020, the number of outstanding stock options (in thousands) was 2,107 (1,965 as at December 31, 2019). For the six months ended June 30, 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 six months ended June 30, 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**

	Quarters ended June 30				Six months ended June 30			
	2020		2019		2020		2019	
	Total	Per share	Total	Per share	Total	Per share	Total	Per share
	\$ (in dollars)		\$ (in dollars)		\$ (in dollars)		\$ (in dollars)	
<b>Common shares</b>	<b>52</b>	<b>0.49</b>	47	0.45	<b>104</b>	<b>0.97</b>	92	0.87

**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 July 30, 2020. This dividend was not recorded as a liability in these interim financial statements. This dividend will be paid on September 15, 2020 to the shareholders of record as of August 21, 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.

**12 Preferred Shares Issued by a Subsidiary**

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

	As at June 30, 2020		As at December 31, 2019	
	Number of shares	Amount	Number of shares	Amount
	(in thousands)	\$	(in thousands)	\$
<b>Preferred shares, Class A, issued by iA Insurance</b>				
<b>Balance at beginning and at end</b>	<b>21,000</b>	<b>525</b>	21,000	525

**Dividends**

	Quarters ended June 30				Six months ended June 30			
	2020		2019		2020		2019	
	Total	Per share	Total	Per share	Total	Per share	Total	Per share
	\$ (in dollars)		\$ (in dollars)		\$ (in dollars)		\$ (in dollars)	
<b>Preferred shares, issued by iA Insurance</b>								
Class A – Series B	1	0.29	1	0.29	3	0.58	3	0.58
Class A – Series G	3	0.23	3	0.23	5	0.47	5	0.47
Class A – Series I	1	0.30	2	0.30	3	0.60	4	0.60
<b>Total</b>	<b>5</b>		6		<b>11</b>		12	

**13 › Accumulated Other Comprehensive Income**

	Bonds	Stocks	Currency translation	Hedging	Total
	\$	\$	\$	\$	\$
Balance as at December 31, 2019	73	(8)	73	(82)	56
Unrealized gains (losses)	79	(43)	—	—	36
Income taxes on unrealized gains (losses)	(20)	11	—	—	(9)
Other	—	—	72	(24)	48
Income taxes on other	—	—	—	4	4
	59	(32)	72	(20)	79
Realized losses (gains)	(17)	(1)	—	—	(18)
Income taxes on realized losses (gains)	4	—	—	—	4
	(13)	(1)	—	—	(14)
<b>Balance as at June 30, 2020</b>	<b>119</b>	<b>(41)</b>	<b>145</b>	<b>(102)</b>	<b>121</b>
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)	126	(5)	—	—	121
Income taxes on unrealized gains (losses)	(32)	1	—	—	(31)
Other	—	—	(51)	46	(5)
Income taxes on other	—	—	—	(7)	(7)
	94	(4)	(51)	39	78
Realized losses (gains)	(13)	—	—	—	(13)
Income taxes on realized losses (gains)	4	—	—	—	4
	(9)	—	—	—	(9)
Balance as at June 30, 2019	91	(14)	84	(69)	92

**14 › 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 June 30, 2020, the Company maintains a ratio that satisfies the regulatory requirements.

	June 30, 2020
	\$
Available Capital	
Tier 1 Capital	2,620
Tier 2 Capital	1,521
Surplus allowance and eligible deposits	4,846
<b>Total</b>	<b>8,987</b>
<b>Base solvency buffer</b>	<b>7,268</b>
<b>Total ratio</b>	<b>124%</b>

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.

## 15 › General Expenses

### Impairment of Goodwill

As at March 31, 2020, following the effects of the COVID-19 pandemic described in Note 2, the Company reviewed the financial projections of PPI Management Inc. Further to this review, an impairment test was performed with respect to PPI Management Inc. operations included in the Individual Insurance 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 covering a five-year period.

