MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis for iA Financial Corporation Inc. (“iA Financial Corporation” or the “Company”) is dated July 30, 2020. iA Financial Corporation became the parent company of Industrial Alliance Insurance and Financial Services Inc. (“IA Insurance”) as of January 1, 2019, as a result of a plan of arrangement. This Management’s Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019. It should also be read with the Management’s Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2019. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management’s Discussion and Analysis.

TABLE OF CONTENTS

HIGHLIGHTS .................................................................................................................. 3
BUSINESS GROWTH ...................................................................................................... 5
ANALYSIS ACCORDING TO SOURCES OF EARNINGS ..................................................... 7
ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS .................................................. 9
INVESTMENTS ................................................................................................................. 12
FINANCIAL POSITION .................................................................................................... 13
DECLARATION OF DIVIDEND ..................................................................................... 15
SENSITIVITY ANALYSIS ............................................................................................... 15
NOTICE AND GENERAL INFORMATION ........................................................................ 16
CONSOLIDATED FINANCIAL STATEMENTS ................................................................. 18
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ............................................. 24
GENERAL INFORMATION ............................................................................................ 57
HIGHLIGHTS

<table>
<thead>
<tr>
<th></th>
<th>Second quarter 2020</th>
<th>Second quarter 2019</th>
<th>Variation</th>
<th>Year-to-date at June 30</th>
<th>Year-to-date at June 30</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributed to common shareholders (in millions)</td>
<td>$182.7</td>
<td>$181.4</td>
<td>1%</td>
<td>$221.8</td>
<td>$332.5</td>
<td>(33%)</td>
</tr>
<tr>
<td>Weighted average number of common shares (diluted) (in millions)</td>
<td>107.1</td>
<td>107.2</td>
<td>—</td>
<td>107.2</td>
<td>107.6</td>
<td>—</td>
</tr>
<tr>
<td>Earnings per common share (EPS) (diluted)</td>
<td>$1.71</td>
<td>$1.69</td>
<td>1%</td>
<td>$2.07</td>
<td>$3.09</td>
<td>(33%)</td>
</tr>
<tr>
<td>Core earnings per common share (EPS) (diluted)</td>
<td>$1.57</td>
<td>$1.61</td>
<td>(2%)</td>
<td>$2.98</td>
<td>$2.89</td>
<td>3%</td>
</tr>
</tbody>
</table>

The Company ended the second quarter of 2020 with net income to common shareholders of $182.7 million versus $181.4 million in 2019 (+1%), and diluted earnings per common share (EPS) of $1.71 versus $1.69 in 2019 (+1%). These results were therefore up slightly year over year.

Return on common shareholders' equity (ROE) was 10.5% at June 30, 2020 versus 12.6% at June 30, 2019. ROE is calculated on a trailing-twelve-month basis. The decrease in this ratio is explained by the first quarter 2020 result, which was heavily impacted by the effects of the pandemic.

Diluted core EPS of $1.57 for the second quarter compares with $1.61 for the same period in 2019. Core ROE of 12.4% at June 30, 2020 compares with 12.1% a year earlier.

Business growth – Premiums and deposits totalled nearly $2.7 billion for the quarter, up from second quarter 2019 (+5%). Total assets under management and administration were up 3% during the quarter, even with the sale of iA Investment Counsel Inc., amounting to $181.0 billion at June 30, 2020. In Canada, second quarter sales were particularly good for Individual Insurance (+10%), segregated funds (+10%), Employee Plans (+$18.8 million) and iAAH (+11%). Gross mutual fund sales were up 4% year over year at $504.6 million, and net sales were positive for the first time since first quarter 2018 with inflows of $49.9 million. Segregated funds recorded strong net inflows totalling $417.0 million. In the U.S., Individual Insurance sales were up year over year (+33%), while Dealer Services sales were impacted by the negative effects of the pandemic like in Canada, albeit to a lesser extent (-7%).

Launch of participating life insurance product – On June 8, 2020, iA Financial Group’s Individual Insurance sector rounded out its product lineup by launching iA PAR, a flexible new participating life insurance product designed for clients looking to maximize their estate value, gain access to a source of liquidity and diversify their investments. The iA participating account will be managed by the team at iA Investment Management, a subsidiary of iA Financial Group.

COVID-19 pandemic and macroeconomic changes – Since March 2020, the COVID-19 pandemic has had major, unprecedented implications for both society and the economy. How long it will last, the effectiveness of government measures to slow its spread and the impact of those measures on the economy all remain uncertain. As a result, we cannot accurately predict the total bearing the pandemic will have on the Company’s financial results for 2020, but the impact could be material. Consequently, in May, the Company withdrew the 2020 financial guidance provided to the markets on February 13, 2020. The Company intends to re-establish its annual guidance once the situation has stabilized. Despite the short-term negative impacts of the pandemic on its results, the Company remains financially solid, as demonstrated by its above-target solvency ratio, sound debt ratio, adequate liquidity and well-positioned reserves. The Company’s business continuity protocol has continued, as discussed when the first quarter results were released on May 7, 2020. This protocol aims to ensure clients a quality of service that is similar to or better than before the pandemic and enable employees and advisors to continue all their activities, supported by secure processes.

