iA Financial Group

At March 31, 2018 and 2017

Interim Condensed Consolidated Financial Statements

For the First Quarter of 2018

Interim Condensed Consolidated Financial Statements (unaudited)

Consolidated Income Statements

(In millions of dollars, unless otherwise indicated)	Three months ended March 31	
	2018	2017
	(unaudited)	
	$	$
Revenues		
Premiums		
Gross premiums	**2,354**	2,071
Premiums ceded	**(168)**	(130)
Net premiums (Note 13)	**2,186**	1,941
Investment income (Note 4)		
Interest and other investment income	**325**	293
Change in fair value of investments	**(374)**	305
	(49)	598
Other revenues	**435**	318
	2,572	2,857
Policy benefits and expenses		
Gross benefits and claims on contracts	**1,393**	1,281
Ceded benefits and claims on contracts	**(112)**	(92)
Net transfer to segregated funds	**315**	381
Increase (decrease) in insurance contract liabilities	**(50)**	493
Increase (decrease) in investment contract liabilities	**1**	6
Decrease (increase) in reinsurance assets	**66**	(5)
	1,613	2,064
Commissions	**409**	328
General expenses	**324**	275
Premium and other taxes	**31**	29
Financing charges	**17**	16
	2,394	2,712
Income before income taxes	**178**	145
Income taxes (Note 12)	**35**	31
Net income attributed to shareholders	**143**	114
Dividends attributed to preferred shares (Note 9)	**4**	4
Net income attributed to common shareholders	**139**	110
Earnings per common share (in dollars) (Note 14)		
Basic	**1.30**	1.04
Diluted	**1.29**	1.03
Weighted average number of shares outstanding (in millions of units) (Note 14)		
Basic	**107**	106
Diluted	**108**	107
Dividends per common share (in dollars) (Note 9)	**0.38**	0.35

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

Consolidated Comprehensive Income Statements

(In millions of dollars)	Three months ended March 31	
	2018	2017
	(unaudited)	
	$	$
Net income	**143**	114
Other comprehensive income, net of income taxes		
Items that may be reclassified subsequently to net income:		
Available for sale financial assets		
Unrealized gains (losses) on available for sale financial assets	**(15)**	41
Reclassification of losses (gains) on available for sale financial assets included in net income	**(2)**	1
	(17)	42
Net investment hedge		
Unrealized gains (losses) on currency translation in foreign operations	**27**	(4)
Hedges of net investment in foreign operations	**(21)**	3
	6	(1)
Cash flow hedge		
Reclassification of losses (gains) on cash flow hedges included in net income	**(1)**	---
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	**(14)**	(21)
Total other comprehensive income	**(26)**	20
Comprehensive income attributed to shareholders	**117**	134

Income Taxes Included in Other Comprehensive Income

(In millions of dollars)	Three months ended March 31	
	2018	2017
	(unaudited)	
	$	$
Income taxes related to:		
Items that may be reclassified subsequently to net income:		
Unrealized gains (losses) on available for sale financial assets	**5**	(15)
Reclassification of losses (gains) on available for sale financial assets included in net income	**1**	(1)
Hedges of net investment in foreign operations	**4**	(1)
	10	(17)
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	**5**	7
Total income taxes included in other comprehensive income	**15**	(10)

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

Consolidated Statements of Financial Position

(In millions of dollars)	As at March 31 2018 (unaudited)	As at December 31 2017
	$	$
Assets		
Cash and short-term investments	**913**	1,141
Bonds	**23,514**	22,944
Stocks	**3,379**	3,467
Mortgages and other loans	**3,305**	3,288
Derivative financial instruments (Note 7)	**305**	395
Policy loans	**924**	946
Other invested assets	**309**	300
Investment properties	**1,343**	1,341
Total investments (Note 4)	**33,992**	33,822
Other assets	**2,363**	1,903
Reinsurance assets	**886**	482
Fixed assets	**266**	256
Deferred income tax assets	**28**	22
Intangible assets	**995**	827
Goodwill	**630**	477
General fund assets	**39,160**	37,789
Segregated funds net assets (Note 8)	**24,100**	24,117
Total assets	**63,260**	61,906
Liabilities		
Insurance contract liabilities	**25,576**	25,564
Investment contract liabilities	**608**	587
Derivative financial instruments (Note 7)	**251**	195
Other liabilities	**5,949**	5,094
Deferred income tax liabilities	**272**	217
Debentures	**1,000**	996
General fund liabilities	**33,656**	32,653
Segregated funds liabilities (Note 8)	**24,100**	24,117
Total liabilities	**57,756**	56,770
Equity		
Share capital and contributed surplus	**2,213**	1,915
Retained earnings and accumulated other comprehensive income	**3,250**	3,180
Participating policyholders' accounts	**41**	41
	5,504	5,136
Total liabilities and equity	**63,260**	61,906

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

Consolidated Equity Statements

(In millions of dollars)	As at March 31, 2018 (unaudited)						
	Participating policyholders' accounts	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 9)	(Note 9)			(Note 10)	
	$	$	$	$	$	$	$
Balance as at December 31, 2016	39	1,499	375	19	2,793	40	4,765
Net income attributed to shareholders	---	---	---	---	531	---	531
Net income attributed to participating policyholders' accounts	2	---	---	---	---	---	2
Other comprehensive income	---	---	---	---	---	(19)	(19)
Comprehensive income for the year	2	---	---	---	531	(19)	514
Transfer of post-employment benefits	---	---	---	---	(28)	28	---
Other	---	---	---	---	3	---	3
Equity transactions							
Stock option plan	---	---	---	5	---	---	5
Stock options exercised	---	---	---	(5)	---	---	(5)
Common shares issued	---	22	---	---	---	---	22
Dividends on common shares	---	---	---	---	(152)	---	(152)
Dividends on preferred shares	---	---	---	---	(16)	---	(16)
Balance as at December 31, 2017	41	1,521	375	19	3,131	49	5,136
Net income attributed to shareholders	**---**	**---**	**---**	**---**	**143**	**---**	**143**
Other comprehensive income	**---**	**---**	**---**	**---**	**---**	**(26)**	**(26)**
Comprehensive income for the period	**---**	**---**	**---**	**---**	**143**	**(26)**	**117**
Transfer of post-employment benefits	**---**	**---**	**---**	**---**	**(14)**	**14**	**---**
Other	**---**	**---**	**---**	**---**	**1**	**---**	**1**
Equity transactions							
Stock option plan	**---**	**---**	**---**	**1**	**---**	**---**	**1**
Common shares issued	**---**	**147**	**---**	**---**	**---**	**---**	**147**
Preferred shares issued net of issuance costs	**---**	**---**	**150**	**---**	**(3)**	**---**	**147**
Dividends on common shares	**---**	**---**	**---**	**---**	**(41)**	**---**	**(41)**
Dividends on preferred shares	**---**	**---**	**---**	**---**	**(4)**	**---**	**(4)**
Balance as at March 31, 2018	**41**	**1,668**	**525**	**20**	**3,213**	**37**	**5,504**

(In millions of dollars)	As at March 31, 2017 (unaudited)						
	Participating policyholders' accounts	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
						(Note 10)	
	$	$	$	$	$	$	$
Balance as at December 31, 2016	39	1,499	375	19	2,793	40	4,765
Net income attributed to shareholders	---	---	---	---	114	---	114
Other comprehensive income	---	---	---	---	---	20	20
Comprehensive income for the period	---	---	---	---	114	20	134
Transfer of post-employment benefits	---	---	---	---	(21)	21	---
Other	---	---	---	---	3	---	3
Equity transactions							
Stock option plan	---	---	---	1	---	---	1
Stock options exercised	---	---	---	(1)	---	---	(1)
Common shares issued	---	7	---	---	---	---	7
Dividends on common shares	---	---	---	---	(37)	---	(37)
Dividends on preferred shares	---	---	---	---	(4)	---	(4)
Balance as at March 31, 2017	39	1,506	375	19	2,848	81	4,868

