# Management's Discussion and Analysis

**For the third quarter of 2016**

**November 2, 2016**

# MANAGEMENT'S DISCUSSION AND ANALYSIS
for the nine-month period ended September 30, 2016
November 2, 2016

**OVERVIEW OF THE THIRD QUARTER ENDED SEPTEMBER 30, 2016**
The Company ended the third quarter of 2016 with net income attributed to common shareholders of $144.4 million, up 28% compared to $113.1 million for the same period last year. Diluted earnings per common share (EPS) amounted to $1.40, which is well above guidance of $1.15 to $1.25 for the quarter and the diluted EPS of $1.11 posted in the third quarter of 2015.

The annualized return on common shareholders' equity (ROE) amounted to 14.7% for the third quarter compared with the Company's guidance of between 11.0% and 12.5% for 2016. The annualized ROE in the same quarter of 2015 was 12.3%.

The book value per share amounted to $38.63 at September 30, 2016, up 3% over the last quarter and up 6% over the last twelve months.

In terms of top-line growth, premiums and deposits amounted to $2.1 billion in the third quarter, up 18% year over year. Total assets under management and administration amounted to $126.2 billion at quarter-end, up 4% for the quarter and 14% over twelve months.

The Company issued a $400 million principal amount of 3.30% fixed/floating subordinated debentures dated September 16, 2016, and due September 15, 2028. The net proceeds were added to the Company's general fund and will be used for general corporate purposes including, on December 14, 2016, the redemption of outstanding 4.75% subordinated debentures with a principal amount of $250 million.

The solvency ratio at September 30, 2016 was 218%, an increase of 19 percentage points from June 30, 2016. The ratio benefitted from the issuance of debentures mentioned above. Taking into account the debenture redemption scheduled for December, the solvency ratio would be 207%.

The Board of Directors has approved a quarterly dividend of $0.32 per common share.

Guidance for 2016 is as follows:
- Earnings per common share (EPS): target range of $1.15 to $1.25 for the third quarter, $3.10 to $3.40 for the nine months ended September 30, 2016 and $4.20 to $4.60 for the year in 2016
- Return on common shareholders' equity (ROE): target range of 11.0% to 12.5%
- Solvency ratio: target range of 175% to 200%
- Dividend payout ratio: payout range of 25% to 35% with the target being the mid-point
- Effective tax rate: target range of 18% to 20%
- Strain on new business: target of 15% (±5%) of sales in Individual Insurance

Guidance for ROE and earnings per common share excludes any potential reserve strengthening in 2016.

**PROFITABILITY**
The Company recorded diluted net earnings per share (EPS) of $1.40 for the third quarter of 2016, which is above the target range of $1.15 to $1.25 given as guidance. This result is also higher than the $1.11 EPS posted in the third quarter of 2015. Policyholder experience was once again favourable. The hedging program and stock markets also generated better-than-expected results. Finally, new business strain was lower than expected in Individual Insurance.

**Profitability**

| | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| **(In millions of dollars, unless otherwise indicated)** | **2016** | **2015** | **Variation** | **2016** | **2015** | **Variation** |
| Net income attributed to shareholders | 148.5 | 117.6 | 26% | 394.5 | 378.1 | 4% |
| Less: preferred share dividends | 4.1 | 4.5 | (9%) | 12.3 | 13.9 | (12%) |
| Less: redemption premium on preferred shares | — | — | — | — | 4.0 | — |
| Net income attributed to common shareholders | 144.4 | 113.1 | 28% | 382.2 | 360.2 | 6% |
| Earnings per common share (diluted) | $1.40 | $1.11 | $0.29 | $3.71 | $3.54 | $0.17 |
| Return on common shareholders' equity[1] | 14.7% | 12.3% | 240 bps | 10.1% | 13.5% | (340 bps) |

[1] Annualized for the quarter and trailing twelve months for year-to-date

## COMMENTS ON THE QUARTERLY AND YEAR-TO-DATE FINANCIAL RESULTS

**Growth of net income attributed to shareholders by line of business**

*Individual Insurance* – At $89.8 million, net income attributed to shareholders for the third quarter of 2016 was $27.6 million higher than for the same period in 2015. The increase is mainly due to growth of the in-force block of business and the positive impact of the stock markets, primarily on Universal Life policies. For the first nine months of the year, net income attributed to shareholders was $241.6 million, compared to $219.9 million for the same period last year.

*Individual Wealth Management* – For the third quarter of 2016, net income for the sector amounted to $38.8 million ($28.9 million in the third quarter of 2015). The variations in the sector primarily reflect the evolution of several items during the period, including net premiums paid to the general fund and segregated funds and fees related to assets under management and administration. For the nine months ended September 30, 2016, the business line generated $88.7 million in net income compared to $103.0 million for the same period in 2015.

*Group Insurance* – The sector recorded net income of $14.4 million in the third quarter of 2016, down $3.6 million compared to net income of $18.0 million in the third quarter of 2015. The variations in the sector reflect the evolution of several items during the period, including higher benefits, claims and other expenses in this quarter compared to the same period last year. For the first nine months of the year, net income attributed to shareholders was $51.5 million compared to $36.2 million for the same period last year.

*Group Savings and Retirement* – For the third quarter of 2016, net income amounted to $5.5 million, a $3.0 million decrease compared to the third quarter of 2015. The variations in the sector reflect the evolution of several items during the period, including net premiums, investment income, benefits and claims depending on experience, commissions and other expenses. This quarter, the increase in expenses was higher than the increase in revenues compared to the same period in 2015. For the nine-month period ended September 30, 2016, the sector generated $12.7 million in net income compared to $19.0 million for the same period last year.

**Net Income Attributed to Shareholders by Line of Business**

| | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| **(In millions of dollars)** | **2016** | **2015** | **Variation** | **2016** | **2015** | **Variation** |
| Net income attributed to shareholders | | | | | | |
| Individual Insurance | 89.8 | 62.2 | 27.6 | 241.6 | 219.9 | 21.7 |
| Individual Wealth Management | 38.8 | 28.9 | 9.9 | 88.7 | 103.0 | (14.3) |
| Group Insurance | 14.4 | 18.0 | (3.6) | 51.5 | 36.2 | 15.3 |
| Group Savings and Retirement | 5.5 | 8.5 | (3.0) | 12.7 | 19.0 | (6.3) |
| Total | 148.5 | 117.6 | 30.9 | 394.5 | 378.1 | 16.4 |
| Less: preferred share dividends | 4.1 | 4.5 | (0.4) | 12.3 | 13.9 | (1.6) |
| Less: redemption premium on preferred shares | — | — | — | — | 4.0 | — |
| Net income attributed to common shareholders | 144.4 | 113.1 | 31.3 | 382.2 | 360.2 | 22.0 |

## COMMENTS ACCORDING TO SOURCES OF EARNINGS

The profitability analysis below, according to the sources of earnings, presents the main sources of variation between actual net income and the net income expected by the Company. The data presented in this analysis complement other information presented in the "Additional Comments on the Financial Results" section of this Management's Discussion and Analysis and provide additional indicators that can be used to evaluate financial performance.

The table and comments that follow highlight the main items that had an impact on the Company's third quarter and year-to-date financial results compared to management's expectations.

**Sources of Earnings**[1]

| (In millions of dollars) | Third quarter 2016 | Third quarter 2015 | Year-to-date at September 30 2016 | Year-to-date at September 30 2015 |
|---|---|---|---|---|
| Operating profit | | | | |
| Expected profit on in-force | 146.5 | 136.4 | 413.0 | 389.5 |
| Experience gains (losses) | 28.8 | 1.2 | 54.2 | 30.6 |
| Gain (strain) on sales | (9.7) | (15.1) | (35.6) | (52.4) |
| Changes in assumptions | — | — | — | — |
| Subtotal | 165.6 | 122.5 | 431.6 | 367.7 |
| Income on capital | 20.6 | 23.5 | 52.9 | 57.3 |
| Income taxes | (37.7) | (28.4) | (90.0) | (46.9) |
| Net income attributed to shareholders | 148.5 | 117.6 | 394.5 | 378.1 |
| Less: preferred share dividends | 4.1 | 4.5 | 12.3 | 13.9 |
| Less: redemption premium on preferred shares | — | — | — | 4.0 |
| Net income attributed to common shareholders | 144.4 | 113.1 | 382.2 | 360.2 |

[1] This table contains measures that have no IFRS equivalents. Refer to the "Additional Comments on the Financial Results" section of this Management's Discussion and Analysis for more information.

*Expected profit on in-force* – Expected profit on in-force amounted to $146.5 million before tax in the third quarter of 2016, a year-over-year increase of 7% (+$10.1 million). This increase essentially comes from the two insurance sectors. The expected profit on in-force reflects the best estimates determined by management when the 2016 budget was prepared. The expected profit for the savings sectors is updated quarterly to reflect changes in the stock markets and net fund entries.