Financial position – The solvency ratio was 124% at June 30, 2020, compared with 137% at the end of the previous quarter and 127% a year earlier. The Company’s target range is 110% to 116%. The decrease in the second quarter is essentially explained by the May completion of the IAS Parent Holdings acquisition, which reduced the solvency ratio by 17 percentage points. The Company’s debt ratio at June 30, 2020 was 25.6%.

1 This section presents non-IFRS measures. See “Non-IFRS Financial Information” at the end of this document.
2 Trailing twelve months.
Book value – The book value per common share was $53.23 at June 30, 2020, up 2% from the last quarter and 7% over twelve months.

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

Acquisition of a U.S. group of companies – As announced on December 4, 2019, the Company confirmed on May 22 the completion of its acquisition of U.S. company IAS Parent Holdings, Inc. and its subsidiaries. IAS is one of the largest independent providers of solutions in the U.S. vehicle warranty market with over 35 years of history. It provides a comprehensive portfolio of vehicle warranties and related software and services sold through one of the industry’s broadest and most diverse distribution networks. With this acquisition, the Company becomes one of the largest vehicle warranty platforms in the U.S.

Considering the negative impacts of the current pandemic and the resulting uncertainty, it is difficult to accurately predict the short-term contribution of this acquisition to the Company’s earnings. Based on the latest projections, the Company estimates that the contribution could be lower than expected for the second half of 2020 and in 2021. Excluding acquisition and integration costs, the Company nonetheless expects IAS’s contribution to earnings to be positive starting in 2020.

Sales and operating profit from IAS are not included in the Company’s results for the second quarter. Consequently, expected profit on in-force takes into consideration that the second quarter operating profit from IAS will be included in the Company’s third quarter results. Nonetheless, acquisition and integration costs amounting to $0.06 EPS were recorded in the second quarter, compared with expected costs of $0.05 EPS.

Sale of iA Investment Counsel – As announced on March 2, 2020, the Company completed the sale of iA Investment Counsel Inc. to CWB Financial Group on June 1, 2020. This sale reflects iA Financial Group’s decision to focus on serving the wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices.

Sale of residential mortgage portfolio – On May 27, 2020, the Company committed to sell its residential mortgage portfolio. The sale reflects management’s decision to exit the residential mortgage market and focus on the multi-residential and non-residential markets. The transaction is expected to close on September 1, 2020. Note that this commitment is not reflected in the second quarter 2020 financial statements.

Executive Committee – On May 20, 2020, Sean O’Brien was appointed Executive Vice-President, Wealth Management, and François Blais was appointed Executive Vice-President, Dealer Services and Special Risks. This growth-oriented reorganization will enable the Company to better position itself in the Canadian wealth management market and to meet future challenges in this sector.

Board of Directors – The Company’s Annual Meeting was held on Thursday, May 7, for the first time in a virtual setting. At this event, Jacques Martin, Chair of the Board, announced the election of the twelve directors named in the Proxy Circular dated March 9, 2020.

Normal Course Issuer Bid – The Company did not redeem or cancel any shares in the second quarter of 2020, as redemptions are on hold for the moment in accordance with regulators’ instructions.

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

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

<table>
<thead>
<tr>
<th>Net Premiums, Premium Equivalents and Deposits³,⁴</th>
<th>Second quarter</th>
<th>Year-to-date at June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions of dollars)</td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Individual Insurance</td>
<td>393.5</td>
<td>391.3</td>
</tr>
<tr>
<td>Individual Wealth Management</td>
<td>1,278.8</td>
<td>1,128.6</td>
</tr>
<tr>
<td>Group Insurance</td>
<td>393.3</td>
<td>447.4</td>
</tr>
<tr>
<td>Group Savings and Retirement</td>
<td>358.2</td>
<td>351.3</td>
</tr>
<tr>
<td>US Operations</td>
<td>187.6</td>
<td>163.5</td>
</tr>
<tr>
<td>General Insurance⁵</td>
<td>75.5</td>
<td>77.3</td>
</tr>
<tr>
<td>Total</td>
<td>2,686.9</td>
<td>2,559.4</td>
</tr>
</tbody>
</table>