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

Consolidated Cash Flows Statements

(In millions of dollars)	Three months ended March 31	
	2018	2017
	(unaudited)	
	$	$
Cash flows from operating activities		
Income before income taxes	**178**	145
Financing charges	**17**	16
Income taxes paid, net of refunds	**(33)**	(68)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	**(39)**	543
Increase (decrease) in investment contract liabilities	**21**	10
Decrease (increase) in reinsurance assets	**41**	(6)
Unrealized losses (gains) on investments	**374**	(304)
Provisions for losses	**5**	5
Amortization of premiums and discounts	**7**	9
Other depreciation	**43**	27
Other items not affecting cash	**(52)**	16
Operating activities affecting cash:		
Sales, maturities and repayments on investments	**2,684**	5,421
Purchases of investments	**(3,259)**	(5,675)
Realized losses (gains) on investments	**(7)**	(1)
Other items affecting cash	**(208)**	(148)
Net cash from (used in) operating activities	**(228)**	(10)
Cash flows from investing activities		
Acquisitions of businesses, net of cash	**(198)**	(1)
Sales (purchases) of fixed and intangible assets	**(28)**	(28)
Net cash from (used in) investing activities	**(226)**	(29)
Cash flows from financing activities		
Issuance of common shares	**145**	6
Issuance of preferred shares	**147**	---
Note payable redemption	**(11)**	---
Dividends paid on common shares	**(41)**	(37)
Dividends paid on preferred shares	**(4)**	(4)
Interest paid on debentures	**(13)**	(13)
Net cash from (used in) financing activities	**223**	(48)
Foreign currency gains (losses) on cash	**3**	---
Increase (decrease) in cash and short-term investments	**(228)**	(87)
Cash and short-term investments at beginning	**1,141**	912
Cash and short-term investments at end	**913**	825
Supplementary information:		
Cash	**709**	663
Short-term investments	**204**	162
Total cash and short-term investments	**913**	825

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

Notes to Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2018 and 2017 (unaudited) (in millions of dollars, unless otherwise indicated)

1 › General Information

Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company listed on the Toronto Stock Exchange, incorporated under the *Companies Act* (Quebec), governed by *An Act respecting insurance* and subject to the Autorité des marchés financiers (AMF). Industrial Alliance Insurance and Financial Services Inc. 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.

Interim Consolidated Financial Statements of the Company are established on an International Financial Reporting Standards (IFRS) basis in accordance with IAS-34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). These interim Consolidated Financial Statements do not include 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, 2017, as set out in the 2017 Annual Report. The significant accounting policies used in the preparation of these interim Consolidated Financial Statements are consistent with those found in the 2017 Annual Report.

Publication of these Interim Condensed Consolidated Financial Statements was authorized for issue by the Company's Board of Directors on May 10, 2018.

2 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2018.

Standards or amendments	Description of the standard or amendment and impact on financial statements of the Company
IFRS-4 "Insurance Contract"	*Description*: On September 12, 2016, the IASB published an amendment to IFRS-4 "Insurance Contract". This amendment, "Applying IFRS-9 Financial Instruments with IFRS-4 Insurance Contract", provides two options to entities applying IFRS-4: • the deferral approach is an optional temporary exemption from applying IFRS-9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS-4; • the overlay approach permits entities to adopt IFRS-9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities. *Status*: The Company met all criteria and chose the deferral approach. The Company will apply IFRS 9 only to financial statements beginning on January 1, 2021.
IFRS-15 "Revenue from Contracts with Customers"	*Description*: On May 28, 2014, the IASB published the standard IFRS-15 "Revenue from Contracts with Customers", which replaces the standards IAS-11 "Construction Contracts" and IAS-18 "Revenues". This new standard specifies: • how to recognize revenues; and • when to recognize revenues according to a single five-step model, and the additional disclosure requirements. The provisions of this new standard were expected to apply to financial statements beginning on or after January 1, 2017. On September 11, 2015, the IASB published an amendment to the standard which defers the effective date to financial statements beginning on or after January 1, 2018. On April 12, 2016, the IASB published an amendment to IFRS-15 in order to: • clarify some requirements; and • provide additional transitional relief. The provisions of this amendment applied retrospectively or on a modified retrospective. *Impact*: No significant impact on the Company's financial statements.
IFRS-2 "Share-based Payment"	*Description*: On June 20, 2016, the IASB published an amendment to IFRS-2 "Share-based Payment". The amendment "Classification and Measurement of Share-based Payment Transactions" clarifies how to account for certain types of share-based payment transactions. The amendment provides requirements on the accounting for: • the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; • share-based payment transactions with a net settlement feature for withholding tax obligations; • the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. *Impact*: No impact on the Company's financial statements.
IAS-40 "Investment Property"	*Description*: On December 8, 2016, the IASB published an amendment to IAS-40 "Investment Property". The amendment "Transfers of Investment Property" clarifies the requirements on transfers to, or from, investment property. The provisions of this amendment applied retrospectively. *Impact*: No impact on the Company's financial statements.

IFRIC-22 "Foreign Currency Transactions and Advance Consideration"	*Description*: On December 8, 2016, the IASB published Interpretation IFRIC-22, "Foreign Currency Transactions and Advance Consideration". This interpretation provides guidance on the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. *Impact*: No significant impact on the Company's financial statements.
Annual Improvements to IFRSs 2014-2016 Cycle	*Description*: On December 8, 2016, the IASB published the Annual Improvements to IFRSs 2014-2016 Cycle. The Annual Improvements clarify situations specific to two standards: • IFRS-1 "First-Time Adoption of International Financial Reporting Standards" related to short-term exemptions; • IAS-28 "Investments in Associates and Joint Ventures" relating to the measurement at fair value which applied retrospectively to financial statements. *Impact*: No impact on the Company's financial statements.

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

Standards or amendments	Description of the standards or amendments
IFRS-9 "Financial Instruments"	The Company adopted the amendment IFRS-4 "Insurance contract", described in the section new accounting policies applied. Consequently, even if the provisions of IFRS-9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions only to financial statements beginning on or after January 1, 2021. *Description*: On July 24, 2014, the IASB published the standard IFRS-9 "Financial Instruments" which replaces the provisions of the standard IAS-39 "Financial Instruments: Recognition and Measurement". The standard IFRS-9: • requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets; • changes the accounting for financial liabilities measured using the fair value option; • proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; • modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. The provisions of this new standard will apply retrospectively or on a modified retrospective basis. On October 12, 2017, the IASB published an amendment to IFRS-9 "Financial Instruments". The amendment "Prepayment Features with Negative Compensation" enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2019. Early adoption is permitted. *Status*: The Company is evaluating the impact of this standard on its financial statements.
IFRS-17 "Insurance Contracts"	*Description*: On May 18, 2017, the IASB published the standard IFRS-17 "Insurance Contracts" which replaces the provisions of the standard IFRS-4 "Insurance Contracts". The standard IFRS-17: • has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement; • establishes the principles for recognition, measurement, presentation and disclosure; • defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities; • defines a specific model for contracts of one year or less. The provisions of this new standard will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2021. Early adoption is permitted if IFRS-9 "Financial Instruments" and IFRS-15 "Revenue from Contracts with Customers" are previously applied. *Status*: The Company is evaluating the impact on presentation, disclosure and measurement of the insurance contract liabilities that this standard will have on its financial statements.