*Experience gains (losses) compared to expected profit* – Experience gains or losses represent the difference between the expected profit on in-force and the realized profit. The Company recorded an experience gain of $28.8 million before tax in the third quarter of 2016, compared to a $1.2 million experience gain for the same period last year. The positive variance in the third quarter of 2016 amounted to $21.1 million after tax and was due to the following items:

- *Individual Insurance* – A $11.3 million gain (+$0.11 per common share) was recorded compared to estimates for the third quarter. This gain is mainly due to favourable policyholder mortality and morbidity experience (+$0.06) and the positive impact of the stock markets on Universal Life policies (+$0.04). The rest of the gain comes from miscellaneous items.
- *Individual Wealth Management* – A $9.1 million gain (+$0.09 per share) was recorded in the third quarter compared to expectations. This result is attributable in part to the impact of the markets, particularly regarding the hedging program (+$0.04), which covers segregated fund guarantees, and fees related to assets under management (+$0.01). Other gains for the sector (+$0.04) primarily include favourable longevity experience for single-premium immediate annuities and lower than expected expenses.
- *Group Insurance* – The sector recorded a slight loss of $0.4 million. Claims experience was favourable for the Employee Plans division (+$0.03), while the Dealer Services division had higher than expected creditor insurance claims (-$0.01), lower than expected interest income on car loans due to the transition to a lower risk profile (-$0.01), and slightly higher than expected losses on the portfolio's older car loans (-$0.01).
- *Group Savings and Retirement* – The sector realized a gain of $1.1 million (+$0.01 per share) due to higher than expected investment returns.

*Gain (strain) on sales* – In Individual Insurance, third quarter strain amounted to $8.8 million before tax (12% of sales), compared to guidance of 15% given to the markets. Management estimates that the lower than expected strain (attributable essentially to higher than expected sales and lower than expected expenses) led to a gain of $0.01 per common share.

*Income on capital* – Income on capital amounted to $20.6 million before tax in the third quarter of 2016, down from 2015. This represents a decrease of $0.02 per share. Higher investment income (+$0.02) was partially offset by higher than expected financing costs due to the issuance of debentures in September (-$0.01). Lastly, higher claims at iA Auto and Home, primarily due to a hail storm in July, generated a loss (-$0.03).

*Income taxes* – Income taxes totalled $37.7 million in the third quarter of 2016. The effective tax rate is 20%, which is at the top of the 18% to 20% target range given as guidance.

**SENSITIVITY ANALYSIS**

This section presents the sensitivity of the provisions for future policy benefits, the solvency ratio and net income to a stock market downturn and a drop in interest rates.

To start with, the macroeconomic protection for stocks matched to long-term liabilities increased slightly at September 30, 2016 compared to June 30, 2016. In order for a strengthening of provisions for future policy benefits to be needed, the index needs to drop 32%.

The Company's solvency ratio increased from 199% to 218% in the third quarter, primarily due to the issuance of $400 million in debentures in September. Because of this higher ratio, the Company's ability to absorb stock market fluctuations increased considerably. At September 30, 2016, a 50% drop in the stock markets would be required for the ratio to decrease to 175%, compared to 39% at the end of the previous quarter.

According to estimates at September 30, 2016, a sudden 10% drop in the stock markets would decrease net income by $29 million ($28 million at June 30, 2016).

Lastly, the impact of a potential 10 basis point drop in interest rates (IRR and URR) on the Company's net income decreased from $96 million as at June 30, 2016 to $91 million as at September 30, 2016.

| **Sensitivity Analysis[1]** | | | | |
|---|---|---|---|---|
| | **At September 30, 2016** | **At June 30, 2016** | **At December 31, 2015** | **At September 30, 2015** |
| Value of S&P/TSX Index | 14,726 points | 14,065 points | 13,010 points | 13,307 points |
| Solvency ratio | 218% | 199% | 213% | 225% |
| **Impact of a hypothetical drop in the stock markets (S&P/TSX Index)** | | | | |
| Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities | 32% | 30% | 27% | 24% |
| Index trigger threshold | 10,000 points | 9,800 points | 9,500 points | 10,100 points |
| Decrease in index that would reduce the solvency ratio to 175% | 50% | 39% | 39% | 48% |
| Index trigger threshold | 7,300 points | 8,600 points | 7,900 points | 6,900 points |
| Decrease in index that would reduce the solvency ratio to 150% | 61% | 52% | 53% | 59% |
| Index trigger threshold | 5,800 points | 6,800 points | 6,100 points | 5,400 points |
| Impact on net income of a sudden 10% drop in the stock markets (over one year) | ($29M) | ($28M) | ($28M) | ($28M) |
| **Impact on net income of a hypothetical 10 bps drop in interest rates** | | | | |
| Drop in IRR | ($25M) | ($31M) | ($31M) | ($32M) |
| Drop in URR | ($66M) | ($65M) | ($60M) | ($57M) |
| Total | ($91M) | ($96M) | ($91M) | ($89M) |

[1] The sensitivity analysis is based on non-IFRS measures. It provides useful information for better understanding how the macroeconomic environment could potentially impact the Company's results.

**BUSINESS GROWTH**

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

Here are the highlights of the third quarter.

**Net Premiums, Premium Equivalents and Deposits**

Premiums and deposits are up 18% year over year at $2.1 billion for the third quarter. This growth was driven by favourable performance in both the Individual Wealth Management and Group Savings and Retirement business lines. In Individual Wealth Management, growth was posted in segregated and mutual funds, as well as in the general fund.

**Net Premiums, Premium Equivalents and Deposits**

| (In millions of dollars, unless otherwise indicated) | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | Variation | 2016 | 2015 | Variation |
| Individual Insurance | 407.9 | 395.8 | 12.1 | 1,232.3 | 1,167.7 | 64.6 |
| Individual Wealth Management | 791.0 | 699.9 | 91.1 | 2,342.7 | 2,447.9 | (105.2) |
| Group Insurance | 370.0 | 368.9 | 1.1 | 1,096.8 | 1,063.5 | 33.3 |
| Group Savings and Retirement | 448.3 | 240.3 | 208.0 | 1,094.4 | 821.9 | 272.5 |
| General Insurance[1] | 63.2 | 57.9 | 5.3 | 183.9 | 166.6 | 17.3 |
| Total | 2,080.4 | 1,762.8 | 317.6 | 5,950.1 | 5,667.6 | 282.5 |

[1] Includes iAAH and some minor consolidation adjustments

**Business Growth by Line of Business**

*Individual Insurance* – Good business growth continued, with $75.0 million in total sales for the sector, 18% higher than the same period last year. Sales were up 17% in Canada and 19% in the US. At the Excellence subsidiary, which specializes in adjustable premium disability products, the momentum continued with a 35% increase in sales for a total of $5.1 million. Sales in Canada including Excellence amounted to $50.3 million while US sales amounted to $24.7 million, nearly one third of total individual insurance sales.

*Individual Wealth Management* – Gross segregated fund sales totalled $370.2 million, a year-over-year increase of 3% in the third quarter, while mutual fund sales amounted to $336.9 million, compared to $313.7 million for the same period last year. In terms of net sales, segregated funds continue to lead the industry for the year as of August 31, 2016. Their positive contribution amounted to $71.6 million in the third quarter. Mutual funds posted net outflows of $69.1 million, which is an improvement over the same period last year, when they reached $315.7 million. Mutual fund redemptions were down significantly this third quarter compared to last year and gross sales were up.

*Group Insurance – Employee Plans* – Third quarter sales totalled $13.2 million, an increase of 2% compared to the same period in 2015.

*Group Insurance – Dealer Services* – P&C insurance sales for the quarter amounted to $55.6 million (2% lower than in 2015). At $109.7 million, creditor insurance sales were up 1%. The weakness in the Western Canadian economy linked to the drop in oil prices continues to put pressure on these sales, but this has been offset by favourable results in Quebec. Lastly, car loan originations for the quarter totalled $100.6 million.

*Group Insurance – Special Markets Solutions* – Third quarter sales totalled $42.9 million, which is 2% higher than the same period in 2015.

*Group Savings and Retirement* – At $455.1 million, total sales for the quarter were up 85% compared to the same period in 2015. After three quarters, sales were up 33% year over year.

*General Insurance (iAAH)* – In terms of written premiums, sales for the quarter amounted to $74.9 million, an increase of 12% compared to the same period in 2015. This increase mainly resulted from new business partnerships.