Premiums and deposits totalled nearly $2.7 billion in the second quarter, an increase of 5% year over year, mainly due to the contribution of the Individual Wealth and US Operations business lines. For the year to date, premiums and deposits surpassed $6.2 billion for an increase of 12% year over year. Like for the quarter, this increase is mainly due to the performance of the Individual Wealth business line, followed by US Operations.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets under management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General fund</td>
<td>51,499.5</td>
<td>47,811.4</td>
<td>45,279.6</td>
<td>43,432.1</td>
</tr>
<tr>
<td>Segregated funds</td>
<td>28,504.8</td>
<td>25,460.1</td>
<td>27,867.9</td>
<td>26,388.7</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>10,048.7</td>
<td>9,908.7</td>
<td>11,594.2</td>
<td>11,431.0</td>
</tr>
<tr>
<td>Other</td>
<td>5,287.3</td>
<td>13,893.1</td>
<td>15,500.1</td>
<td>15,421.8</td>
</tr>
<tr>
<td>Subtotal</td>
<td>95,340.3</td>
<td>97,073.3</td>
<td>100,241.8</td>
<td>96,673.6</td>
</tr>
<tr>
<td>Assets under administration⁶</td>
<td>85,682.6</td>
<td>78,653.6</td>
<td>89,245.8</td>
<td>87,566.7</td>
</tr>
<tr>
<td>Total</td>
<td>181,022.9</td>
<td>175,726.9</td>
<td>189,487.6</td>
<td>184,240.3</td>
</tr>
</tbody>
</table>

Assets under management and administration of $181.0 billion were down 2% year over year, mainly due to the drop in equity markets during the first quarter and the sale of iA Investment Counsel Inc. Despite this sale, they were up 3% in the second quarter due to market growth.

---

³ Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance, Group Savings and Retirement and US Operations sectors and mutual fund deposits.

⁴ This table presents non-IFRS measures.

⁵ Includes iAAH and some minor consolidation adjustments.

⁶ An adjustment to the Q2 2019 assets under administration figure was made in Q3 2019.
Sales Growth by Line of Business

<table>
<thead>
<tr>
<th>(In millions of dollars, unless otherwise indicated)</th>
<th>Second quarter</th>
<th>Year-to-date at June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Individual Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum premiums</td>
<td>43.5</td>
<td>43.1</td>
</tr>
<tr>
<td>Excess premiums</td>
<td>9.4</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>52.9</td>
<td>48.0</td>
</tr>
<tr>
<td>Individual Wealth Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General fund</td>
<td>174.9</td>
<td>97.9</td>
</tr>
<tr>
<td>Segregated funds</td>
<td>599.3</td>
<td>544.8</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>504.6</td>
<td>485.9</td>
</tr>
<tr>
<td>Total</td>
<td>1,278.8</td>
<td>1,128.6</td>
</tr>
<tr>
<td>Net sales (after redemptions and transfers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segregated funds</td>
<td>417.0</td>
<td>106.2</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>49.9</td>
<td>(136.8)</td>
</tr>
<tr>
<td>Group Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Plans</td>
<td>22.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Dealer Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditor Insurance</td>
<td>46.4</td>
<td>91.3</td>
</tr>
<tr>
<td>P&amp;C Insurance</td>
<td>54.1</td>
<td>74.3</td>
</tr>
<tr>
<td>Car loan originations</td>
<td>89.0</td>
<td>104.5</td>
</tr>
<tr>
<td>Special Markets Solutions</td>
<td>44.9</td>
<td>61.1</td>
</tr>
<tr>
<td>Group Savings and Retirement</td>
<td>365.0</td>
<td>358.4</td>
</tr>
<tr>
<td>US Operations ($US)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Insurance</td>
<td>32.9</td>
<td>24.7</td>
</tr>
<tr>
<td>Dealer Services – P&amp;C Insurance</td>
<td>106.9</td>
<td>114.5</td>
</tr>
<tr>
<td>General Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iAAH (auto and home insurance)</td>
<td>125.0</td>
<td>112.4</td>
</tr>
</tbody>
</table>

Individual Insurance in Canada – Second quarter sales totalled $52.9 million, bringing total premiums up 10% year over year, both for the quarter and the year to date. Minimum premiums for the second quarter were up slightly year over year.

Individual Wealth Management – Guaranteed product (general fund) sales for the quarter were up significantly from last year at $174.9 million (+79%). Gross segregated fund sales were up 10% year over year at $599.3 million, and net sales were up significantly at $417.0 million compared to $106.2 million a year earlier. Note that in May, the Company ranked first in the industry in gross segregated fund sales for the first time ever. The Company also remains first in the industry for net segregated fund sales.

Gross mutual fund sales were up 4% year over year at $504.6 million. Net sales recorded inflows of $49.9 million and were therefore positive for the first time since first quarter 2018. This performance was supported by strong growth from the affiliate networks.

Group Insurance – Employee Plans – Second quarter sales totalled $22.9 million, significantly up from $4.1 million in the same quarter last year. Note that sales in this division vary considerably from one quarter to another based on the size of the contracts sold.

Group Insurance – Dealer Services – Total sales of $189.5 million in the second quarter were down 30% year over year. By product, P&C sales (including extended warranties and replacement insurance) were down 27% from the previous year at $54.1 million, while creditor insurance sales of $46.4 million compared with $91.3 million a year ago. Car loan originations of $89.0 million were down 15% year over year. Note that dealerships were not operating at full capacity due to the pandemic. Nonetheless, strong growth was recorded in June compared to April and May, which is encouraging for the third quarter.