IFRS-10 “Consolidated Financial Statements” and IAS-28 “Investments in Associates and Joint Ventures”	*Description*: On September 16, 2014, the IASB published an amendment to IFRS-10 “Consolidated Financial Statements” and to IAS-28 “Investments in Associates and Joint Ventures”. This amendment, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”, clarifies the accounting for the gain or loss resulting from loss of control or from transfer of assets following a transaction with an associate or joint venture. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2016. In December 2015, the IASB published an amendment which defers the application to financial statements beginning on or after a date yet to be determined. Early adoption is permitted. *Status*: The Company has completed the analysis of this amendment and concluded that it will not have an impact on its financial statements.
IFRS-16 “Leases”	*Description*: On January 13, 2016, the IASB published the standard IFRS-16 “Leases”, which replaces the standard IAS-17 “Leases”. This new standard specifies: • how to recognize, measure, present and disclose leases; • for the lessee: o the requirement to recognize assets and liabilities for all leases; o unless the lease term is 12 months or less or the underlying asset has a low value; • for the lessor: o that the accounting remains substantially unchanged. The provisions of this new standard will apply retrospectively or on a modified retrospective basis to financial statements beginning on or after January 1, 2019. Early adoption is permitted if IFRS-15 “Revenue from Contracts with Customers” is previously applied. *Status*: The Company is currently evaluating the impact of this standard on its financial statements.
IFRIC-23 “Uncertainty over Income Tax Treatments”	*Description:* On June 7, 2017, the IASB published Interpretation IFRIC-23, “Uncertainty over Income Tax Treatments”. This interpretation clarifies how to apply the recognition and measurement requirement in IAS-12 “Income Taxes” when there is uncertainty over income tax treatments. An entity shall recognize and measure its current or deferred tax asset or liability applying the requirement of IAS-12 based on taxable profit (taxable loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. The provisions of this interpretation will apply retrospectively or on a modified retrospective basis to financial statements beginning on or after January 1, 2019. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this interpretation on its financial statements.
IAS-28 “Investments in Associates and Joint Ventures”	*Description:* On October 12, 2017, the IASB published an amendment to IAS-28 “Investments in Associates and Joint Ventures”. The amendment “Long-term Interest in Associates and Joint Ventures” clarifies the situation where an entity applies the equity method and owns long-term interests that meet the criteria to be qualified in substance as long-term net investments. This amendment applies more specifically to shares when there are losses that must be absorbed by long-term interests. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2019. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IAS-19 “Employee Benefits”	*Description:* On February 7, 2018, the IASB published an amendment to IAS-19 “Employee Benefits”. The amendment “Plan Amendment, Curtailment or Settlement” clarifies, for defined benefit pension plans, when changes require a revaluation of the net cost of asset and liabilities involved. The amendment requires the entity to use the adjusted assumptions resulting from the reassessment to determine the cost of services rendered during the period and the net interest for the period following the changes made to the pension plans or the revaluation. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2019. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
Conceptual Framework for Financial Reporting	*Description:* On March 29, 2018, the IASB published a revised version of the Conceptual Framework for Financial Reporting. The IASB decided to revise the Conceptual Framework because important issues were not addressed and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. The provisions will apply prospectively to financial statements beginning on or after January 1, 2020. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this revised version on its financial statements.

3 › Acquisitions of Businesses

Preliminary Allocation of the Acquisition Price

US Operations

On January 23, 2018, the Company acquired, through its wholly-owned subsidiary IA American Holding Inc., 100% of the shares of Helios Financial Corporation, which owns 100% of the shares of Dealers Assurance Company and Southwest Reinsure Inc (collectively "DAC"). DAC manufactures and distributes vehicle service contracts, or extended warranties, through a cross-country network of new and used car dealers in the United States.

Individual Insurance and Wealth Management

On February 26, 2018, the Company acquired 100% of the shares of PPI Management Inc., a Canadian insurance products marketing and distribution firm acting as managing general agent.

The Company has up to 12 months following the acquisition date to complete the allocation of the acquisition price. Once the analysis is finalized, allocation of the preliminary purchase price and its distribution by line of business could be adjusted.

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

	As at March 31, 2018 (unaudited)	
	US Operations $	Individual $
Fair value of preliminary identifiable assets and liabilities acquired	95	(65)
Fair value of preliminary intangible assets	48	107
Fair value of preliminary deferred income tax liabilities on intangible assets	(17)	(28)
Fair value of preliminary net identifiable assets acquired	126	14
Preliminary goodwill	41	110
	167	124
Acquisition price :		
Cash	167	108
Account payable over a period of 2 years	---	8
Contingent consideration payable in 3 years	---	8
	167	124

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

Final Allocation of the Acquisition Price

During the year 2017, the Company acquired HollisWealth, a Canadian financial network. The Company acquired 100% of the shares of HollisWealth Advisory Services Inc. and HollisWealth Insurance Agency Ltd., and all assets and liabilities of HollisWealth's securities activities. The Company also acquired, directly or through its wholly-owned subsidiaries, insurance and mutual fund broker businesses. As at March 31, 2018, the final allocation of the acquisition price was completed and the adjustments made in the final allocation did not have a significant impact on the Company's consolidated financial statements.

4 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

	As at March 31, 2018 (unaudited)					
	At fair value through profit or loss $	Available for sale $	Loans and receivables $	Other $	Total $	Fair value $
Cash and short-term investments	467	---	446	---	913	913
Bonds						
Governments	10,055	1,925	121	---	12,101	
Municipalities	956	154	40	---	1,150	
Corporate and other	6,594	1,762	1,907	---	10,263	
	17,605	3,841	2,068	---	23,514	23,663
Stocks						
Common stocks	1,813	20	---	---	1,833	
Preferred stocks	232	387	---	---	619	
Stock indexes	452	16	---	---	468	
Investment fund units	451	8	---	---	459	
	2,948	431	---	---	3,379	3,379
Mortgages and other loans						
Insured mortgages						
Residential	---	---	787	---	787	
Multi-residential	---	---	1,296	---	1,296	
Non-residential	---	---	7	---	7	
	---	---	2,090	---	2,090	
Conventional mortgages						
Residential	---	---	170	---	170	
Multi-residential	58	---	202	---	260	
Non-residential	7	---	193	---	200	
	65	---	565	---	630	
Other loans	---	---	585	---	585	
	65	---	3,240	---	3,305	3,361
Derivative financial instruments	305	---	---	---	305	305
Policy loans	---	---	924	---	924	924
Other invested assets	---	---	8	301	309	309
Investment properties	---	---	---	1,343	1,343	1,357
Total	21,390	4,272	6,686	1,644	33,992	34,211

	As at December 31, 2017					
	At fair value through profit or loss $	Available for sale $	Loans and receivables $	Other $	Total $	Fair value $
Cash and short-term investments	610	---	531	---	1,141	1,141
Bonds						
Governments	9,838	1,946	121	---	11,905	
Municipalities	966	151	40	---	1,157	
Corporate and other	6,477	1,520	1,885	---	9,882	
	17,281	3,617	2,046	---	22,944	23,106
Stocks						
Common stocks	1,842	18	---	---	1,860	
Preferred stocks	244	392	---	---	636	
Stock indexes	471	26	---	---	497	
Investment fund units	467	7	---	---	474	
	3,024	443	---	---	3,467	3,467
Mortgages and other loans						
Insured mortgages						
Residential	---	---	809	---	809	
Multi-residential	---	---	1,308	---	1,308	
Non-residential	---	---	7	---	7	
	---	---	2,124	---	2,124	
Conventional mortgages						
Residential	---	---	155	---	155	
Multi-residential	57	---	178	---	235	
Non-residential	7	---	197	---	204	
	64	---	530	---	594	
Other loans	---	---	570	---	570	
	64	---	3,224	---	3,288	3,355
Derivative financial instruments	395	---	---	---	395	395
Policy loans	---	---	946	---	946	946
Other invested assets	---	---	4	296	300	300
Investment properties	---	---	---	1,341	1,341	1,354
Total	21,374	4,060	6,751	1,637	33,822	34,064

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 and investments in associates and joint ventures accounted for using the equity method.