## 16 › Income Taxes

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

	Quarters ended June 30				Six months ended June 30			
	2020		2019		2020		2019	
	\$	%	\$	%	\$	%	\$	%
Income before income taxes	247		241		291		449	
Income tax expense at Canadian statutory tax rate	66	27	64	27	78	27	120	27
Increase (decrease) in income taxes due to:								
Differences in tax rates on income not subject to tax in Canada	—	—	(1)	—	(1)	—	(2)	—
Tax-exempt investment income	(8)	(3)	(5)	(2)	(29)	(10)	(10)	(2)
Non-deductible (non-taxable) portion of the change in fair value of investment properties	3	1	(1)	—	7	2	(1)	—
Adjustments of previous years	(10)	(4)	(1)	—	(11)	(4)	(1)	—
Variation in tax rates	—	—	(3)	(1)	(1)	—	(4)	(1)
Other	1	—	1	—	7	2	2	—
<b>Income tax expense (recovery) and effective income tax rate</b>	<b>52</b>	<b>21</b>	<b>54</b>	<b>24</b>	<b>50</b>	<b>17</b>	<b>104</b>	<b>24</b>



## 17 > 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

	Quarter ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Net premiums	394	774	366	354	150	75	2,113
Investment income	3,727	(72)	91	277	92	40	4,155
Other revenues	28	370	9	25	35	(51)	416
	4,149	1,072	466	656	277	64	6,684
<b>Operating expenses</b>							
Gross benefits and claims on contracts	198	339	279	272	132	—	1,220
Ceded benefits and claims on contracts	(64)	—	(18)	(7)	(77)	29	(137)
Net transfer to segregated funds	—	423	—	101	—	—	524
Increase (decrease) in insurance contract liabilities	3,732	(72)	22	254	81	1	4,018
Increase (decrease) in investment contract liabilities	—	—	21	—	—	—	21
Decrease (increase) in reinsurance assets	(27)	—	1	1	7	(1)	(19)
Commissions, general and other expenses	204	320	121	26	129	(9)	791
Financing charges	3	1	8	—	—	7	19
	4,046	1,011	434	647	272	27	6,437
Income before income taxes and allocation of other activities	103	61	32	9	5	37	247
Allocation of other activities	27	4	—	1	5	(37)	—
Income before income taxes	130	65	32	10	10	—	247
Income taxes	22	28	2	(2)	2	—	52
<b>Net income</b>	108	37	30	12	8	—	195
Net income attributed to participating policyholders	7	—	—	—	—	—	7
<b>Net income attributed to shareholders</b>	101	37	30	12	8	—	188

	Quarter ended June 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Net premiums	391	643	413	339	120	77	1,983
Investment income	1,356	66	48	107	54	40	1,671
Other revenues	32	365	15	24	20	(31)	425
	1,779	1,074	476	470	194	86	4,079
<b>Operating expenses</b>							
Gross benefits and claims on contracts	192	514	293	305	100	38	1,442
Ceded benefits and claims on contracts	(56)	—	(14)	(7)	(57)	9	(125)
Net transfer to segregated funds	—	110	—	86	—	—	196
Increase (decrease) in insurance contract liabilities	1,354	68	2	50	73	3	1,550
Increase (decrease) in investment contract liabilities	—	—	7	—	—	—	7
Decrease (increase) in reinsurance assets	(14)	—	(1)	—	(24)	(2)	(41)
Commissions, general and other expenses	202	323	153	26	86	5	795
Financing charges	6	1	6	—	—	1	14
	1,684	1,016	446	460	178	54	3,838
Income before income taxes and allocation of other activities	95	58	30	10	16	32	241
Allocation of other activities	25	1	1	1	4	(32)	—
Income before income taxes	120	59	31	11	20	—	241
Income taxes	23	14	9	3	5	—	54
<b>Net income attributed to shareholders</b>	97	45	22	8	15	—	187

	Six months ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Net premiums	791	1,852	790	987	288	160	4,868
Investment income	2,481	255	107	229	146	80	3,298
Other revenues	57	746	30	52	67	(96)	856
	<b>3,329</b>	<b>2,853</b>	<b>927</b>	<b>1,268</b>	<b>501</b>	<b>144</b>	<b>9,022</b>
<b>Operating expenses</b>							
Gross benefits and claims on contracts	427	896	574	658	257	21	2,833
Ceded benefits and claims on contracts	(127)	—	(31)	(13)	(151)	51	(271)
Net transfer to segregated funds	—	848	—	364	—	—	1,212
Increase (decrease) in insurance contract liabilities	2,497	404	32	186	196	1	3,316
Increase (decrease) in investment contract liabilities	—	—	22	—	—	—	22
Decrease (increase) in reinsurance assets	(39)	—	4	2	(60)	(1)	(94)
Commissions, general and other expenses	448	671	272	54	242	(10)	1,677
Financing charges	8	1	16	—	—	11	36
	<b>3,214</b>	<b>2,820</b>	<b>889</b>	<b>1,251</b>	<b>484</b>	<b>73</b>	<b>8,731</b>
Income before income taxes and allocation of other activities	115	33	38	17	17	71	291
Allocation of other activities	52	6	1	2	10	(71)	—
Income before income taxes	167	39	39	19	27	—	291
Income taxes	19	25	1	(1)	6	—	50
<b>Net income</b>	<b>148</b>	<b>14</b>	<b>38</b>	<b>20</b>	<b>21</b>	<b>—</b>	<b>241</b>
Net income attributed to participating policyholders	8	—	—	—	—	—	8
<b>Net income attributed to shareholders</b>	<b>140</b>	<b>14</b>	<b>38</b>	<b>20</b>	<b>21</b>	<b>—</b>	<b>233</b>