Group Insurance – Special Markets Solutions – Second quarter sales totalled $44.9 million, compared to $61.1 million a year earlier. A major portion of this decrease is explained by significantly lower sales in travel insurance.

---

7 Sales are not an IFRS measure.
8 Property and casualty insurance.
Group Savings and Retirement — Total second quarter sales amounted to $365.0 million, up slightly from $358.4 million a year earlier. Growth in accumulation product sales was offset by a decrease in insured annuity sales.

US Operations — Year over year, Individual Insurance sales grew by 33% in the second quarter to US$32.9 million. Dealer Services sales were down 7% to US$106.9 million. Like in Canada, dealership sales are being impacted by the collateral effects of the pandemic, albeit to a lesser extent. Sales from IAS are not included in the Company’s second quarter results.

General Insurance (IAAH) — Direct written premiums grew by 11% year over year to $125.0 million.

ANALYSIS ACCORDING TO SOURCES OF EARNINGS

<table>
<thead>
<tr>
<th>Results According to Sources of Earnings</th>
<th>Second quarter</th>
<th>Year-to-date at June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions of dollars)</td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected profit on in-force</td>
<td>176.9</td>
<td>194.4</td>
</tr>
<tr>
<td>Experience gains (losses)</td>
<td>42.6</td>
<td>15.6</td>
</tr>
<tr>
<td>Gain (strain) on sales</td>
<td>(9.6 )</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Changes in assumptions and management actions</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Subtotal</td>
<td>209.9</td>
<td>208.7</td>
</tr>
<tr>
<td>Income on capital</td>
<td>30.8</td>
<td>32.4</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(52.5)</td>
<td>(54.0)</td>
</tr>
<tr>
<td>Net income attributed to shareholders</td>
<td>188.2</td>
<td>187.1</td>
</tr>
<tr>
<td>Less: dividends on preferred shares issued by a subsidiary</td>
<td>5.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Net income attributed to common shareholders</td>
<td>182.7</td>
<td>181.4</td>
</tr>
</tbody>
</table>

The analysis of profitability according to the sources of earnings presents the key variations between reported net income and the Company’s expectation for the three-month period ended June 30, 2020. This data complements information presented in the section entitled “Analysis According to the Financial Statements” and provides additional information to better understand the Company’s financial results. This analysis contains non-IFRS measures, which are explained in the “Non-IFRS Financial Information” section at the end of this document.

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

For the second quarter of 2020, expected profit on in-force was down year over year (-9% or -$17.5 million). The decrease is essentially due to two items: 1) the usual quarterly update mentioned above that reflected the market drop in the first quarter of 2020; and 2) a decrease for US Operations due to the impact of IAS acquisition and integration costs. Without this impact, growth in expected profit for the US Operations sector would have been 5%.

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

---

9 This table contains measures that have no IFRS equivalents. See “Non-IFRS Financial Information” at the end of this document for more information.

10 Q1 2020: PPI goodwill impairment.
In the second quarter of 2020, the Company recorded a net experience gain of $42.6 million, or $28.0 million after tax (+$0.25 EPS), due to the following:

- **Individual Insurance** – Experience was favourable in the second quarter with a gain of $14.6 million after tax (+$0.13 EPS), resulting mainly from the positive market impact on universal life insurance policies (+$0.13 EPS). In addition, mortality and morbidity were unfavourable due to the pandemic (-$0.03 EPS), policyholder (lapse) experience was favourable (+$0.02 EPS), expenses were lower than expected (+$0.02 EPS), and commission income for the PPI subsidiary was lower than expected (-$0.01 EPS).

- **Individual Wealth Management** – Experience for this business line was favourable in the second quarter (after-tax gain of $4.1 million or +$0.04 EPS). Gains were generated by the sale of iA Investment Counsel Inc. (+$0.08 EPS), the positive market impact on investment fund income (MERs) (+$0.04 EPS) and favourable longevity in single-premium annuities potentially due to the pandemic (+$0.01 EPS). At the same time, the segregated fund hedging program generated a loss of $0.07 EPS due to high market volatility stemming from the pandemic, mainly in April, and distribution affiliate income was below expectations (-$0.02 EPS).

- **Group Insurance** – This business line recorded an after-tax gain of $6.5 million for the quarter (+$0.05 EPS). Experience in Employee Plans was in line with expectations, with the net positive impact of lockdown measures (related to the pandemic) being offset by slightly unfavourable mortality. In Dealer Services, experience was favourable owing to lower P&C claims due to the pandemic (+$0.04 EPS), and results were in line with expectations for car loans. Lastly, in Special Markets Solutions, experience was slightly favourable for various benefits as a result of the pandemic (+$0.01 EPS).

- **Group Savings and Retirement** – This business line reported an after-tax gain of $3.0 million (+$0.03 EPS) due to higher income on assets under administration for accumulation products (+$0.02 EPS), as well as favourable longevity and lower expenses (+ $0.01 EPS).