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 30%. The financial information for these entities as a whole is as follows:

	As at March 31 2018 (unaudited) **$**	As at December 31 2017 $
Carrying value of the investment	**301**	296

The share of net income and comprehensive income for the three months ended March 31, 2018 amounts to $6 ($4 for the three months ended March 31, 2017).

c) Investment Income

	Three months ended March 31	
	2018	2017
	(unaudited)	
	$	$
Interest	**236**	219
Dividends	**29**	26
Derivative financial instruments	**6**	8
Rental income	**41**	38
Gains (losses) realized	**7**	1
Variation in provisions for losses	**(5)**	(5)
Other	**11**	6
Interest and other investment income	**325**	293
Cash and short-term investments	**---**	1
Bonds	**(197)**	224
Stocks	**(55)**	57
Mortgages and other loans	**1**	---
Derivative financial instruments	**(119)**	34
Investment properties	**(3)**	(9)
Other	**(1)**	(2)
Change in fair value of investments	**(374)**	305
Total	**(49)**	598

5 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management uses its judgment to determine the data 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 instrument. Fair value of derivative financial instruments, such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

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

Policy Loans – Policy loans are carried at amortized cost. They are guaranteed and may be reimbursed at any time. Their fair value approximates their carrying value due to their short-term 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 by various recognized methods and standards of assessment in the real estate sector. One of these methods is based on expected capitalization rates and models which discount the expected future cash flows at prevailing interest rates on the market based on the characteristics, location and market of each property. The expected future cash flows include contractual and projected cash flows and projected operating expenses. They 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 from leases in force, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, type and current quality of the building, and market data and projections as of the date of the appraisal. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. High and best use is one of the possible evaluation methods. High and best use is determined by taking into account possible physical, legally permissible, financially feasible use, and in terms of market, even if the Company plans a different use. Assessments are carried out by external independent appraisers or by qualified Company personnel. Each building is assessed by an external appraiser at least once every three years.

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

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

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.

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.

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

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

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.
Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.
Level 3 – Valuation model based on valuation techniques that use largely unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

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

Assets

	As at March 31, 2018 (unaudited)			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value assessments				
Cash and short-term investments				
Held for trading	---	467	---	467
Bonds				
Designated at fair value through profit or loss				
Governments	511	9,544	---	10,055
Municipalities	---	956	---	956
Corporate and other	---	6,450	144	6,594
	511	16,950	144	17,605
Available for sale				
Governments	158	1,767	---	1,925
Municipalities	---	154	---	154
Corporate and other	---	1,747	15	1,762
	158	3,668	15	3,841
	669	20,618	159	21,446
Stocks				
Designated at fair value through profit or loss	2,011	---	937	2,948
Available for sale	26	387	18	431
	2,037	387	955	3,379
Mortgages and other loans				
Designated at fair value through profit or loss	---	65	---	65
Derivative financial instruments				
Held for trading	7	297	1	305
Investment properties	---	---	1,343	1,343
General fund investments accounted at fair value	2,713	21,834	2,458	27,005
Segregated funds financial instruments	18,239	5,565	24	23,828
Total financial assets at fair value	20,952	27,399	2,482	50,833

	As at December 31, 2017			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value assessments				
Cash and short-term investments				
Held for trading	---	610	---	610
Bonds				
Designated at fair value through profit or loss				
Governments	355	9,483	---	9,838
Municipalities	---	966	---	966
Corporate and other	---	6,332	145	6,477
	355	16,781	145	17,281
Available for sale				
Governments	96	1,850	---	1,946
Municipalities	---	151	---	151
Corporate and other	---	1,505	15	1,520
	96	3,506	15	3,617
	451	20,287	160	20,898
Stocks				
Designated at fair value through profit or loss	2,122	---	902	3,024
Available for sale	34	391	18	443
	2,156	391	920	3,467
Mortgages and other loans				
Designated at fair value through profit or loss	---	64	---	64
Derivative financial instruments				
Held for trading	---	393	2	395
Investment properties	---	---	1,341	1,341
General fund investments accounted at fair value	2,607	21,745	2,423	26,775
Segregated funds financial instruments	18,027	5,956	22	24,005
Total financial assets at fair value	20,634	27,701	2,445	50,780

There were no transfers between Level 1 and Level 2 for the period ended March 31, 2018 and the year ended December 31, 2017.

There were no transfers from Level 2 to Level 3 during the period ended March 31, 2018 and the year ended December 31, 2017.

There were no transfers from Level 3 to Level 2 during the period ended March 31, 2018 ($1 for the year ended December 31, 2017). For the year ended December 31, 2017, these transfers come from bonds designated at fair value through profit or loss. The fair value of these bonds was previously determined using internal valuation models that required the use of assumptions, including one main assumption that was not observable in the market. The fair value of these bonds is now valued at market prices obtained through brokers who assess the fair value of these financial instruments.

The Company presents the transfers between hierarchy levels at the quarter-end fair value for the quarter during which the transfer occurred.

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 1.50% to 4.73% as at March 31, 2018 (0.47% to 4.69% as at December 31, 2017). Stocks classified into Level 3 are mainly valuated from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at March 31, 2018 are the discount rate, which is between 5.00% and 9.00% (5.00% and 9.00% as at December 31, 2017) and the terminal capitalization rate, which is between 3.50% and 7.75% (3.50% and 7.75% as at December 31, 2017). 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 the fair value. Also, the investment properties as well as bonds and stocks classified as designated at fair value through profit or loss support the Company's insurance contract liabilities. Consequently, changes in fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the Canadian Asset Liability Method (CALM). Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Consolidated Financial Statements.

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

	As at March 31, 2018 (unaudited)							
	Balance as at December 31, 2017 $	**Realized and unrealized gains (losses) included in net income $**	**Realized and unrealized gains (losses) included in other comprehensive income $**	**Purchases $**	**Sales and settlements $**	**Transfers in (out) of Level 3 $**	**Balance as at March 31, 2018 $**	**Total unrealized gains (losses) included in net income on investments still held $**
Bonds								
Designated at fair value through profit or loss	**145**	**---**	**---**	**---**	**(1)**	**---**	**144**	**2**
Available for sale	**15**	**---**	**---**	**---**	**---**	**---**	**15**	**---**
Stocks								
Designated at fair value through profit or loss	**902**	**18**	**---**	**33**	**(16)**	**---**	**937**	**17**
Available for sale	**18**	**---**	**---**	**---**	**---**	**---**	**18**	**---**
Derivative financial instruments								
Held for trading	**2**	**---**	**---**	**---**	**(1)**	**---**	**1**	**---**
Investment properties	**1,341**	**(3)**	**---**	**9**	**(4)**	**---**	**1,343**	**(3)**
General fund investments accounted at fair value	**2,423**	**15**	**---**	**42**	**(22)**	**---**	**2,458**	**16**
Segregated funds financial instruments	**22**	**---**	**---**	**2**	**---**	**---**	**24**	**---**
Total	**2,445**	**15**	**---**	**44**	**(22)**	**---**	**2,482**	**16**

	As at December 31, 2017							
	Balance as at December 31, 2016 $	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, 2017 $	Total unrealized gains (losses) included in net income on investments still held $
Bonds								
Designated at fair value through profit or loss	150	---	---	---	(4)	(1)	145	---
Available for sale	42	---	(1)	---	(26)	---	15	---
Stocks								
Designated at fair value through profit or loss	731	44	---	209	(82)	---	902	43
Available for sale	8	---	1	9	---	---	18	---
Derivative financial instruments								
Held for trading	---	2	---	---	---	---	2	2
Investment properties	1,238	(40)	---	201	(58)	---	1,341	(40)
General fund investments accounted at fair value	2,169	6	---	419	(170)	(1)	2,423	5
Segregated funds financial instruments	12	---	---	16	(6)	---	22	---
Total	2,181	6	---	435	(176)	(1)	2,445	5

For the period ended March 31, 2018, *Sales and settlements* for investment properties do not include transfer to fixed assets ($42 for the year ended December 31, 2017).