## Sales

| (In millions of dollars, unless otherwise indicated) | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | Variation | 2016 | 2015 | Variation |
| Individual Insurance | | | | | | |
| Canada – Minimum premiums | 46.7 | 37.8 | 24% | 123.8 | 112.0 | 11% |
| Canada – Excess premiums | 3.6 | 5.3 | (32%) | 16.9 | 12.7 | 33% |
| United States | 24.7 | 20.7 | 19% | 72.6 | 55.9 | 30% |
| Total | 75.0 | 63.8 | 18% | 213.3 | 180.6 | 18% |
| Individual Wealth Management | | | | | | |
| General fund | 83.9 | 28.0 | 200% | 227.4 | 101.1 | 125% |
| Segregated funds | 370.2 | 358.2 | 3% | 1,176.4 | 1,214.4 | (3%) |
| Mutual funds | 336.9 | 313.7 | 7% | 938.9 | 1,132.4 | (17%) |
| Total | 791.0 | 699.9 | 13% | 2,342.7 | 2,447.9 | (4%) |
| Net sales (after redemptions and transfers) | | | | | | |
| Segregated funds | 71.6 | 80.5 | (11%) | 267.6 | 340.1 | (21%) |
| Mutual funds | (69.1) | (315.7) | --- | (481.6) | (747.8) | --- |
| Group Insurance | | | | | | |
| Employee Plans | 13.2 | 12.9 | 2% | 48.3 | 53.5 | (10%) |
| Dealer Services | | | | | | |
| Creditor Insurance | 109.7 | 109.1 | 1% | 277.5 | 273.7 | 1% |
| P&C Insurance | 55.6 | 56.5 | (2%) | 153.1 | 148.6 | 3% |
| Car loan originations | 100.6 | --- | --- | 297.2 | --- | --- |
| Special Markets Solutions | 42.9 | 41.9 | 2% | 134.3 | 131.2 | 2% |
| Group Savings and Retirement | 455.1 | 246.0 | 85% | 1,114.2 | 839.2 | 33% |
| General Insurance | | | | | | |
| iAAH (auto and home insurance) | 74.9 | 66.7 | 12% | 219.2 | 195.1 | 12% |

### Assets Under Management and Administration

Assets under management and administration (AUM/AUA) amounted to $126.2 billion at September 30, 2016, an increase of 4% compared to the previous quarter and up 14% over twelve months. All AUM/AUA components, including mutual funds, contributed to the growth observed during the quarter.

## Assets Under Management and Administration

| (In millions of dollars) | September 30, 2016 | June 30, 2016 | December 31, 2015 | September 30, 2015 |
|---|---|---|---|---|
| Assets under management | | | | |
| General fund | 37,109.8 | 35,971.9 | 33,161.4 | 32,604.8 |
| Segregated funds | 21,511.3 | 20,634.9 | 19,776.7 | 19,112.4 |
| Mutual funds | 10,518.1 | 10,214.1 | 10,428.3 | 10,539.2 |
| Other | 16,365.1 | 16,172.0 | 15,526.1 | 14,983.5 |
| Subtotal | 85,504.3 | 82,992.9 | 78,892.5 | 77,239.9 |
| Assets under administration | 40,734.3 | 38,884.1 | 36,920.8 | 33,974.9 |
| Total | 126,238.6 | 121,877.0 | 115,813.3 | 111,214.8 |

### Value of New Business

Value of new business (VNB) amounted to $31.9 million ($0.31 per common share) in the third quarter of 2016, which was stable year over year.

VNB varies according to three components: variation in sales, changes in profit margins and changes in economic assumptions. The variation in these three components from the third quarter of 2015 to the third quarter of 2016 was as follows:

- The "sales" component of VNB increased by $3.2 million. This increase is explained by sales growth in three business lines: Individual Insurance, Individual Wealth Management, and Group Savings and Retirement.
- The "profit margins" component increased VNB by $2.2 million. A downward effect from the Group Insurance sector was offset by an increase from Individual Insurance and, to a lesser extent, Individual Wealth Management.
- Changes in economic assumptions (discount rate, interest rates and stock market returns) at the end of 2015 decreased VNB by $5.4 million, essentially in the Individual Insurance sector. This decrease resulted mainly from the decrease in interest rates.

**Value of New Business by Component[1]**

| (In millions of dollars) | Third quarter | Year-to-date at September 30 |
|---|---|---|
| Value of new business in 2015 | 31.9 | 100.4 |
| Increase (decrease) in sales | 3.2 | 1.9 |
| Variation in profit margins | 2.2 | 5.5 |
| Changes in economic assumptions | (5.4) | (14.2) |
| Value of new business in 2016 | 31.9 | 93.6 |

[1] Value of new business is a non-IFRS measure that provides an overview of the profitability of new business.

## FINANCIAL STRENGTH

### Capital Issue

The Company issued a $400 million principal amount of 3.30% fixed/floating subordinated debentures dated September 16, 2016, and due September 15, 2028. The net proceeds were added to the Company's general fund and will be used for general corporate purposes including, on December 14, 2016, the redemption of the 4.75% subordinated debentures outstanding with a principal amount of $250 million. The main impacts of this issue and the planned redemption on the Company's financial strength are indicated below.

### Capitalization

The Company's capital amounted to $5.6 billion at September 30, 2016, up $515.2 million compared to June 30, 2016. This increase is mainly due to the capital issue mentioned above and, to a lesser extent, the contribution of earnings for the quarter.

**Capital**

| (In millions of dollars) | September 30, 2016 | June 30, 2016 | December 31, 2015 | September 30, 2015 |
|---|---|---|---|---|
| Equity | | | | |
| Common shares | 1,328.5 | 1,315.0 | 1,310.5 | 1,284.3 |
| Preferred shares | 375.0 | 375.0 | 375.0 | 375.0 |
| Contributed surplus | 21.1 | 22.6 | 21.4 | 22.6 |
| Retained earnings | 2,546.3 | 2,458.7 | 2,374.0 | 2,372.8 |
| Accumulated other comprehensive income | 79.1 | 61.9 | 58.1 | 30.9 |
| Subtotal | 4,350.0 | 4,233.2 | 4,139.0 | 4,085.6 |
| Debentures | 1,244.4 | 846.3 | 846.1 | 846.0 |
| Participating policyholders' accounts | 45.7 | 45.4 | 45.0 | 50.3 |
| Total | 5,640.1 | 5,124.9 | 5,030.1 | 4,981.9 |

### Solvency

The Company ended the third quarter of 2016 with a solvency ratio of 218%, a 19 percentage point increase during the quarter. This increase results mainly from the capital issue mentioned above. To a lesser extent, the contribution of earnings (net of dividends paid to shareholders) and the writedown of the earnout on the CTL acquisition increased the solvency ratio, while the impact of macroeconomic factors (changes in interest rates, essentially) had a downward effect.

During the third quarter, the Company conducted an evaluation of its obligation to pay the earnout on the acquisition of the CTL car loan portfolio. The earnout, which depended on meeting short-term results, was written down to reflect changes in the portfolio's cash flows, including the revision of credit losses. Concurrently, goodwill was also reviewed and written down. These two events had no material impact on earnings.

Taking into account the announced redemption of the $250 million in outstanding 4.75% subordinated debentures to be carried out December 14, 2016, the solvency ratio would be 207%. The ratio is above the 175% to 200% target range given as guidance.

**Solvency**[1]

| (In millions of dollars, unless otherwise indicated) | September 30, 2016 | June 30, 2016 | December 31, 2015 | September 30, 2015 |
|---|---|---|---|---|
| Available capital | | | | |
| Tier 1 | 3,608.0 | 3,469.0 | 3,426.8 | 3,508.5 |
| Tier 2 | 1,358.8 | 943.5 | 870.6 | 897.6 |
| Total | 4,966.8 | 4,412.5 | 4,297.4 | 4,406.1 |
| Required capital | 2,275.9 | 2,219.2 | 2,014.0 | 1,959.4 |
| Solvency ratio | 218% | 199% | 213% | 225% |

[1] This table provides data that measure the Company's ability to satisfy the capital requirements established by the regulatory authorities. These data are non-IFRS measures.

### Financial Leverage

The Company's debt ratio calculated as debentures over capital increased during the quarter, from 16.5% at June 30, 2016 to 22.1% at September 30, 2016. Including the preferred shares as a debt item, the ratio went from 23.8% at June 30, 2016 to 28.7% at September 30, 2016. These variations are explained by the capital issue mentioned above. Taking into account the announced redemption of the $250 million in outstanding subordinated debentures to be carried out December 14, 2016, the ratio would be 25.4%. The coverage ratio also increased during the quarter, from 9.5x earnings at June 30, 2016 to 10.3x earnings at September 30, 2016. The improvement in this ratio reflects the Company's strong pre-tax earnings for the third quarter.

**Financial Leverage**

| | September 30, 2016 | June 30, 2016 | December 31, 2015 | September 30, 2015 |
|---|---|---|---|---|
| Debt ratio | | | | |
| Debentures/capital | 22.1% | 16.5% | 16.8% | 17.0% |
| Debentures + preferred shares/capital | 28.7% | 23.8% | 24.3% | 24.5% |
| Coverage ratio[1] | 10.3x | 9.5x | 8.2x | 9.5x |

[1] Calculated by dividing the earnings for the last twelve months (before income taxes and financing expenses) by financing expenses

### Book Value per Common Share and Market Capitalization

Book value per common share was $38.63 at September 30, 2016, up 3% from June 30, 2016 and up 6% over the last twelve months. This increase mainly reflects the growth in retained earnings.

The Company had approximately 102.9 million issued and outstanding common shares at September 30, 2016, compared to 102.6 million shares at June 30, 2016. The increase in common shares during the quarter is attributable to the exercise of stock options under the stock option plan for senior management.