	Six months ended June 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Net premiums	779	1,363	810	999	235	152	4,338
Investment income	3,182	91	114	261	106	79	3,833
Other revenues	61	719	29	49	37	(60)	835
	4,022	2,173	953	1,309	378	171	9,006
<b>Operating expenses</b>							
Gross benefits and claims on contracts	418	1,034	584	620	198	82	2,936
Ceded benefits and claims on contracts	(108)	—	(29)	(13)	(111)	19	(242)
Net transfer to segregated funds	—	257	—	163	—	—	420
Increase (decrease) in insurance contract liabilities	3,142	127	13	465	162	(9)	3,900
Increase (decrease) in investment contract liabilities	—	—	21	—	—	—	21
Decrease (increase) in reinsurance assets	(29)	—	1	3	(64)	9	(80)
Commissions, general and other expenses	402	646	298	52	165	10	1,573
Financing charges	11	1	12	—	—	5	29
	3,836	2,065	900	1,290	350	116	8,557
Income before income taxes and allocation of other activities	186	108	53	19	28	55	449
Allocation of other activities	44	(1)	2	2	8	(55)	—
Income before income taxes	230	107	55	21	36	—	449
Income taxes	48	27	15	6	8	—	104
<b>Net income</b>	182	80	40	15	28	—	345
Net income attributed to participating policyholders	1	—	—	—	—	—	1
<b>Net income attributed to shareholders</b>	181	80	40	15	28	—	344

**Segmented Premiums**

	Quarter ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	493	174	397	72	280	14	1,430
Invested in segregated funds	—	600	—	289	—	—	889
	493	774	397	361	280	14	2,319
<b>Premiums ceded</b>							
Invested in general fund	(99)	—	(31)	(7)	(130)	61	(206)
<b>Net premiums</b>	394	774	366	354	150	75	2,113

	Quarter ended June 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	491	98	450	30	208	48	1,325
Invested in segregated funds	—	545	—	316	—	—	861
	491	643	450	346	208	48	2,186
<b>Premiums ceded</b>							
Invested in general fund	(100)	—	(37)	(7)	(88)	29	(203)
<b>Net premiums</b>	391	643	413	339	120	77	1,983

	Six months ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	980	380	856	120	537	43	2,916
Invested in segregated funds	—	1,472	—	881	—	—	2,353
	980	1,852	856	1,001	537	43	5,269
<b>Premiums ceded</b>							
Invested in general fund	(189)	—	(66)	(14)	(249)	117	(401)
<b>Net premiums</b>	791	1,852	790	987	288	160	4,868

	Six months ended June 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	969	207	881	359	406	96	2,918
Invested in segregated funds	—	1,156	—	653	—	—	1,809
	969	1,363	881	1,012	406	96	4,727
<b>Premiums ceded</b>							
Invested in general fund	(190)	—	(71)	(13)	(171)	56	(389)
<b>Net premiums</b>	779	1,363	810	999	235	152	4,338

## Segmented Assets and Liabilities

	As at June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Assets</b>							
Invested assets	25,684	2,453	2,006	4,176	1,355	7,634	43,308
Segregated funds net assets	—	16,755	—	11,750	—	—	28,505
Reinsurance assets	(664)	—	226	130	1,750	(169)	1,273
Other	110	1,143	—	—	68	5,597	6,918
<b>Total assets</b>	<b>25,130</b>	<b>20,351</b>	<b>2,232</b>	<b>16,056</b>	<b>3,173</b>	<b>13,062</b>	<b>80,004</b>
<b>Liabilities</b>							
Insurance contract liabilities and investment contract liabilities	23,975	2,257	2,329	4,328	2,038	(95)	34,832
Liabilities related to segregated funds net assets	—	16,755	—	11,750	—	—	28,505
Other	680	56	10	17	—	9,634	10,397
<b>Total liabilities</b>	<b>24,655</b>	<b>19,068</b>	<b>2,339</b>	<b>16,095</b>	<b>2,038</b>	<b>9,539</b>	<b>73,734</b>