Realized and unrealized gains (losses) included in net income and *Total unrealized gains (losses) included in net income on investments still held* are presented in the *Investment income* in the Income Statement, except for the value of segregated funds assets, which are not presented in the Income Statement but are included in the change in segregated funds net assets in Note 8 *Segregated Funds Net Assets. Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 10 *Accumulated Other Comprehensive Income* in *Unrealized gains (losses)*.

Fair Value Disclosed in the Notes

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

	As at March 31, 2018 (unaudited)			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Classified as loans and receivables				
Bonds				
Governments	**---**	**9**	**127**	**136**
Municipalities	**---**	**49**	**---**	**49**
Corporate and other	**---**	**266**	**1,766**	**2,032**
	---	**324**	**1,893**	**2,217**
Mortgages and other loans	**---**	**3,296**	**---**	**3,296**
Total of assets classified as loans and receivables	**---**	**3,620**	**1,893**	**5,513**

	As at December 31, 2017			
	Level 1 $	Level 2 $	Level 3 $	Total $
Classified as loans and receivables				
Bonds				
Governments	---	9	125	134
Municipalities	---	49	---	49
Corporate and other	---	268	1,757	2,025
	---	326	1,882	2,208
Mortgages and other loans	---	3,291	---	3,291
Total of assets classified as loans and receivables	---	3,617	1,882	5,499

Financial Liabilities

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

	As at March 31, 2018 (unaudited)			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value assessments				
Other liabilities				
Held for trading	**127**	**91**	**---**	**218**
Derivative financial instruments				
Held for trading	**3**	**207**	**41**	**251**
Total of liabilities classified as held for trading	**130**	**298**	**41**	**469**
Classified at amortized cost				
Other liabilities				
Securitization liabilities	**---**	**1,189**	**---**	**1,189**
Debentures	**---**	**1,004**	**---**	**1,004**
Total of liabilities classified at amortized cost	**---**	**2,193**	**---**	**2,193**

	As at December 31, 2017			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value assessments				
Other liabilities				
Held for trading	59	119	---	178
Derivative financial instruments				
Held for trading	2	151	42	195
Total of liabilities classified as held for trading	61	270	42	373
Classified at amortized cost				
Other liabilities				
Securitization liabilities	---	1,147	---	1,147
Debentures	---	1,004	---	1,004
Total of liabilities classified at amortized cost	---	2,151	---	2,151

6 › Management of Risks Associated with Financial Instruments

a) Impairment of Financial Assets Classified as Available for Sale

During the period ended March 31, 2018 and the year ended December 31, 2017, the Company did not reclassify any unrealized losses of stocks classified as available for sale from the *Other comprehensive income* to *Investment income* in the Income Statement.

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

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

	As at March 31, 2018 (unaudited)			As at December 31, 2017		
	Fair value **$**	**Unrealized losses** **$**	**Unrealized gains** **$**	Fair value $	Unrealized losses $	Unrealized gains $
Bonds						
Governments	**1,925**	**(20)**	**32**	1,946	(14)	41
Municipalities	**154**	**(1)**	**1**	151	(1)	1
Corporate and other	**1,762**	**(15)**	**15**	1,520	(9)	14
	3,841	**(36)**	**48**	3,617	(24)	56
Stocks	**431**	**(8)**	**19**	443	(9)	20
Total	**4,272**	**(44)**	**67**	4,060	(33)	76

Unrealized losses on financial assets classified as available for sale according to the period for which the assets had an unrealized loss are the following:

	As at March 31, 2018 (unaudited)					
	Less than 12 months		**12 months or over**		**Total**	
	Fair value **$**	**Unrealized losses** **$**	**Fair value** **$**	**Unrealized losses** **$**	**Fair value** **$**	**Unrealized losses** **$**
Bonds						
Governments	**1,139**	**(19)**	**27**	**(1)**	**1,166**	**(20)**
Municipalities	**56**	**(1)**	**7**	**---**	**63**	**(1)**
Corporate and other	**1,059**	**(14)**	**18**	**(1)**	**1,077**	**(15)**
	2,254	**(34)**	**52**	**(2)**	**2,306**	**(36)**
Stocks	**104**	**(1)**	**97**	**(7)**	**201**	**(8)**
Total	**2,358**	**(35)**	**149**	**(9)**	**2,507**	**(44)**

	As at December 31, 2017					
	Less than 12 months		12 months or over		Total	
	Fair value $	Unrealized losses $	Fair value $	Unrealized losses $	Fair value $	Unrealized losses $
Bonds						
Governments	1,019	(13)	26	(1)	1,045	(14)
Municipalities	43	(1)	7	---	50	(1)
Corporate and other	740	(8)	36	(1)	776	(9)
	1,802	(22)	69	(2)	1,871	(24)
Stocks	62	(1)	144	(8)	206	(9)
Total	1,864	(23)	213	(10)	2,077	(33)

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 its commitments to the Company.

b) i) Credit Quality Indicators

Bonds by Investment Grade

	As at March 31, 2018 (unaudited)	As at December 31, 2017
	Carrying amount	
	$	$
AAA	**1,340**	1,112
AA	**7,950**	7,846
A	**10,157**	10,010
BBB	**3,866**	3,749
BB and lower	**201**	227
Total	**23,514**	22,944

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 $2,088 ($2,105 as at December 31, 2017).

Mortgages and Other Loans

	As at March, 31 2018 (unaudited)	As at December 31, 2017
	$	$
Insured mortgages	**2,090**	2,124
Conventional mortgages	**630**	594
Other loans	**585**	570
Total	**3,305**	3,288

The credit quality of mortgages and other loans is assessed internally by the regular review of the portfolio.

b) ii) Past Due or Impaired Financial Assets

Past Due Bonds, Mortgages and Other Loans

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

	As at March 31, 2018 (unaudited)			
	Bonds classified as loans and receivables $	**Mortgages classified as loans and receivables $**	**Other loans $**	**Total $**
Gross values				
Not past due and not impaired	**2,053**	**2,646**	**568**	**5,267**
Past due and not impaired				
30 – 89 days in arrears	**---**	**2**	**18**	**20**
90 – 119 days in arrears	**---**	**3**	**3**	**6**
120 days and more in arrears	**---**	**---**	**1**	**1**
Impaired	**21**	**5**	**1**	**27**
Total of gross values	**2,074**	**2,656**	**591**	**5,321**
Specific provisions for losses	**6**	**1**	**---**	**7**
	2,068	**2,655**	**591**	**5,314**
Collective provisions	**---**	**---**	**6**	**6**
Total of net values	**2,068**	**2,655**	**585**	**5,308**

	As at December 31, 2017			
	Bonds classified as loans and receivables $	Mortgages classified as loans and receivables $	Other loans $	Total $
Gross values				
Not past due and not impaired	2,031	2,641	554	5,226
Past due and not impaired				
30 – 89 days in arrears	---	3	17	20
90 – 119 days in arrears	---	3	3	6
120 days and more in arrears	---	---	1	1
Impaired	21	9	1	31
Total of gross values	2,052	2,656	576	5,284
Specific provisions for losses	6	2	---	8
	2,046	2,654	576	5,276
Collective provisions	---	---	6	6
Total of net values	2,046	2,654	570	5,270

Foreclosed Properties

During the period ended March 31, 2018, the Company did not take possession of properties held as collateral on mortgages ($1 as at December 31, 2017). Foreclosed properties that the Company still held at the end of the period are presented as *Real estate held for resale* in the line *Other assets.*

Specific Provisions for Losses

	As at March 31, 2018 (unaudited)			
	Bonds classified as loans and receivables $	**Mortgages $**	**Other loans $**	**Total $**
Balance at beginning	**6**	**2**	**---**	**8**
Variation in specific provisions for losses	**---**	**(1)**	**---**	**(1)**
Balance at end	**6**	**1**	**---**	**7**

	As at December 31, 2017			
	Bonds classified as loans and receivables $	Mortgages $	Other loans $	Total $
Balance at beginning	4	2	---	6
Variation in specific provisions for losses	2	---	---	2
Balance at end	6	2	---	8