The Company's market capitalization amounted to $4.9 billion at September 30, 2016. The variation during the quarter primarily reflects the increase in the price of the Company's stock, from $40.61 at June 30, 2016 to $47.23 at September 30, 2016.

| Book Value per Common Share and Market Capitalization | | | | |
|---|---|---|---|---|
| | September 30, 2016 | June 30, 2016 | December 31, 2015 | September 30, 2015 |
| Book value per common share | $38.63 | $37.60 | $36.76 | $36.45 |
| Number of common shares outstanding | 102,912,192 | 102,587,192 | 102,434,942 | 101,797,523 |
| Value per share at close | $47.23 | $40.61 | $44.13 | $39.82 |
| Market capitalization | $4,860,542,828 | $4,166,065,867 | $4,520,453,990 | $4,053,577,366 |

**EVOLUTION OF INVESTMENT PORTFOLIO**

The total value of the investment portfolio amounted to $32.6 billion at September 30, 2016, a $1.1 billion increase compared to June 30, 2016. The following table shows the main asset categories that make up the Company's investment portfolio.

| Investments | | | | |
|---|---|---|---|---|
| **(In millions of dollars, unless otherwise indicated)** | September 30, 2016 | June 30, 2016 | December 31, 2015 | September 30, 2015 |
| Book value of investments | 32,649.6 | 31,560.3 | 29,066.5 | 28,331.2 |
| Allocation of investments by asset class | | | | |
| Bonds | 66.9% | 66.6% | 66.3% | 67.3% |
| Stocks | 9.4% | 9.4% | 10.1% | 10.3% |
| Mortgages and other loans | 10.0% | 10.4% | 10.9% | 10.8% |
| Investment properties | 3.8% | 4.0% | 4.2% | 4.4% |
| Other | 9.9% | 9.6% | 8.5% | 7.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

The quality indices in the following table confirm that the investment portfolio did not suffer any significant deterioration during the third quarter. The Company had some exposure to the oil and gas industry at December 31, 2015, but the majority of this exposure (94%) was indirect because it was concentrated in the pipelines market, which is less sensitive to fluctuations in the price of oil. Direct exposure was limited to just 0.3% of the total bond portfolio. The Company's exposure to the energy sector is 99% composed of bonds rated BBB or higher, and no high-yield bonds held by the Company are directly exposed to oil producers. In addition, with respect to the Brexit vote held in the UK on June 23 of this year, it is important to note that the Company's exposure to the European market and specifically to that of the UK remains very low, sitting at 0.8% and 0.6% of invested assets respectively at the start of the third quarter.

| Quality of Investments | | | | |
|---|---|---|---|---|
| **In millions of dollars, unless otherwise indicated)** | September 30, 2016 | June 30, 2016 | December 31, 2015 | September 30, 2015 |
| Gross impaired investments | 17.8 | 17.5 | 19.7 | 32.3 |
| Provisions for impaired investments | 5.1 | 4.8 | 5.5 | 5.3 |
| Net impaired investments | 12.7 | 12.7 | 14.2 | 27.0 |
| Net impaired investments as a % of investment portfolio | 0.04% | 0.04% | 0.05% | 0.10% |
| Bonds – Proportion rated BB or lower | 0.66% | 0.69% | 0.66% | 0.67% |
| – Delinquency rate | 0.00% | 0.00% | 0.00% | 0.00% |
| Mortgages – Proportion of insured loans | 76.5% | 75.7% | 76.0% | 76.6% |
| – Delinquency rate | 0.27% | 0.26% | 0.29% | 0.35% |
| Investment properties – Occupancy rate | 89.4% | 89.4% | 90.1% | 90.1% |
| Car loans – Average credit loss rate (trailing twelve months)[1] | 3.5% | ---[1] | ---[1] | ---[1] |

[1] Includes all loans (prime and non-prime) and represents the total credit losses for the prior twelve months divided by the average finance receivables over the same period. Data first presented in Q3 2016 as CTL was acquired on October 2, 2015.

a) Net impaired investments:
- Net impaired investments were relatively stable at September 30, 2016 compared to the previous quarter, amounting to $12.7 million or 0.04% of total investments.

b) Bonds:
- The value of the bond portfolio amounted to $21.8 billion at September 30, 2016, compared to $21.0 billion at June 30, 2016 and $19.1 billion at September 30, 2015.
- The proportion of bonds rated BB or lower decreased slightly to 0.66% at September 30, 2016, compared to 0.69% at June 30, 2016 and 0.67% at September 30, 2015.

c) Mortgages:
- At September 30, 2016, the value of mortgage investments amounted to $2.8 billion and the proportion of insured loans was 76.5%. This proportion has remained fairly stable in recent quarters.
- The delinquency rate increased slightly to 0.27% at September 30, 2016, compared to 0.26% at June 30, 2016.
- Total mortgage investments and assets managed for third parties amounted to $12.2 billion at September 30, 2016 ($12.0 billion at June 30, 2016 and $11.2 billion at September 30, 2015).

d) Investment properties:
- The real estate occupancy rate remained stable during the quarter at 89.4% at September 30, 2016 (89.4% at June 30, 2016 and 90.1% at September 30, 2015). The occupancy rate continues to compare favourably to that of rental properties in large Canadian cities.
- The book value of investment properties decreased by a very slight $3.2 million during the quarter, remaining essentially stable at $1.3 billion at September 30, 2016.

e) Car loans:
- At September 30, 2016, the average credit loss rate for the trailing twelve months was 3.5%. This rate includes all loans (prime and non-prime) and represents the total credit losses for the prior twelve months divided by the average finance receivables over the same period. This data is being presented for the first time in Q3 2016 as CTL was acquired on October 2, 2015.

**CREDIT RATINGS**

In the third quarter of 2016, all rating agencies maintained their financial strength ratings for Industrial Alliance with a stable outlook in all cases.

**Industrial Alliance Credit Ratings at September 30, 2016**

| Agency | Type of evaluation | Rating |
|---|---|---|
| Standard & Poor's | Financial Strength | A+ (Strong) |
| | Subordinated Debentures | A |
| | Preferred Shares (global scale) | A- |
| A.M. Best | Financial Strength | A+ (Superior) |
| | Subordinated Debentures | a |
| | Preferred Shares | a- |
| DBRS | Financial Strength | A (high) |
| | Subordinated Debentures | A |
| | Preferred Shares | Pfd-2 (high) |

**DECLARATION OF DIVIDEND**

The Board of Directors has announced the payment of a quarterly dividend of $0.3200 per common share, the same as that announced the previous quarter.

Following are the amounts and dates of payment and closing of registers for the Company's common shares and the various categories of its preferred shares.

The Board of Directors has declared the payment of a quarterly dividend of $0.3200 per common share. This dividend is payable in cash on December 15, 2016 to the shareholders of record as at November 18, 2016.

The Board of Directors has declared the payment of a quarterly dividend of $0.2875 per non-cumulative class A preferred share – series B. This dividend is payable in cash on December 31, 2016 to the preferred shareholders of record as at November 30, 2016.

The Board of Directors has declared the payment of a quarterly dividend of $0.26875 per non-cumulative class A preferred share – series G. This dividend is payable in cash on December 31, 2016 to the preferred shareholders of record as at November 30, 2016.

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation, all dividends paid by Industrial Alliance on its common and preferred shares are considered to be eligible dividends.

**Reinvestment of Dividends –** Shareholders of record who wish to enrol in the Company's dividend reinvestment and share purchase plan so as to be eligible to reinvest the next dividend payable on December 15, 2016 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 11, 2016. Enrolment information is provided on the Company's website at www.ia.ca under *About iA,* in the *Investor Relations/Dividends* section.

**ADDITIONAL COMMENTS ON THE FINANCIAL RESULTS**

Following is the presentation of the Company's third quarter 2016 financial results according to the financial statements.

**Revenues**

Revenues, whose components are indicated in the table below, totalled over $2.7 billion in the third quarter of 2016, compared to nearly $1.8 billion for the same period last year. For the first nine months of 2016, revenues totalled nearly $8.7 billion.

**Revenues**

| | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| **(In millions of dollars)** | **2016** | **2015** | **Variation** | **2016** | **2015** | **Variation** |
| Net premiums | 1,680.8 | 1,402.9 | 20% | 4,873.6 | 4,370.5 | 12% |
| Investment income | 762.2 | 66.8 | --- | 2,892.4 | 623.2 | --- |
| Other revenues | 302.6 | 281.2 | 8% | 896.8 | 868.5 | 3% |
| Total | 2,745.6 | 1,750.9 | 57% | 8,662.8 | 5,862.2 | 48% |

The following table provides more details on the composition of revenues by line of business.

**Revenues by Line of Business**[1]

| | Three-month period ended September 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| **(In millions of dollars)** | **Individual Insurance** | **Individual Wealth Management** | **Group Insurance** | **Group Savings and Retirement** | **Other**[2] | **Total** |
| Net premiums | 407.9 | 454.1 | 341.8 | 413.8 | 63.2 | 1,680.8 |
| *Variation vs. 2015* | *12.1* | *67.9* | *1.8* | *190.8* | *5.3* | *277.9* |
| Investment income | 619.2 | 15.5 | 29.5 | 65.5 | 32.5 | 762.2 |
| *Variation vs. 2015* | *739.8* | *(109.9)* | *17.0* | *45.9* | *2.6* | *695.4* |
| Other revenues | 29.5 | 257.3 | 10.2 | 21.0 | (15.4) | 302.6 |
| *Variation vs. 2015* | *(7.3)* | *11.7* | *0.1* | *4.5* | *12.4* | *21.4* |
| Total | 1,056.6 | 726.9 | 381.5 | 500.3 | 80.3 | 2,745.6 |
| *Variation vs. 2015* | *744.6* | *(30.3)* | *18.9* | *241.2* | *20.3* | *994.7* |

[1] At December 31, 2015, the Company modified the presentation of information by business line and adjusted the data for the quarter ended September 30, 2015 for comparison purposes.