	As at December 31, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Assets</b>							
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
<b>Total assets</b>	<b>22,532</b>	<b>19,138</b>	<b>2,114</b>	<b>15,606</b>	<b>2,587</b>	<b>11,171</b>	<b>73,148</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>21,812</b>	<b>18,268</b>	<b>2,204</b>	<b>15,623</b>	<b>1,744</b>	<b>7,367</b>	<b>67,018</b>

## 18 › 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.

	Quarters ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net income attributed to common shareholders	183	181	222	332
Weighted average number of outstanding shares (in millions of units)	107	107	107	107
Basic earnings per share (in dollars)	1.71	1.70	2.07	3.10

## 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 quarter and for the six months ended June 30, 2020, an average of 555,361 and 315,584 antidilutive stock options respectively (139,536 for the quarter and 176,569 for the six months ended June 30, 2019) were excluded from the calculation.

	Quarters ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net income attributed to common shareholders	183	181	222	332
Weighted average number of outstanding shares (in millions of units)	107	107	107	107
Add: dilutive effect of stock options granted and outstanding (in millions of units)	—	—	—	1
Weighted average number of outstanding shares on a diluted basis (in millions of units)	107	107	107	108
Diluted earnings per share (in dollars)	1.71	1.69	2.07	3.09

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.

### 19 › Post-Employment Benefits

The Company maintains several 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

	Quarters ended June 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Current service cost	15	1	10	—
Net interest	2	1	2	1
Administrative expense	1	—	1	—
Components of the cost of defined benefits recognized in the net income	18	2	13	1
Remeasurement of net liabilities (assets) as defined benefits <sup>1</sup>				
Rate of return on assets (excluding amounts included in the net interest above)	(181)	—	(41)	—
Actuarial losses on financial assumption changes	347	3	86	2
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	166	3	45	2
<b>Total of defined benefit cost components</b>	<b>184</b>	<b>5</b>	<b>58</b>	<b>3</b>

<sup>1</sup> Market based assumptions, such as assumptions on 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.



	Six months ended June 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Current service cost	30	2	22	1
Net interest	4	1	4	1
Administrative expense	1	—	1	—
Components of the cost of defined benefits recognized in the net income	35	3	27	2
Remeasurement of net liabilities (assets) as defined benefits <sup>1</sup>				
Rate of return on assets (excluding amounts included in the net interest above)	(19)	—	(134)	—
Actuarial losses (gains) on financial assumption changes	94	1	208	3
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	75	1	74	3
<b>Total of defined benefit cost components</b>	<b>110</b>	<b>4</b>	<b>101</b>	<b>5</b>

<sup>1</sup> Market based assumptions, such as assumptions on 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

	Quarters ended June 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
<b>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</b>				
Remeasurement of post-employment benefits	166	3	45	2
Income taxes on remeasurement of post-employment benefits	(43)	(1)	(12)	—
<b>Total of other comprehensive income</b>	<b>123</b>	<b>2</b>	<b>33</b>	<b>2</b>

	Six months ended June 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
<b>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</b>				
Remeasurement of post-employment benefits	75	1	74	3
Income taxes on remeasurement of post-employment benefits	(20)	—	(20)	—
<b>Total of other comprehensive income</b>	<b>55</b>	<b>1</b>	<b>54</b>	<b>3</b>

## 20 › Commitments

### 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 June 30, 2020, there were \$790 (\$803 as at December 31, 2019) of outstanding commitments, of which the estimated disbursements will be \$58 (\$65 as at December 31, 2019) in 30 days, \$339 (\$314 as at December 31, 2019) in 31 to 365 days and \$393 (\$424 as at December 31, 2019) in more than one year.

### Disposal of Invested Assets

On May 27, 2020, the Company committed to sell its residential mortgage portfolio. This sale reflects management's decision to exit the residential mortgage market and focus on the multi-residential and non-residential markets. Subject to required approvals, the transaction is expected to close on September 1, 2020. This commitment has not been reflected in the financial statements and may not be executed.

**Letters of Credit**

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at June 30, 2020, the balance of these letters is \$7 (\$7 as at December 31, 2019).

**Lines of Credit**

As at June 30, 2020, the Company had operating lines of credit totalling \$56 (\$56 as at December 31, 2019). As at June 30, 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.

**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.