- **US Operations** – Experience in this business line was consistent with expectations for the quarter (slight after-tax loss of $0.2 million). In Individual Insurance, experience was in line with expectations as the impacts of the pandemic cancelled each other out. In particular, the negative impact of mortality was offset by an equivalent positive impact from policyholder behaviour (lapse). In Dealer Services, operating expenses were lower than expected (+$0.01 EPS), while IAS acquisition and integration costs were slightly higher than expected (-$0.01 EPS). Operating profit from IAS is not included in the Company’s second quarter results.

**Strain in Individual Insurance and US Operations** – Strain on new business amounted to $9.8 million pre-tax, or 10% of sales for the quarter. This is less favourable than expected (-$0.05 EPS) for two reasons. First, like last quarter, the strain calculation again includes the first quarter drop in interest rates. Second, the sales mix was unfavourable, which was unrelated to the pandemic.

**Income on capital** – Net income earned on the Company’s surplus funds, which includes income from iA Auto and Home (iAAH), was $30.8 million before tax for the second quarter, representing a gain of $0.02 EPS versus management expectations. This is explained in part by experience at iAAH, which was once again much more favourable than expected (+$0.07 EPS) due to lower claims, mainly in auto insurance. Positive experience generated by lower claims due to the pandemic was completely offset by significant premium refunds paid to clients. Therefore, the net experience gain at iAAH is unrelated to the pandemic. In addition, a provision for default was recorded for a corporate bond in the aerospace sector, which was therefore related to the pandemic (-$0.04 EPS), and investment income on capital was slightly lower than expected (-$0.01 EPS). Lastly, the February debenture issuance had a positive impact on income (+$0.02 EPS), but this was offset by higher financing expenses due to this same issuance (-$0.02 EPS).

**Income taxes** – Income taxes amounted to $52.5 million in the second quarter for an effective tax rate of 21.8%. The effective tax rate was pushed up by the impact of the experience gains mentioned above. At the same time, it was pushed down by other tax-related items that had a total net positive impact of $0.04 EPS, the largest of which was the true-up for the 2019 tax period.

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

Diluted core EPS for the second quarter of 2020 was $1.57, compared to $1.61 a year earlier. The table below reconciles the Company’s reported and core EPS on a diluted basis. Several items were adjusted in the core EPS calculation for the quarter, notably the gain on the sale of iA Investment Counsel, the acquisition and integration costs related to recent acquisitions and the impact of macroeconomic changes.
Reported EPS and Core EPS Reconciliation

(On a diluted basis)

<table>
<thead>
<tr>
<th></th>
<th>Second quarter</th>
<th>Year-to-date at June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Reported EPS</td>
<td>$1.71</td>
<td>$1.69</td>
</tr>
<tr>
<td>Adjusted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unusual income tax gains and losses</td>
<td>—</td>
<td>($0.04)</td>
</tr>
<tr>
<td>Sale of iA Investment Counsel</td>
<td>($0.08)</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition and integration costs</td>
<td>$0.06</td>
<td>—</td>
</tr>
<tr>
<td>PPI goodwill impairment</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Market-related gains and losses</td>
<td>($0.10)</td>
<td>($0.03)</td>
</tr>
<tr>
<td>Experience gains and losses in excess of $0.04 EPS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policyholder experience</td>
<td>($0.01)</td>
<td>($0.02)</td>
</tr>
<tr>
<td>Strain on sales</td>
<td>$0.01</td>
<td>—</td>
</tr>
<tr>
<td>Income on capital (excluding iAAH)</td>
<td>$0.01</td>
<td>—</td>
</tr>
<tr>
<td>iA Auto and Home experience</td>
<td>($0.03)</td>
<td>—</td>
</tr>
<tr>
<td>Usual income tax gain and loss</td>
<td>—</td>
<td>$0.01</td>
</tr>
<tr>
<td>Core EPS</td>
<td>$1.57</td>
<td>$1.61</td>
</tr>
</tbody>
</table>

 ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

The following analysis should be read in conjunction with Note 17 “Segmented Information” in the Company’s unaudited interim condensed consolidated financial statements.

Consolidated Income Statements

(In millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Second quarter</th>
<th>Year-to-date at June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums</td>
<td>2,113.4</td>
<td>1,982.7</td>
</tr>
<tr>
<td>Investment income</td>
<td>4,155.0</td>
<td>1,671.5</td>
</tr>
<tr>
<td>Other revenues</td>
<td>415.7</td>
<td>424.5</td>
</tr>
<tr>
<td>Total</td>
<td>6,684.1</td>
<td>4,078.7</td>
</tr>
<tr>
<td>Less: policy benefits and expenses</td>
<td>6,437.2</td>
<td>3,837.8</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>246.9</td>
<td>240.9</td>
</tr>
<tr>
<td>Less: income taxes</td>
<td>52.0</td>
<td>53.9</td>
</tr>
<tr>
<td>Net income</td>
<td>194.9</td>
<td>187.0</td>
</tr>
<tr>
<td>Less: net income attributed to participating policyholders</td>
<td>6.7</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Net income attributed to shareholders</td>
<td>188.2</td>
<td>187.1</td>
</tr>
<tr>
<td>Less: preferred share dividends issued by a subsidiary</td>
<td>5.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Net income attributed to common shareholders</td>
<td>182.7</td>
<td>181.4</td>
</tr>
</tbody>
</table>
Revenues
The following table presents the composition of revenues by line of business.