[2] Includes auto and home insurance products, services supporting activities that are not related to the main business lines such as asset management and financing, Company capital and some adjustments related to consolidation.

Net premiums increased by 20% (or $277.9 million) compared to the third quarter of 2015. This increase is largely explained by the $190.8 million increase in accumulation product premiums in Group Savings and Retirement and the increase in general and segregated fund premiums in Individual Wealth Management. For the first nine months of 2016, net premiums were up 12%. Net premiums include premiums paid to the general fund (net of ceded reinsurance) and amounts invested by clients in the Company's segregated funds, but exclude those invested by clients in mutual funds or investment contracts.

Investment income includes interest and other revenues, as well as variations in the fair value of investments during the period. Investment income amounted to $762.2 million in the third quarter of 2016, compared to $66.8 million in the corresponding quarter of 2015. The variation is primarily explained by the appreciation of the bond portfolio caused by the tightening of issuer credit spreads compared to the opposite situation in the third quarter of 2015. This increase is to a lesser extent accompanied by an increase in the fair value of derivative financial instruments and the equity portfolio resulting from changes in macroeconomic conditions. The fair value of investments varies according to the evolution of interest rates, the stock markets and issuer credit spreads, especially for bonds, stocks and derivative financial instruments. For the nine-month period ended September 30, 2016, investment income amounted to $2,892.4 million, compared to $623.2 million for the same period in 2015. This variation is also explained by the variations in value of the bond portfolio and derivative financial instruments. From an accounting standpoint, the majority of stocks and bonds are classified as "designated at fair value through profit or loss" and are used as underlying assets for the provisions for future policy benefits. Consequently, the variation in the fair value of these assets is largely neutralized by the increase (decrease) in insurance contract liabilities. Investment income is made up of various items, including interest income, dividends and rental income from real estate, gains realized and losses sustained on the disposition of assets available for sale and changes in the fair value of assets designated at fair value through profit or loss.

Other revenues amounted to $302.6 million at the end of the third quarter, a year-over-year increase of $21.4 million. This variation is primarily explained by the performance of brokerage subsidiaries in the Individual Wealth Management business line, which is in part attributable to recent acquisitions. Other revenues represent fees earned from the management of investment funds (segregated funds and mutual funds), revenues from administrative services only (ASO) contracts and fees from the Company's brokerage subsidiaries. Generally speaking, other revenues tend to vary according to assets under management and administration.

The following table provides more details on the composition of investment income.

**Investment Income**

| | Third quarter | | Year-to-date at September 30 | |
|---|---|---|---|---|
| **(In millions of dollars)** | **2016** | **2015** | **2016** | **2015** |
| Investment income | 291.9 | 263.2 | 820.7 | 784.2 |
| Variation in the fair value of investment properties | (7.9) | 5.0 | (13.9) | 23.1 |
| Gains realized on available-for-sale assets | (3.9) | 8.3 | 2.5 | 17.8 |
| Variation in the value of assets designated at fair value through profit or loss | 486.0 | (208.4) | 2,095.9 | (200.2) |
| Changes in provisions for losses | (3.9) | (1.3) | (12.8) | (1.7) |
| Total | 762.2 | 66.8 | 2,892.4 | 623.2 |

**Policy Benefits and Expenses**

Policy benefits and expenses amounted to nearly $2.6 billion in the third quarter of 2016, a year-over-year increase of $1.0 billion for the quarter and an increase of $2.7 billion year-to-date. Policy benefits and expenses are made up of the items shown in the table below.

**Policy Benefits and Expenses**

| | Third quarter | | Year-to-date at September 30 | |
|---|---|---|---|---|
| **(In millions of dollars)** | **2016** | **2015** | **2016** | **2015** |
| Net policy benefits | 1,047.3 | 897.9 | 3,055.8 | 2,985.5 |
| Net transfers to segregated funds | 240.0 | 149.3 | 654.9 | 467.1 |
| Increase (decrease) in insurance contract liabilities | 642.9 | (27.4) | 2,719.1 | 240.6 |
| Increase (decrease) in investment contract liabilities | 6.3 | 1.1 | 23.4 | 14.4 |
| Decrease (increase) in reinsurance assets | 14.5 | 13.9 | (118.2) | 13.4 |
| Commissions | 316.6 | 302.8 | 930.8 | 881.5 |
| General expenses | 241.0 | 225.2 | 745.5 | 707.2 |
| Other | 46.4 | 42.2 | 140.4 | 123.3 |
| Total | 2,555.0 | 1,605.0 | 8,151.7 | 5,433.0 |

Net policy benefits amounted to $1,047.3 million in the third quarter of 2016, a year-over-year increase of $149.4 million. For the first nine months of 2016, the increase is $70.3 million. Net policy benefits include benefits paid due to death, disability, illness or contract terminations, as well as annuity payments, and are subject to variations from one period to the next.

Net transfers to segregated funds increased by $90.7 million in the third quarter of 2016 compared to the same period last year, reaching $240.0 million at September 30, 2016. The increase for the first nine months of the year is $187.8 million. Net transfers to segregated funds are made up of amounts invested in segregated portfolios, less any amounts withdrawn from these portfolios. Net transfers to segregated funds can vary from one period to another depending on the demand from clients, who at times favour products that generally offer guaranteed returns, and at other times are more attracted by segregated fund products, whose return fluctuates with the markets. Also, in a sector like Group Savings and Retirement, the amounts paid into segregated funds can fluctuate substantially from one quarter to another according to the size of the mandates granted by certain groups.

Insurance contract liabilities increased by $642.9 million in the third quarter of 2016, compared to a $27.4 million decrease in the third quarter of 2015. This represents a $670.3 million variation for this item on the consolidated income statement. The third quarter variation reflects the increase in the fair value of the assets matching the provisions for future policy benefits (attributable in part to the impact of the macroeconomic environment on these assets) and largely offsets the variation in investment income related to these assets. The variation for the first nine months of 2016 is $2,478.5 million and is also explained by the increase in the fair value of the assets matching the provisions for future policy benefits. The variation in insurance contract liabilities is the result of several factors, including the increase in premiums (upward impact on the provisions for future policy benefits), the return on the assets matching the provisions for future policy benefits (increase or decrease), the increase in benefits and claims (decrease), and the net transfer to segregated funds (decrease).

Investment contract liabilities increased by $6.3 million in the third quarter of 2016, up $5.2 million compared to the same period in 2015. For the nine-month period ended September 30, 2016, this item is up $9.0 million, reflecting the normal course of business.

The Company reports reinsurance assets separately, rather than as a deduction from insurance contract liabilities. In general, the factors that have an impact on the variation in insurance contract liabilities also influence reinsurance assets. In the third quarter of 2016, a decrease of $14.5 million was posted as a variation in reinsurance assets, compared to a decrease of $13.9 million in the third quarter of 2015, which represents a $0.6 million difference for this item. For the first nine months of 2016, the increase in reinsurance assets amounted to $118.2 million, compared to a decrease of $13.4 million during the same period in 2015.

Year over year, commissions increased by $13.8 million, totalling $316.6 million for the quarter. For the nine-month period ended September 30, 2016, commissions increased by $49.3 million. Commissions correspond to the remuneration of financial advisors for new sales and certain in-force contracts and therefore reflect the evolution of business.

General expenses increased by $15.8 million in the third quarter compared to the same period last year. For the first nine months of 2016, the increase was $38.3 million. This variation is explained by normal business growth.

**Income Taxes**

Income taxes went from $28.4 million in the third quarter of 2015 to $41.8 million in the third quarter of 2016. This variation primarily results from an increase in pre-tax earnings as well as gains from certain tax-exempt investment income that were greater in 2015 than in 2016. For the same reasons, income taxes for the first nine months of the year increased by $65.7 million compared to the same period in 2015.

**Financial Results for the Last Eight Quarters**

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

**Selected Financial Data**

| (In millions of dollars, unless otherwise indicated) | 2016 | | | 2015 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Revenues | 2,745.6 | 3,131.3 | 2,785.9 | 2,373.0 | 1,750.9 | 1,061.2 | 3,050.1 | 2,556.2 |
| Net income attributed to common shareholders | 144.4 | 139.5 | 98.3 | 4.2 | 113.1 | 142.2 | 104.9 | 112.4 |
| Earnings per common share | | | | | | | | |
| Basic | $1.41 | $1.36 | $0.96 | $0.04 | $1.11 | $1.40 | $1.04 | $1.12 |
| Diluted | $1.40 | $1.35 | $0.96 | $0.04 | $1.11 | $1.40 | $1.03 | $1.11 |

### Cash Flows

Operating activities required cash flows of $47.5 million in the third quarter of 2016, a year-over-year increase of $215.8 million. For the nine-month period ended September 30, 2016, cash flows generated by operating activities were down $62.1 million over the previous year. This variation reflects regular investment activities (purchases and sales of securities) and the variation in working capital.