7 › Derivative Financial Instruments

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

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default. The maximum credit risk of derivative financial instruments is $299 ($392 as at December 31, 2017). The Company's exposure at the end of each period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

As at March 31, 2018 (unaudited)

	Notional amount				Fair value	
	Less than 1 year $	**1 to 5 years** $	**Over 5 years** $	**Total** $	**Positive** $	**Negative** $
Equity contracts						
Swap contracts	**338**	**19**	**68**	**425**	**1**	**(10)**
Futures contracts	**536**	**---**	**---**	**536**	**4**	**(2)**
Options	**281**	**---**	**---**	**281**	**3**	**---**
Currency contracts						
Forward contracts	**2,656**	**116**	**---**	**2,772**	**6**	**(28)**
Swap contracts	**---**	**669**	**1,454**	**2,123**	**65**	**(79)**
Interest rate contracts						
Swap contracts	**499**	**2,917**	**3,094**	**6,510**	**175**	**(88)**
Forward contracts	**12**	**1,350**	**---**	**1,362**	**49**	**(2)**
Credit contracts						
Swap contracts	**---**	**---**	**50**	**50**	**---**	**(1)**
Other derivative contracts	**1**	**3**	**355**	**359**	**2**	**(41)**
Total	**4,323**	**5,074**	**5,021**	**14,418**	**305**	**(251)**

As at December 31, 2017

	Notional amount				Fair value	
	Less than 1 year $	1 to 5 years $	Over 5 years $	Total $	Positive $	Negative $
Equity contracts						
Swap contracts	309	20	68	397	6	(5)
Futures contracts	243	---	---	243	---	(2)
Options	76	---	---	76	---	---
Currency contracts						
Forward contracts	2,377	116	---	2,493	54	(6)
Swap contracts	---	670	1,433	2,103	76	(66)
Interest rate contracts						
Swap contracts	669	2,805	3,073	6,547	198	(74)
Forward contracts	12	900	---	912	58	---
Other derivative contracts	1	4	361	366	3	(42)
Total	3,687	4,515	4,935	13,137	395	(195)

As at March 31, 2018 (unaudited)

	Notional amount	**Fair value**	
	$	**Positive** $	**Negative** $
Derivative financial instruments not designated as hedge accounting	**12,793**	**285**	**(233)**
Net investment hedge	**873**	**---**	**(10)**
Fair value hedges			
Interest risk	**739**	**20**	**(8)**
Currency risk	**5**	**---**	**---**
Cash flow hedges			
Interest risk	**8**	**---**	**---**
Total of derivative financial instruments	**14,418**	**305**	**(251)**

	As at December 31, 2017		
	Notional amount	Fair value	
		Positive	Negative
	$	$	$
Derivative financial instruments not designated as hedge accounting	11,740	359	(186)
Net investment hedge	655	16	---
Fair value hedges			
Interest risk	677	20	(7)
Currency risk	3	---	---
Cash flow hedges			
Interest risk	12	---	---
Currency risk	50	---	(2)
Total of derivative financial instruments	13,137	395	(195)

Embedded Derivative Financial Instruments
The Company owns perpetual preferred shares with call options which 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 which relies predominantly on the volatility, quoted price on markets and characteristics of the underlying preferred shares. Embedded derivative financial instruments are presented as other derivative contracts.

Net Investment Hedge
Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than one year (less than one year as at December 31, 2017). 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 periods ended March 31, 2018 and 2017, the Company has recognized no ineffectiveness.

Fair Value Hedges
The interest rate swap contracts, designated as interest rate risk hedging related to financial assets classified as available for sale, have maturities ranging from 3 years to 10 years (4 years to 10 years as at December 31, 2017). Changes in fair value due to the interest rate of the hedged item are recorded in *Investment income* in the Income Statement against variations in fair value of the derivative financial instruments considered as hedging items. Variations in fair value related to the credit risk of hedged items are reported in *Other comprehensive income*.

The Company uses 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 uses interest rate swap contracts with maturities ranging from less than 1 year to 10 years (less than 1 year to 9 years as at December 31, 2017).

The effective portion of the fair value hedging relationship is recorded in *Net income*. For the period ended March 31, 2018, the Company has recognized a gain of $1 on the hedging instruments (loss of $3 for the period ended March 31, 2017) and a loss of $1 on the hedged items (gain of $2 for the period ended March 31, 2017). For the period ended March 31, 2018, the Company has recognized no ineffectiveness ($1 for the period ended March 31, 2017).

Cash Flow Hedges
The Company used a cash flow hedging relationship in order to manage its exposure to variations of interest risks in forecasted transactions. The Company uses forward contracts on obligations that have maturities of less than one year (less than one year as at December 31, 2017). For the periods ended March 31, 2018 and 2017, the Company has recognized no ineffectiveness.

During the quarter, the Company terminated a cash flow hedging relationship in order to manage its exposure to variations of currency risks in forecasted transactions. The Company used forward contracts that had maturities of less than one year. For the period ended March 31, 2018 the Company has recognized no ineffectiveness.

8 › Segregated Funds Net Assets

	As at March 31, 2018	As at December 31, 2017
	(unaudited)	
	$	$
Assets		
Cash, short-term and other investments	**887**	934
Bonds	**5,056**	5,324
Stocks	**18,001**	17,809
Derivative financial instruments	**---**	25
Other assets	**513**	234
	24,457	24,326
Liabilities		
Accounts payable and accrued expenses	**357**	209
Net assets	**24,100**	24,117

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

	Three months ended March 31	
	2018	2017
	(unaudited)	
	$	$
Balance at beginning	**24,117**	21,826
Add:		
Amounts received from policyholders	**1,084**	1,034
Interest and dividends	**128**	91
Net realized gains	**119**	142
Net increase (decrease) in fair value	**(438)**	342
	25,010	23,435
Less:		
Amounts withdrawn by policyholders	**796**	662
Operating expenses	**114**	109
	910	771
Balance at end	**24,100**	22,664

9 › Share Capital

	As at March 31, 2018 (unaudited)		As at December 31, 2017	
	Number of shares (in thousands)	**Amount $**	Number of shares (in thousands)	Amount $
Common shares				
Balance at beginning	**106,756**	**1,521**	106,205	1,499
Shares issued on exercise of stock options	**65**	**3**	551	22
Shares issued	**2,750**	**144**	---	---
Balance at end	**109,571**	**1,668**	106,756	1,521
Preferred shares, Class A				
Balance at beginning	**15,000**	**375**	15,000	375
Shares issued	**6,000**	**150**	---	---
Balance at end	**21,000**	**525**	15,000	375
Total of share capital		**2,193**		1,896

Common Shares
Issue
On March 7, 2018, the Company completed the closing of a common share issue. Under this offering, a total of 2,500,000 common shares were issued for a net cash amount of $131. On March 12, 2018, an additional 250,000 common shares were issued for a net cash amount of $13.

Preferred Shares, Class A
Issue
On March 7, 2018, the Company completed the closing of a Class A – Series I preferred share issue. Under this offering, a total of 6,000,000 Class A – Series I preferred shares were issued for a cash amount of $150.

An unlimited number of Class A – Series I preferred shares, without par value, without voting rights, with a fixed non-cumulative quarterly dividend in cash with an annual rate equal to 1.20 dollars per share, redeemable in whole or in part at the option of the Company on March 31, 2023 and on March 31 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into Class A – Series J preferred shares commencing on March 31, 2023 and thereafter on March 31 every 5 years.

An unlimited number of Class A – Series J preferred shares, without par value, without voting rights, with a non-cumulative variable rate quarterly dividend, redeemable in whole or in part at the option of the Company on March 31, 2028, and on March 31 every 5 years thereafter for a cash value of 25 dollars or redeemable in whole or in part at the option of the Company at any date other than at Series J conversion dates after March 31, 2028, for an amount of 25.50 dollars, subject to approval by the AMF and convertible at the option of the shareholders into Class A – Series I preferred shares commencing on March 31, 2028 and thereafter on March 31 every 5 years.