### Revenues by Line of Business

<table>
<thead>
<tr>
<th>(In millions of dollars)</th>
<th>Second quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individual Insurance</td>
</tr>
<tr>
<td>Net premiums</td>
<td>393.5</td>
</tr>
<tr>
<td>Variation vs. 2019</td>
<td>2.2</td>
</tr>
<tr>
<td>Investment income</td>
<td>3,727.5</td>
</tr>
<tr>
<td>Variation vs. 2019</td>
<td>(138.1)</td>
</tr>
<tr>
<td>Other revenues</td>
<td>27.8</td>
</tr>
<tr>
<td>Variation vs. 2019</td>
<td>(4.5)</td>
</tr>
<tr>
<td>Total</td>
<td>4,148.8</td>
</tr>
<tr>
<td>Variation vs. 2019</td>
<td>2,369.7</td>
</tr>
</tbody>
</table>

*Net premiums* – The $130.7 million increase over the second quarter of 2019 is mainly explained by an increase in segregated fund premiums and an increase in guaranteed investment certificate (GIC) and high interest savings account sales in Individual Wealth Management and, to a lesser extent, growth in net premiums in US Operations. This increase was reduced by lower net premiums in Group Insurance associated with the pandemic.

Other factors that can cause premiums to fluctuate from one quarter to another are generally as follows:
- The tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of the year.
- Stock market fluctuations and the signing of new agreements with large groups in the group business lines.

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

*Investment income* – The $2,483.5 million increase in investment income compared to second quarter 2019 is largely due to the increase in the fair value of bond investments, equity investments and derivatives, mainly caused by variations in exchange rates, interest rates, issuer spreads and market performance.

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

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

*Other revenues* – Other revenues generally represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company’s brokerage subsidiaries and assets managed for third parties. The gain realized on the disposal of iA Investment Counsel Inc. in the second quarter is also included under this item for the Individual Wealth Management sector. The decrease in other revenues in the second quarter of 2020 versus second quarter 2019 is largely due to the impact of the current economic environment on certain sectors.

### Policy Benefits and Expenses

Policy benefits and expenses increased by $2,599.4 million in the second quarter compared to the same period last year. This increase is explained by:
- An increase in insurance contract liabilities. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.
- An increase in net transfers to segregated funds compared to 2019 mainly in the Individual Wealth Management sector.
The increase in policy benefits and expenses was mitigated by:
- A decrease in net benefits partly explained by the pandemic environment. Net benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.

Income Taxes
For the second quarter of 2020, the Company recorded an income tax expense of $52.0 million, compared to $53.9 million in 2019. These amounts represent the Company’s tax expense net of adjustments for prior years, if applicable.

Net Income Attributed to Common Shareholders
Net income attributed to common shareholders totalled $182.7 million for the second quarter of 2020, compared to $181.4 million for the same period last year.

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

<table>
<thead>
<tr>
<th>Selected Financial Data</th>
<th>2020</th>
<th>2019</th>
<th>2018¹¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q1</td>
<td>Q4</td>
</tr>
<tr>
<td>Revenues</td>
<td>6,684.1</td>
<td>2,338.2</td>
<td>2,543.9</td>
</tr>
<tr>
<td>Net income attributed to common shareholders</td>
<td>182.7</td>
<td>39.1</td>
<td>171.2</td>
</tr>
<tr>
<td>Earnings per common share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$1.71</td>
<td>$0.37</td>
<td>$1.60</td>
</tr>
<tr>
<td>Diluted</td>
<td>$1.71</td>
<td>$0.36</td>
<td>$1.59</td>
</tr>
</tbody>
</table>

Related Party Transactions
There are no material related party transactions outside the normal course of business to report for the second quarter of 2020.

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

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

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

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

For more information on the Company’s commitments, refer to Note 20 of the Company’s unaudited interim condensed consolidated financial statements.

Accounting Policies and Main Accounting Estimates
The Company’s second quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 “General Information” of the financial statements.

¹¹ iA Financial Corporation became the successor issuer and the financial results of IA Insurance for the year ended December 31, 2018 constitute the financial results of iA Financial Corporation. The comparative data for 2018 presented herein is therefore the same as the data for IA Insurance.
The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the iA Financial Group 2019 Annual Report and in Note 2 “Impacts of COVID-19 Pandemic” of the unaudited interim condensed consolidated financial statements.