Investment activities used cash flows of $33.4 million in the third quarter of 2016, compared to $14.8 million in the third quarter of 2015, a difference of $18.6 million. For the first nine months of 2016, investment activities consumed cash flows of $74.4 million, compared to $50.1 million for the same period last year.

Financing activities generated cash flows of $362.1 million in the third quarter of 2016, whereas they had required $29.2 million in the same quarter last year. For the first nine months of 2016, financing activities generated cash flows of $281.6 million compared to $64.2 million during the same period in 2015. The $217.4 million difference in these amounts for the nine-month period ended September 30, 2016 is primarily explained by the issuance of subordinated debentures for a nominal value of $400.0 million in the third quarter of 2016.

**Cash Flows**

| (In millions of dollars) | Third quarter 2016 | Third quarter 2015 | Year-to-date at September 30 2016 | Year-to-date at September 30 2015 |
|---|---|---|---|---|
| Cash flows related to the following activities: | | | | |
| Operating | (47.5) | 168.3 | 78.3 | 140.4 |
| Investment | (33.4) | (14.8) | (74.4) | (50.1) |
| Financing | 362.1 | (29.2) | 281.6 | 64.2 |
| Currency gains (losses) on cash and short-term investments | 1.4 | 2.1 | (2.0) | 3.7 |
| Increase (decrease) in cash and short-term investments | 282.6 | 126.4 | 283.5 | 158.2 |
| Cash and short-term investments at beginning of period | 969.9 | 530.0 | 969.0 | 498.2 |
| Cash and short-term investments at end of period | 1,252.5 | 656.4 | 1,252.5 | 656.4 |

### Liquidity

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

Given the volatility of the financial markets, the Company carries out simulations in order to measure its liquidity needs according to various scenarios, some of which can be qualified as extreme. In light of these simulations, and given the quality of its investment portfolio, the Company believes that its current level of liquidity is not an issue.

For more information on liquidity risk and its management, refer to the "Risk Management" section of the *2015 Annual Report.*

The Company had operating lines of credit totalling $56.7 million at September 30, 2016 ($56.7 million at December 31, 2015). Of these lines of credit, no amount was used at September 30, 2016 (the same as at December 31, 2015). The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

Also, in the normal course of business, various contractual commitments related to commercial and residential loan offers, private placements and real estate are not reflected in the financial statements and may not be fulfilled. At September 30, 2016, these commitments amounted to $586.0 million ($466.1 million at December 31, 2015), of which $51.7 million ($36.0 million at December 31, 2015) mature in 30 days, $249.2 million ($206.8 million at December 31, 2015) mature in 31 to 365 days and $285.1 million ($223.3 million at December 31, 2015) mature in more than one year.

### Derivative Financial Instruments

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

Derivative financial instruments are used primarily as part of the Company’s hedging program. This program aims to alleviate the sensitivity of the capital guarantees on certain segregated fund products to interest rate and stock market fluctuations. The Company also uses derivative financial instruments to set up strategies to improve the long-term return of the investment portfolio and to hedge the risk related to universal life policy funds.

The notional amount used to determine the amount of contractual cash flows to be exchanged under the derivative financial instruments amounted to $12.7 billion at September 30, 2016 ($12.2 billion at December 31, 2015). On the notional amount of $12.7 billion, more than 99% of the Company's credit risk for derivative financial instruments at September 30, 2016 was related to financial institutions whose lowest credit rating was AA low, the rest being related to institutions whose credit rating was A strong.

The positive fair value of the derivative financial instruments was $649.4 million at September 30, 2016 ($331.9 million at December 31, 2015). This value represents the amounts payable to the Company by the different counterparties. This amount fluctuates from one period to another according to changes in interest rates, equity markets and exchange rates. Conversely, negative fair value represents the amount payable by the Company to the different counterparties. This value was $306.2 million at September 30, 2016 ($397.6 million at December 31, 2015).

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

**Related Party Transactions**
There were no material related party transactions to report in the third quarter of 2016.

**Accounting Policies and Main Accounting Estimates**
The Company's third quarter unaudited interim condensed consolidated financial statements were prepared based on International Financial Reporting Standards (IFRS) in accordance with IAS-34 *Interim Financial Reporting*. The main accounting policies used to establish these condensed consolidated financial statements comply with those found in the *2015 Annual Report*.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions with regard to the following items:

- Contract classification and determination of insurance and investment contract liabilities.
- Determination of reinsurance assets.
- Fair values of financial instruments and investment properties.
- Derivative financial instruments and hedge accounting.
- Goodwill and intangible asset impairment.
- Asset impairment.
- Determination of post-employment benefit liabilities.
- Determination of consolidation control.
- Determination of income taxes on earnings.

Details of new accounting standards applied and changes in accounting policies are presented in Note 2 *Changes in Accounting Policies* of the unaudited interim condensed consolidated financial statements.

**NOTICE AND GENERAL INFORMATION**

**Internal Control Over Financial Reporting**
No changes were made in the Company's internal control over financial reporting during the interim period ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Non-IFRS Financial Information**
iA Financial Group reports its financial results in accordance with International Financial Reporting Standards (IFRS). It also publishes certain non-IFRS financial measures that do not have an IFRS equivalent, including sales, value of new business, solvency ratio, average credit loss rate on car loans, loan originations and finance receivables, or which have an IFRS equivalent such as data on operating profit and income taxes on earnings presented in the sources of earnings table. The Company also uses non-IFRS adjusted data in relation to net income, earnings per share and return on equity. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. The Company believes that these non-IFRS financial measures provide investors and analysts with additional information to better understand the Company's financial results as well as assess its growth and earnings potential. Since non-IFRS financial measures do not have a standardized definition, they may differ from the non-IFRS financial measures used by other institutions. The Company strongly encourages investors to review its financial statements and other publicly-filed reports in their entirety and not to rely on any single financial measure.

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

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

Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of iA Financial Group's 2015 *Management's Discussion and Analysis*, in the "Management of Risks Associated with Financial Instruments" note to the Company's consolidated financial statements, and in other documents that iA Financial Group has filed with securities authorities in Canada, available for review at www.sedar.com.

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

**Documents Related to the Financial Results**

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

**Conference Call**

Management will hold a conference call to present the Company's results on Wednesday, November 2, 2016 at 2:00 p.m. (ET). To listen in on the conference call, dial 1-800-272-6255 (toll-free). A replay of the conference call will also be available for a one-week period, starting at 4:30 p.m. on Wednesday, November 2, 2016. To listen to the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21816816. A webcast of the conference call (in listen only mode) will also be available on the Company's website at www.ia.ca, as well as on the CNW website at www.cnw.ca.

**About iA Financial Group**

Founded in 1892, iA Financial Group offers life and health insurance products, mutual and segregated funds, savings and retirement plans, RRSPs, securities, auto and home insurance, mortgages and car loans and other financial products and services for both individuals and groups. It is one of the four largest life and health insurance companies in Canada and one of the largest publicly-traded companies in the country. iA Financial Group stock is listed on the Toronto Stock Exchange under the ticker symbol IAG.

# CONSOLIDATED INCOME STATEMENTS

| (In millions of dollars, unless otherwise indicated) | Quarters ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | (unaudited) | | | |
| | **$** | $ | **$** | $ |
| **Revenues** | | | | |
| **Premiums** | | | | |
| Gross premiums | **1,833** | 1,538 | **5,283** | 4,752 |
| Premiums ceded | **(152)** | (135) | **(409)** | (381) |
| Net premiums | **1,681** | 1,403 | **4,874** | 4,371 |
| **Investment income** | | | | |
| Interest and other investment income | **284** | 270 | **810** | 800 |
| Change in fair value of investments | **478** | (203) | **2,082** | (177) |
| | **762** | 67 | **2,892** | 623 |
| Other revenues | **303** | 281 | **897** | 868 |
| | **2,746** | 1,751 | **8,663** | 5,862 |
| **Policy benefits and expenses** | | | | |
| Gross benefits and claims on contracts | **1,135** | 978 | **3,331** | 3,234 |
| Ceded benefits and claims on contracts | **(88)** | (80) | **(275)** | (248) |
| Net transfer to segregated funds | **240** | 149 | **655** | 467 |
| Increase (decrease) in insurance contract liabilities | **643** | (27) | **2,719** | 241 |
| Increase (decrease) in investment contract liabilities | **6** | 1 | **23** | 14 |
| Decrease (increase) in reinsurance assets | **15** | 14 | **(118)** | 13 |
| | **1,951** | 1,035 | **6,335** | 3,721 |
| Commissions | **317** | 303 | **931** | 882 |
| General expenses | **241** | 225 | **746** | 707 |
| Premium and other taxes | **27** | 27 | **83** | 78 |
| Financing charges | **19** | 15 | **57** | 45 |
| | **2,555** | 1,605 | **8,152** | 5,433 |
| **Income before income taxes** | **191** | 146 | **511** | 429 |
| Income taxes | **42** | 28 | **116** | 50 |
| **Net income** | **149** | 118 | **395** | 379 |
| Net income attributed to participating policyholders | **1** | --- | **1** | 1 |
| **Net income attributed to shareholders** | **148** | 118 | **394** | 378 |
| Dividends attributed to preferred shares | **4** | 5 | **12** | 14 |
| Redemption premium on preferred shares | **---** | --- | **---** | 4 |
| **Net income attributed to common shareholders** | **144** | 113 | **382** | 360 |
| **Earnings per common share** (in dollars) | | | | |
| Basic | **1.41** | 1.11 | **3.73** | 3.56 |
| Diluted | **1.40** | 1.11 | **3.71** | 3.54 |
| **Weighted average number of shares outstanding** (in millions of units) | | | | |
| Basic | **102.7** | 101.5 | **102.6** | 101.2 |
| Diluted | **103.3** | 102.1 | **103.1** | 101.8 |
| **Dividends per common share** (in dollars) | **0.32** | 0.30 | **0.94** | 0.86 |