Stock Options
As at March 31, 2018, the number of outstanding stock options (in thousands) was 2,968 (2,734 as at December 31, 2017). For the period ended March 31, 2018, the Company granted 298 stock options exercisable at $58.43 (491 stock options exercisable at $55.85 for the year ended December 31, 2017).

Dividends

	Three months ended March 31			
	2018		2017	
	(unaudited)			
	Total	**Per share**	Total	Per share
	$	**(in dollars)**	$	(in dollars)
Common shares	**41**	**0.38**	37	0.35
Preferred shares				
Class A – Series B	**1**	**0.29**	1	0.29
Class A – Series G	**3**	**0.24**	3	0.27
	4		4	
Total	**45**		41	

Preferred Shares – Redemption Right, Dividend Rate and Conversion Privilege
As at June 30, 2017, the Class A – Series G preferred shares, were redeemable in whole or in part at the option of the Company and will be on June 30 every 5 years thereafter. At this date, the Company decided not to redeem these preferred shares. Effective June 30, 2017, the annual dividend rate for these shares changed from 1.0750 dollars in cash per share to 0.94425 dollars. In addition, these shares were convertible at the option of the shareholders to Class A – Series H preferred shares on June 30, 2017 and will be every 5 years thereafter. The shareholders chose not to convert these shares.

Dividends Declared and Not Recognized on Common Shares
A dividend of $0.38 per share was approved by the Board of Directors on May 10, 2018. This dividend was not recorded as a liability in the interim financial statements. This dividend will be paid on June 15, 2018 to the shareholders of record as of May 25, 2018, date on which it will be recognized in the equity.

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.

10 › Accumulated Other Comprehensive Income

	Bonds	**Stocks**	**Currency translation**	**Hedging**	**Total**
	$	**$**	**$**	**$**	**$**
Balance as at December 31, 2017	**28**	**7**	**49**	**(35)**	**49**
Unrealized gains (losses)	**(17)**	**(3)**	**---**	**---**	**(20)**
Income taxes on unrealized gains (losses)	**4**	**1**	**---**	**---**	**5**
Other	**---**	**---**	**27**	**(26)**	**1**
Income taxes on other	**---**	**---**	**---**	**4**	**4**
	(13)	**(2)**	**27**	**(22)**	**(10)**
Realized losses (gains)	**(5)**	**2**	**---**	**---**	**(3)**
Income taxes on realized losses (gains)	**1**	**---**	**---**	**---**	**1**
	(4)	**2**	**---**	**---**	**(2)**
Balance as at March 31, 2018 (unaudited)	**11**	**7**	**76**	**(57)**	**37**
Balance as at December 31, 2016	30	(17)	93	(66)	40
Unrealized gains (losses)	---	32	---	---	32
Income taxes on unrealized gains (losses)	---	(9)	---	---	(9)
Other	---	---	(44)	46	2
Income taxes on other	---	---	---	(15)	(15)
	---	23	(44)	31	10
Realized losses (gains)	(2)	1	---	---	(1)
Balance as at December 31, 2017	28	7	49	(35)	49
Balance as at December 31, 2016	30	(17)	93	(66)	40
Unrealized gains (losses)	31	25	---	---	56
Income taxes on unrealized gains (losses)	(8)	(7)	---	---	(15)
Other	---	---	(4)	4	---
Income taxes on other	---	---	---	(1)	(1)
	23	18	(4)	3	40
Realized losses (gains)	2	---	---	---	2
Income taxes on realized losses (gains)	(1)	---	---	---	(1)
	1	---	---	---	1
Balance as at March 31, 2017 (unaudited)	54	1	89	(63)	81

11 › Capital Management

Regulatory Requirements and Solvency Ratio

The Company's capital adequacy requirements are regulated according to the guideline established by the AMF. As at January 1, 2018, the capital adequacy requirements (CAR) guideline has been replaced prospectively by the new guideline on capital adequacy requirements for life insurers (CARLI).

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

Tier 1 capital, which contains more permanent equity items and which 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, which is primarily composed of subordinated debentures.

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

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

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

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

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

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

The Company manages its capital on a consolidated basis. As at March 31, 2018, the Company maintained a ratio that satisfies the regulatory requirements.

	March 31, 2018
	$
Available Capital	
Tier 1 Capital	**3,147**
Tier 2 Capital	**1,375**
Surplus Allowance and Eligible Deposits	**4,067**
Total	**8,589**
Base Solvency Buffer	**7,108**
Total Ratio	**121%**

In the Company's consolidated financial statements as at December 31, 2017, the solvency ratio was established according to the CAR guidelines. The Company maintained ratios that satisfy the regulatory requirements. As at December 31, 2017, the solvency ratio was 209%.

12 › Income Taxes

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

	2018		2017	
	$	**%**	$	%
Income before income taxes	**178**		145	
Income tax expense at Canadian statutory tax rate	**48**	**27**	39	27
Increase (decrease) in income taxes due to:				
Differences in tax rates on income not subject to tax in Canada	**(1)**	**---**	---	---
Tax-exempt investment income	**(11)**	**(7)**	(10)	(6)
Adjustments of previous years	**---**	**---**	1	---
Variation in tax rates	**(1)**	**---**	1	---
Income tax expense (recovery) and effective income tax rate	**35**	**20**	31	21

13 › Segmented Information

As at March 31, 2018, the Company has decided to present information relating to its US operations separately. As a result, the comparative data have been modified for comparable presentation. The Company operates and manages its activities according to five main reportable operating segments, which reflect its organizational 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 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.

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

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

Segmented Income Statements

	Three months ended March 31, 2018 (unaudited)						
	Individual		**Group**				
	Insurance $	**Wealth Management** $	**Insurance** $	**Savings and Retirement** $	**US Operations** $	**Other** $	**Total** $
Revenues							
Net premiums	392	727	374	520	101	72	2,186
Investment income	(135)	24	21	26	(23)	38	(49)
Other revenues	32	372	14	23	17	(23)	435
	289	1,123	409	569	95	87	2,572
Operating expenses							
Gross benefits and claims on contracts	187	471	279	328	81	47	1,393
Ceded benefits and claims on contracts	(56)	---	(19)	(6)	(41)	10	(112)
Net transfer to segregated funds	---	224	---	91	---	---	315
Increase (decrease) in insurance contract liabilities	(107)	42	(14)	121	(84)	(8)	(50)
Increase (decrease) in investment contract liabilities	---	---	1	---	---	---	1
Decrease (increase) in reinsurance assets	1	---	(2)	3	59	5	66
Commissions, general and other expenses	192	332	137	24	73	6	764
Financing charges	4	---	4	---	---	9	17
	221	1,069	386	561	88	69	2,394
Net income before income taxes and allocation of other activities	68	54	23	8	7	18	178
Allocation of other activities	13	(2)	1	---	6	(18)	---
Income before income taxes	81	52	24	8	13	---	178
Income taxes	14	12	5	2	2	---	35
Net income attributed to shareholders	67	40	19	6	11	---	143

	Three months ended March 31, 2017* (unaudited)						
	Individual		Group				
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	US Operations $	Other $	Total $
Revenues							
Net premiums	362	646	340	451	75	67	1,941
Investment income	446	4	31	60	16	41	598
Other revenues	22	270	13	21	12	(20)	318
	830	920	384	532	103	88	2,857
Operating expenses							
Gross benefits and claims on contracts	196	454	252	280	53	46	1,281
Ceded benefits and claims on contracts	(59)	---	(15)	(7)	(20)	9	(92)
Net transfer to segregated funds	---	171	---	210	---	---	381
Increase (decrease) in insurance contract liabilities	464	8	(3)	18	13	(7)	493
Increase (decrease) in investment contract liabilities	---	---	6	---	---	---	6
Decrease (increase) in reinsurance assets	(7)	---	(4)	2	(2)	6	(5)
Commissions, general and other expenses	182	232	132	22	56	8	632
Financing charges	3	---	3	---	---	10	16
	779	865	371	525	100	72	2,712
Net income before income taxes and allocation of other activities	51	55	13	7	3	16	145
Allocation of other activities	14	(1)	1	---	2	(16)	---
Income before income taxes	65	54	14	7	5	---	145
Income taxes	9	14	4	2	2	---	31
Net income attributed to shareholders	56	40	10	5	3	---	114

* As at March 31, 2018, the Company has changed the presentation of its segmented information and data for the three-month period ended March 31, 2017 have been adjusted for comparison purposes.