More information on new accounting standards used and changes in accounting policies is presented in Note 3 “Changes in Accounting Policies” of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

### Investment Mix

<table>
<thead>
<tr>
<th>(In millions of dollars, unless otherwise indicated)</th>
<th>June 30, 2020</th>
<th>March 31, 2020</th>
<th>December 31, 2019</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value of investments</td>
<td>43,308.0</td>
<td>41,561.2</td>
<td>39,919.2</td>
<td>37,987.9</td>
</tr>
<tr>
<td>Allocation of investments by asset class</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>69.1%</td>
<td>66.7%</td>
<td>68.8%</td>
<td>69.1%</td>
</tr>
<tr>
<td>Stocks</td>
<td>6.8%</td>
<td>6.6%</td>
<td>7.6%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Mortgages and other loans</td>
<td>8.7%</td>
<td>9.2%</td>
<td>9.7%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Investment properties</td>
<td>4.6%</td>
<td>4.9%</td>
<td>5.2%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Policy loans</td>
<td>2.2%</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>3.4%</td>
<td>7.2%</td>
<td>2.8%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Other</td>
<td>5.2%</td>
<td>3.2%</td>
<td>3.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The total value of the investment portfolio amounted to nearly $43.3 billion at June 30, 2020, up from March 31, 2020 due to the market recovery in the second quarter. Note that market volatility was fairly high given the economic uncertainty created by the pandemic. The above table shows the main asset classes that make up the Company’s investment portfolio. Readily marketable securities have decreased compared to the previous quarter as they were used to fund the recent U.S. acquisition completed in May. Liquidity remains sufficient to meet commitments as the pandemic continues.

### Quality of Investments

<table>
<thead>
<tr>
<th>(In millions of dollars, unless otherwise indicated)</th>
<th>June 30, 2020</th>
<th>March 31, 2020</th>
<th>December 31, 2019</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross impaired investments</td>
<td>44.5</td>
<td>5.5</td>
<td>21.5</td>
<td>23.9</td>
</tr>
<tr>
<td>Provisions for impaired investments</td>
<td>8.1</td>
<td>2.8</td>
<td>10.5</td>
<td>11.1</td>
</tr>
<tr>
<td>Net impaired investments</td>
<td>36.4</td>
<td>2.7</td>
<td>10.9</td>
<td>12.8</td>
</tr>
<tr>
<td>Net impaired investments as a % of total investments</td>
<td>0.08%</td>
<td>0.01%</td>
<td>0.03%</td>
<td>0.03%</td>
</tr>
<tr>
<td>Bonds – Proportion rated BB or lower</td>
<td>0.83%</td>
<td>0.75%</td>
<td>0.87%</td>
<td>0.86%</td>
</tr>
<tr>
<td>Mortgages – Proportion of securitized and insured loans12</td>
<td>34.9%</td>
<td>38.0%</td>
<td>37.8%</td>
<td>38.1%</td>
</tr>
<tr>
<td>– Proportion of insured loans</td>
<td>38.3%</td>
<td>34.3%</td>
<td>36.0%</td>
<td>37.4%</td>
</tr>
<tr>
<td>– Delinquency rate</td>
<td>0.01%</td>
<td>0.06%</td>
<td>0.08%</td>
<td>0.10%</td>
</tr>
<tr>
<td>Investment properties – Occupancy rate</td>
<td>96.0%</td>
<td>95.0%</td>
<td>94.0%</td>
<td>96.0%</td>
</tr>
<tr>
<td>Car loans – Average credit loss rate (non-prime)13</td>
<td>5.0%</td>
<td>5.5%</td>
<td>5.4%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

The indicators in the above table confirm the quality of the investment portfolio in the second quarter. The change in impaired investments is the result of a corporate bond for which a provision was taken. Given the pandemic environment, the Company continued to strictly monitor its bond downgrade risk exposure. The average credit loss rate on car loans was down, primarily due to client relief measures and changes in consumers’ shopping and payment habits since the start of the pandemic. The credit loss provision for car loans was increased to offset this unusual temporary decrease in the average loss rate. The average credit loss rate is expected to increase gradually since losses from clients affected by the pandemic should emerge in late 2020 and early 2021.

12 A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.
13 Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.
### Derivative Financial Instruments

<table>
<thead>
<tr>
<th>(In millions of dollars, unless otherwise indicated)</th>
<th>June 30, 2020</th>
<th>March 31, 2020</th>
<th>December 31, 2019</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total notional amount ($B)</td>
<td>31.9</td>
<td>31.8</td>
<td>29.9</td>
<td>25.0</td>
</tr>
<tr>
<td>Company’s credit risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AA - or higher</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>A +</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Positive fair value</td>
<td>1,711.5</td>
<td>911.9</td>
<td>1,003.4</td>
<td>1,205.2</td>
</tr>
<tr>
<td>Negative fair value</td>
<td>858.9</td>
<td>1,755.9</td>
<td>454.8</td>
<td>262.0</td>
</tr>
</tbody>
</table>

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

Derivative financial instruments are used as part of the Company’s hedging program designed to alleviate the sensitivity of segregated fund guarantees to interest rate and stock market fluctuations. They are also used to hedge the Company’s foreign exchange and interest rate risks and as part of investment strategies to reduce the Company’s risk profile.