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (In millions of dollars) | **As at September 30 2016** (unaudited) | As at December 31 2015 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Cash and short-term investments | **1,253** | 969 |
| Bonds | **21,834** | 19,278 |
| Stocks | **3,073** | 2,924 |
| Mortgages and other loans | **3,266** | 3,169 |
| Derivative financial instruments | **649** | 332 |
| Policy loans | **910** | 841 |
| Other invested assets | **415** | 337 |
| Investment properties | **1,250** | 1,216 |
| Total investments | **32,650** | 29,066 |
| Other assets | **1,954** | 1,649 |
| Reinsurance assets | **1,341** | 1,280 |
| Fixed assets | **185** | 178 |
| Deferred income tax assets | **31** | 31 |
| Intangible assets | **643** | 623 |
| Goodwill | **306** | 334 |
| General fund assets | **37,110** | 33,161 |
| Segregated funds net assets | **21,511** | 19,777 |
| **Total assets** | **58,621** | 52,938 |
| **Liabilities** | | |
| Insurance contract liabilities | **25,476** | 22,848 |
| Investment contract liabilities | **637** | 655 |
| Derivative financial instruments | **306** | 398 |
| Other liabilities | **4,877** | 4,080 |
| Deferred income tax liabilities | **174** | 150 |
| Debentures | **1,244** | 846 |
| General fund liabilities | **32,714** | 28,977 |
| Segregated funds liabilities | **21,511** | 19,777 |
| **Total liabilities** | **54,225** | 48,754 |
| **Equity** | | |
| Share capital and contributed surplus | **1,725** | 1,707 |
| Retained earnings and accumulated other comprehensive income | **2,625** | 2,432 |
| Participating policyholders' accounts | **46** | 45 |
| | **4,396** | 4,184 |
| **Total liabilities and equity** | **58,621** | 52,938 |

# SEGMENTED INFORMATION

The Company operates and manages its activities according to four reportable operating segments, which reflect its organizational structure for decision making. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada. Its operations outside Canada are not significant. 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 solutions.

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

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

The allocation of other activities is performed according to a formula based on equity and is uniformly applied to each operating segment.

The other assets and other liabilities, except 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 September 30, 2016** (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | **Individual** | | **Group** | | | |
| | **Insurance $** | **Wealth Management $** | **Insurance $** | **Savings and Retirement $** | **Other $** | **Total $** |
| **Revenues** | | | | | | |
| Net premiums | 408 | 454 | 342 | 414 | 63 | 1,681 |
| Investment income | 619 | 16 | 30 | 65 | 32 | 762 |
| Other revenues | 30 | 257 | 10 | 21 | (15) | 303 |
| | 1,057 | 727 | 382 | 500 | 80 | 2,746 |
| **Operating expenses** | | | | | | |
| Gross benefits and claims on contracts | 202 | 349 | 237 | 314 | 33 | 1,135 |
| Ceded benefits and claims on contracts | (61) | (8) | (19) | (7) | 7 | (88) |
| Net transfer to segregated funds | --- | 78 | --- | 162 | --- | 240 |
| Increase (decrease) in insurance contract liabilities | 589 | 48 | 20 | 3 | (17) | 643 |
| Increase (decrease) in investment contract liabilities | --- | --- | 6 | --- | --- | 6 |
| Decrease (increase) in reinsurance assets | (1) | 3 | (3) | --- | 16 | 15 |
| Commissions, general and other expenses | 231 | 206 | 118 | 21 | 9 | 585 |
| Financing charges | 5 | --- | 3 | --- | 11 | 19 |
| | 965 | 676 | 362 | 493 | 59 | 2,555 |
| Net income before income taxes and allocation of other activities | 92 | 51 | 20 | 7 | 21 | 191 |
| Allocation of other activities | 18 | (1) | 3 | 1 | (21) | --- |
| Income before income taxes | 110 | 50 | 23 | 8 | --- | 191 |
| Income taxes | 20 | 11 | 9 | 2 | --- | 42 |
| **Net income** | 90 | 39 | 14 | 6 | --- | 149 |
| Net income attributed to participating policyholders | 1 | --- | --- | --- | --- | 1 |
| **Net income attributed to shareholders** | 89 | 39 | 14 | 6 | --- | 148 |

# SEGMENTED INFORMATION (continued)

| (in millions of Canadian dollars) | Quarter ended September 30, 2015 (unaudited)[1] | | | | | |
|---|---|---|---|---|---|---|
| | Individual | | Group | | | |
| | Insurance $ | Wealth Management $ | Insurance $ | Savings and Retirement $ | Other $ | Total $ |
| **Revenues** | | | | | | |
| Net premiums | 396 | 386 | 340 | 223 | 58 | 1,403 |
| Investment income | (121) | 125 | 13 | 20 | 30 | 67 |
| Other revenues | 37 | 246 | 10 | 16 | (28) | 281 |
| | 312 | 757 | 363 | 259 | 60 | 1,751 |
| **Operating expenses** | | | | | | |
| Gross benefits and claims on contracts | 182 | 330 | 229 | 211 | 26 | 978 |
| Ceded benefits and claims on contracts | (53) | (10) | (16) | (5) | 4 | (80) |
| Net transfer to segregated funds | --- | 87 | --- | 62 | --- | 149 |
| Increase (decrease) in insurance contract liabilities | (104) | 108 | 10 | (38) | (3) | (27) |
| Increase (decrease) in investment contract liabilities | (1) | --- | 2 | --- | --- | 1 |
| Decrease (increase) in reinsurance assets | 5 | 9 | (7) | 3 | 4 | 14 |
| Commissions, general and other expenses | 216 | 201 | 126 | 18 | (6) | 555 |
| Financing charges | 4 | --- | --- | --- | 11 | 15 |
| | 249 | 725 | 344 | 251 | 36 | 1,605 |
| Net income before income taxes and allocation of other activities | 63 | 32 | 19 | 8 | 24 | 146 |
| Allocation of other activities | 21 | (2) | 4 | 1 | (24) | --- |
| Income before income taxes | 84 | 30 | 23 | 9 | --- | 146 |
| Income taxes | 22 | 1 | 5 | --- | --- | 28 |
| **Net income** | 62 | 29 | 18 | 9 | --- | 118 |
| Net income attributed to participating policyholders | --- | --- | --- | --- | --- | --- |
| **Net income attributed to shareholders** | 62 | 29 | 18 | 9 | --- | 118 |

[1] As at December 31, 2015 the Company modified the presentation of the segmented information and adjusted the quarter ended September 30, 2015 for presentation on a comparative basis.

| (in millions of Canadian dollars) | **Nine months ended September 30, 2016** (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | **Individual** | | **Group** | | | |
| | **Insurance $** | **Wealth Management $** | **Insurance $** | **Savings and Retirement $** | **Other $** | **Total $** |
| **Revenues** | | | | | | |
| Net premiums | **1,232** | **1,404** | **1,008** | **1,046** | **184** | **4,874** |
| Investment income | **2,237** | **221** | **97** | **233** | **104** | **2,892** |
| Other revenues | **112** | **755** | **38** | **57** | **(65)** | **897** |
| | **3,581** | **2,380** | **1,143** | **1,336** | **223** | **8,663** |
| **Operating expenses** | | | | | | |
| Gross benefits and claims on contracts | **621** | **1,082** | **737** | **789** | **102** | **3,331** |
| Ceded benefits and claims on contracts | **(198)** | **(23)** | **(55)** | **(20)** | **21** | **(275)** |
| Net transfer to segregated funds | **---** | **289** | **---** | **366** | **---** | **655** |
| Increase (decrease) in insurance contract liabilities | **2,310** | **283** | **18** | **124** | **(16)** | **2,719** |
| Increase (decrease) in investment contract liabilities | **---** | **---** | **23** | **---** | **---** | **23** |
| Decrease (increase) in reinsurance assets | **(110)** | **(9)** | **(17)** | **---** | **18** | **(118)** |
| Commissions, general and other expenses | **690** | **628** | **368** | **61** | **13** | **1,760** |
| Financing charges | **15** | **---** | **10** | **---** | **32** | **57** |
| | **3,328** | **2,250** | **1,084** | **1,320** | **170** | **8,152** |
| Net income before income taxes and allocation of other activities | **253** | **130** | **59** | **16** | **53** | **511** |
| Allocation of other activities | **47** | **(3)** | **7** | **2** | **(53)** | **---** |
| Income before income taxes | **300** | **127** | **66** | **18** | **---** | **511** |
| Income taxes | **58** | **38** | **15** | **5** | **---** | **116** |
| **Net income** | **242** | **89** | **51** | **13** | **---** | **395** |
| Net income attributed to participating policyholders | **1** | **---** | **---** | **---** | **---** | **1** |
| **Net income attributed to shareholders** | **241** | **89** | **51** | **13** | **---** | **394** |