Segmented Premiums

	Three months ended March 31, 2018 (unaudited)						
	Individual		**Group**				
	Insurance $	**Wealth Management $**	**Insurance $**	**Savings and Retirement $**	**US Operations $**	**Other $**	**Total $**
Gross premiums							
Invested in general fund	**477**	**109**	**418**	**180**	**160**	**46**	**1,390**
Invested in segregated funds	**---**	**618**	**---**	**346**	**---**	**---**	**964**
Total	**477**	**727**	**418**	**526**	**160**	**46**	**2,354**
Premiums ceded							
Invested in general fund	**(85)**	**---**	**(44)**	**(6)**	**(59)**	**26**	**(168)**
Net premiums	**392**	**727**	**374**	**520**	**101**	**72**	**2,186**

	Three months ended March 31, 2017* (unaudited)						
	Individual		Group				
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	US Operations $	Other $	Total $
Gross premiums							
Invested in general fund	441	92	381	43	105	40	1,102
Invested in segregated funds	---	554	---	415	---	---	969
Total	441	646	381	458	105	40	2,071
Premiums ceded							
Invested in general fund	(79)	---	(41)	(7)	(30)	27	(130)
Net premiums	362	646	340	451	75	67	1,941

* As at March 31, 2018, the Company has changed the presentation of its segmented information and data for the three-month period ended March 31, 2017 have been adjusted for comparison purposes.

Segmented Assets and Liabilities

	As at March 31, 2018 (unaudited)						
	Individual		Group				
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	US Operations $	Other $	Total $
Assets							
Invested assets	**18,990**	**1,676**	**1,680**	**3,404**	**944**	**7,298**	**33,992**
Segregated funds assets	**---**	**14,426**	**---**	**9,674**	**---**	**---**	**24,100**
Reinsurance assets	**(779)**	**---**	**233**	**151**	**1,277**	**4**	**886**
Other	**117**	**837**	**---**	**---**	**20**	**3,308**	**4,282**
Total assets	**18,328**	**16,939**	**1,913**	**13,229**	**2,241**	**10,610**	**63,260**
Liabilities							
Insurance contract liabilities and investment contract liabilities	**17,606**	**1,397**	**2,094**	**3,561**	**1,597**	**(71)**	**26,184**
Segregated funds liabilities	**---**	**14,426**	**---**	**9,674**	**---**	**---**	**24,100**
Other	**143**	**50**	**4**	**1**	**---**	**7,274**	**7,472**
Total liabilities	**17,749**	**15,873**	**2,098**	**13,236**	**1,597**	**7,203**	**57,756**

	As at December 31, 2017*						
	Individual		Group				
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	US Operations $	Other $	Total $
Assets							
Invested assets	18,849	1,633	1,721	3,292	768	7,559	33,822
Segregated funds assets	---	14,466	---	9,651	---	---	24,117
Reinsurance assets	(779)	---	228	154	869	10	482
Other	113	792	13	---	---	2,567	3,485
Total assets	18,183	16,891	1,962	13,097	1,637	10,136	61,906
Liabilities							
Insurance contract liabilities and investment contract liabilities	17,710	1,350	2,079	3,441	1,626	(55)	26,151
Segregated funds liabilities	---	14,466	---	9,651	---	---	24,117
Other	99	43	4	1	---	6,355	6,502
Total liabilities	17,809	15,859	2,083	13,093	1,626	6,300	56,770

* As at March 31, 2018, the Company has changed the presentation of its segmented information and data as at December 31, 2017 have been adjusted for comparison purposes.

14 › 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 year.

	Three months ended March 31	
	2018	2017
	(unaudited)	
Net income attributed to common shareholders	**139**	110
Weighted average number of outstanding shares (in millions of units)	**107**	106
Basic earnings per share (in dollars)	**1.30**	1.04

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 in an average year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the period). For the three months ended March 31, 2018, an average of 44,447 antidilutive stock options (93,338 for the three months ended March 31, 2017) were excluded from the calculation.

	Three months ended March 31	
	2018	2017
	(unaudited)	
Net income attributed to common shareholders	**139**	110
Weighted average number of outstanding shares (in millions of units)	**107**	106
Add: dilutive effect of stock options granted and outstanding (in millions of units)	**1**	1
Weighted average number of outstanding shares on a diluted basis (in millions of units)	**108**	107
Diluted earnings per share (in dollars)	**1.29**	1.03

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.

15 › Post-Employment Benefits

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

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

Amounts Recognized in Net Income and Other Comprehensive Income

	Three months ended March 31 (unaudited)			
	2018		2017	
	Pension plans $	**Other plans $**	Pension plans $	Other plans $
Service cost				
Current service cost	**11**	**1**	9	1
Net interest	**1**	**---**	1	---
Components of the cost of defined benefits recognized in the net income	**12**	**1**	10	1
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return of assets (excluding amounts included in the net interest above)	**19**	**---**	(12)	---
Actuarial losses (gains) on financial assumption changes	**---**	**---**	40	---
Losses (gains) of components of the cost of defined benefits recognized in the other comprehensive income	**19**	**---**	28	---
Total of defined benefit cost components	**31**	**1**	38	1

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

Items that will not be reclassified subsequently to net income

	Three months ended March 31 (unaudited)			
	2018		2017	
	Pension plans $	**Other plans $**	Pension plans $	Other plans $
Losses (gains) of components of the cost of defined benefits recognized in the other comprehensive income				
Remeasurement of post-employment benefits	**19**	**---**	28	---
Income taxes on remeasurement of post-employment benefits	**(5)**	**---**	(7)	---
Total of other comprehensive income	**14**	**---**	21	---

16 › Commitments

Investment Commitments

In the normal course of 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. There were $742 ($681 as at December 31, 2017) of outstanding commitments as at March 31, 2018, of which the estimated disbursements will be $37 ($36 as at December 31, 2017) in 30 days, $286 ($270 as at December 31, 2017) in 31 to 365 days and $419 ($375 as at December 31, 2017) in more than one year.

Lines of Credit

As at March 31, 2018, the Company had operating lines of credit totalling $56 ($56 as at December 31, 2017). The lines of credit were not used as at March 31, 2018 and December 31, 2017. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

17 › Event After the Reporting Period

Organizational Structure

On February 5, 2018, the Company announced a plan to create a holding company, which would consolidate all of the group's activities. A holding company can be established through various means. The Company is submitting a private member's bill to the National Assembly of Quebec in the current or a future session proposing changes to the Act respecting Industrial-Alliance Life Insurance Company adopted on November 26, 1999.

On February 26, 2018, the Company announced that it has entered into an arrangement agreement ("the arrangement") with a newly created entity iA Financial Corporation Inc.("iAFC") and that its Board of Directors is unanimously recommending that common shareholders vote in favour of a plan of arrangement that, upon completion, would result in iAFC becoming a holding company as well as the parent corporation of the Company.

On March 26, 2018, the Company announced that it has obtained an interim order from the Superior Court of Quebec in connection with the arrangement with iAFC. The interim order authorizes the Company to call and hold a special meeting of the Company's common shareholders, at which it will be asked to the Company's common shareholders will be asked to approve the previously announced arrangement. The special meeting will be held May 10, 2018.

Other details about the new structure will be announced in the coming months.

18 › 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.