# SEGMENTED INFORMATION (continued)

| (in millions of Canadian dollars) | Nine months ended September 30, 2015 (unaudited)[1] | | | | | |
|---|---|---|---|---|---|---|
| | Individual | | Group | | | |
| | Insurance $ | Wealth Management $ | Insurance $ | Savings and Retirement $ | Other $ | Total $ |
| **Revenues** | | | | | | |
| Net premiums | 1,168 | 1,315 | 977 | 744 | 167 | 4,371 |
| Investment income | 205 | 152 | 58 | 115 | 93 | 623 |
| Other revenues | 109 | 753 | 32 | 51 | (77) | 868 |
| | 1,482 | 2,220 | 1,067 | 910 | 183 | 5,862 |
| **Operating expenses** | | | | | | |
| Gross benefits and claims on contracts | 547 | 1,072 | 712 | 812 | 91 | 3,234 |
| Ceded benefits and claims on contracts | (164) | (30) | (51) | (16) | 13 | (248) |
| Net transfer to segregated funds | --- | 361 | --- | 106 | --- | 467 |
| Increase (decrease) in insurance contract liabilities | 278 | 43 | (2) | (72) | (6) | 241 |
| Increase (decrease) in investment contract liabilities | --- | --- | 14 | --- | --- | 14 |
| Decrease (increase) in reinsurance assets | (15) | 31 | (11) | 4 | 4 | 13 |
| Commissions, general and other expenses | 635 | 616 | 367 | 58 | (9) | 1,667 |
| Financing charges | 12 | --- | --- | --- | 33 | 45 |
| | 1,293 | 2,093 | 1,029 | 892 | 126 | 5,433 |
| Net income before income taxes and allocation of other activities | 189 | 127 | 38 | 18 | 57 | 429 |
| Allocation of other activities | 55 | (6) | 6 | 2 | (57) | --- |
| Income before income taxes | 244 | 121 | 44 | 20 | --- | 429 |
| Income taxes | 23 | 18 | 8 | 1 | --- | 50 |
| **Net income** | 221 | 103 | 36 | 19 | --- | 379 |
| Net income attributed to participating policyholders | 1 | --- | --- | --- | --- | 1 |
| **Net income attributed to shareholders** | 220 | 103 | 36 | 19 | --- | 378 |

[1] As at December 31, 2015 the Company modified the presentation of the segmented information and adjusted the nine months ended September 30, 2015 for presentation on a comparative basis.

**Segmented Premiums**

| (in millions of Canadian dollars) | **Quarter ended September 30, 2016** (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | **Individual** | | **Group** | | | |
| | **Insurance $** | **Wealth Management $** | **Insurance $** | **Savings and Retirement $** | **Other $** | **Total $** |
| **Gross premiums** | | | | | | |
| Invested in general fund | **512** | **88** | **400** | **12** | **42** | **1,054** |
| Invested in segregated funds | **---** | **370** | **---** | **409** | **---** | **779** |
| Total | **512** | **458** | **400** | **421** | **42** | **1,833** |
| **Premiums ceded** | | | | | | |
| Invested in general fund | **(104)** | **(4)** | **(58)** | **(7)** | **21** | **(152)** |
| **Net premiums** | **408** | **454** | **342** | **414** | **63** | **1,681** |

| (in millions of Canadian dollars) | Quarter ended September 30, 2015 (unaudited)[1] | | | | | |
|---|---|---|---|---|---|---|
| | Individual | | Group | | | |
| | Insurance $ | Wealth Management $ | Insurance $ | Savings and Retirement $ | Other $ | Total $ |
| **Gross premiums** | | | | | | |
| Invested in general fund | 497 | 32 | 386 | 14 | 36 | 965 |
| Invested in segregated funds | --- | 358 | --- | 215 | --- | 573 |
| Total | 497 | 390 | 386 | 229 | 36 | 1,538 |
| **Premiums ceded** | | | | | | |
| Invested in general fund | (101) | (4) | (46) | (6) | 22 | (135) |
| **Net premiums** | 396 | 386 | 340 | 223 | 58 | 1,403 |

[1] As at December 31, 2015 the Company modified the presentation of the segmented information and adjusted the quarter ended September 30, 2015 for presentation on a comparative basis.

# SEGMENTED INFORMATION (continued)

| (in millions of Canadian dollars) | Nine months ended September 30, 2016 (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Individual | | Group | | | |
| | Insurance $ | Wealth Management $ | Insurance $ | Savings and Retirement $ | Other $ | Total $ |
| **Gross premiums** | | | | | | |
| Invested in general fund | **1,546** | **239** | **1,146** | **115** | **109** | **3,155** |
| Invested in segregated funds | **---** | **1,177** | **---** | **951** | **---** | **2,128** |
| Total | **1,546** | **1,416** | **1,146** | **1,066** | **109** | **5,283** |
| **Premiums ceded** | | | | | | |
| Invested in general fund | **(314)** | **(12)** | **(138)** | **(20)** | **75** | **(409)** |
| **Net premiums** | **1,232** | **1,404** | **1,008** | **1,046** | **184** | **4,874** |

| (in millions of Canadian dollars) | Nine months ended September 30, 2015 (unaudited)[1] | | | | | |
|---|---|---|---|---|---|---|
| | Individual | | Group | | | |
| | Insurance $ | Wealth Management $ | Insurance $ | Savings and Retirement $ | Other $ | Total $ |
| **Gross premiums** | | | | | | |
| Invested in general fund | 1,453 | 113 | 1,107 | 49 | 104 | 2,826 |
| Invested in segregated funds | --- | 1,214 | --- | 712 | --- | 1,926 |
| Total | 1,453 | 1,327 | 1,107 | 761 | 104 | 4,752 |
| **Premiums ceded** | | | | | | |
| Invested in general fund | (285) | (12) | (130) | (17) | 63 | (381) |
| **Net premiums** | 1,168 | 1,315 | 977 | 744 | 167 | 4,371 |

[1] As at December 31, 2015 the Company modified the presentation of the segmented information and adjusted the nine months ended September 30, 2015 for presentation on a comparative basis.

**Segmented Assets and Liabilities**

| (in millions of Canadian dollars) | As at September 30, 2016 (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Individual | | Group | | | |
| | Insurance $ | Wealth Management $ | Insurance $ | Savings and Retirement $ | Other $ | Total $ |
| **Assets** | | | | | | |
| Invested assets | **18,610** | **2,499** | **1,589** | **3,388** | **6,564** | **32,650** |
| Segregated funds assets | **---** | **13,126** | **---** | **8,385** | **---** | **21,511** |
| Reinsurance assets | **502** | **294** | **348** | **154** | **43** | **1,341** |
| Other | **72** | **---** | **---** | **---** | **3,047** | **3,119** |
| **Total assets** | **19,184** | **15,919** | **1,937** | **11,927** | **9,654** | **58,621** |
| **Liabilities** | | | | | | |
| Insurance contract liabilities and investment contract liabilities | **18,510** | **1,921** | **2,175** | **3,532** | **(25)** | **26,113** |
| Segregated funds liabilities | **---** | **13,126** | **---** | **8,385** | **---** | **21,511** |
| Other | **232** | **83** | **4** | **1** | **6,281** | **6,601** |
| **Total liabilities** | **18,742** | **15,130** | **2,179** | **11,918** | **6,256** | **54,225** |

# SEGMENTED INFORMATION (continued)

| (in millions of Canadian dollars) | As at December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Individual | | Group | | | |
| | Insurance $ | Wealth Management $ | Insurance $ | Savings and Retirement $ | Other $ | Total $ |
| **Assets** | | | | | | |
| Invested assets | 16,189 | 2,012 | 1,700 | 3,273 | 5,892 | 29,066 |
| Segregated funds assets | --- | 12,292 | --- | 7,485 | --- | 19,777 |
| Reinsurance assets | 422 | 301 | 352 | 153 | 52 | 1,280 |
| Other | 72 | --- | --- | --- | 2,743 | 2,815 |
| **Total assets** | 16,683 | 14,605 | 2,052 | 10,911 | 8,687 | 52,938 |
| **Liabilities** | | | | | | |
| Insurance contract liabilities and investment contract liabilities | 16,269 | 1,647 | 2,174 | 3,407 | 6 | 23,503 |
| Segregated funds liabilities | --- | 12,292 | --- | 7,485 | --- | 19,777 |
| Other | 298 | 90 | 5 | 1 | 5,080 | 5,474 |
| **Total liabilities** | 16,567 | 14,029 | 2,179 | 10,893 | 5,086 | 48,754 |