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

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

### FINANCIAL POSITION

#### Capitalization

<table>
<thead>
<tr>
<th>(In millions of dollars)</th>
<th>June 30, 2020</th>
<th>March 31, 2020</th>
<th>December 31, 2019</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares</td>
<td>1,671.9</td>
<td>1,671.9</td>
<td>1,666.5</td>
<td>1,632.3</td>
</tr>
<tr>
<td>Preferred shares issued by a subsidiary</td>
<td>525.0</td>
<td>525.0</td>
<td>525.0</td>
<td>525.0</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>18.1</td>
<td>17.2</td>
<td>17.5</td>
<td>22.5</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>3,884.1</td>
<td>3,878.4</td>
<td>3,823.5</td>
<td>3,534.5</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>121.5</td>
<td>27.5</td>
<td>55.6</td>
<td>91.7</td>
</tr>
<tr>
<td>Subtotal</td>
<td>6,220.6</td>
<td>6,120.0</td>
<td>6,088.1</td>
<td>5,806.0</td>
</tr>
<tr>
<td>Debentures</td>
<td>1,448.1</td>
<td>1,447.9</td>
<td>1,049.7</td>
<td>651.5</td>
</tr>
<tr>
<td>Participating policyholders’ accounts</td>
<td>50.0</td>
<td>43.3</td>
<td>41.9</td>
<td>52.6</td>
</tr>
<tr>
<td>Total</td>
<td>7,718.7</td>
<td>7,611.2</td>
<td>7,179.7</td>
<td>6,510.1</td>
</tr>
</tbody>
</table>

The Company’s capital amounted to more than $7.7 billion at June 30, 2020, up $107.5 million from March 31, 2020. This increase stems mainly from the increase in accumulated other comprehensive income due to the decrease in interest rate and credit spreads during the second quarter. Note that the increase in retained earnings generated by the net earnings contribution was largely cancelled out by the negative impact of the pension plan revaluation.
The Company ended the second quarter of 2020 with a solvency ratio of 124%. The negative variation of 13 percentage points versus March 31, 2020 is the net result of the following items: the acquisition of U.S. company IAS Parent Holdings, Inc. and its subsidiaries (-17 percentage points), the impact of macroeconomic changes (+2.0 percentage points), organic capital generation (+1.0 percentage point), and the sale of iA Investment Counsel Inc. (+1.0 percentage point). The Company’s solvency ratio target range is 110% to 116%.

In the second quarter, the Company organically generated approximately $70 million in additional capital.

The debt ratios decreased just slightly during the second quarter due to the variation in the Company’s total capital. The decrease in the coverage ratio at June 30, 2020 reflects the increase in financing costs over the past twelve months.

Book value per common share was $53.23 at June 30, 2020, up 2% from March 31, 2020 and 7% over the last twelve months.

The number of common shares outstanding did not change during the quarter. No options were exercised under the stock option plan for senior managers. In addition, the Company did not redeem or cancel any outstanding common shares under its Normal Course Issuer Bid program, as redemptions are on hold for the moment in accordance with regulators’ instructions. Under this program, the Company may redeem up to 5,335,397 common shares, representing approximately 5% of its common shares issued and outstanding as at November 1, 2019. The redemption purchases are made at market price at the time of purchase through the facilities of the Toronto Stock Exchange or an alternative Canadian trading system, in accordance with market rules and policies. The common shares redeemed are cancelled.
The Company’s market capitalization was close to $4.9 billion at June 30, 2020, up 2.8% during the quarter due solely to the change in the Company’s stock price, as the number of common shares did not change.

DECLARATION OF DIVIDEND

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

The Board of Directors of iA Insurance approved a quarterly dividend of $0.2875 per Non-Cumulative Class A Preferred Share – Series B, $0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and $0.3000 per Non-Cumulative Class A Preferred Share – Series I. In addition, as of today, iA Insurance has not declared any dividend to its sole common shareholder, iA Financial Corporation, for the third quarter.

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

<table>
<thead>
<tr>
<th>Declaration of Dividend</th>
<th>Amount</th>
<th>Payment date</th>
<th>Closing date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common share – iA Financial Corporation</td>
<td>$0.4850</td>
<td>September 15, 2020</td>
<td>August 21, 2020</td>
</tr>
<tr>
<td>Class A Preferred Share – Series B – iA Insurance</td>
<td>$0.2875</td>
<td>September 30, 2020</td>
<td>August 28, 2020</td>
</tr>
<tr>
<td>Class A Preferred Share – Series G – iA Insurance</td>
<td>$0.2360625</td>
<td>September 30, 2020</td>
<td>August 28, 2020</td>
</tr>
<tr>
<td>Class A Preferred Share – Series I – iA Insurance</td>
<td>$0.3000</td>
<td>September 30, 2020</td>
<td>August 28, 2020</td>
</tr>
</tbody>
</table>

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

Reinvestment of Dividends

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

SENSITIVITY ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/TSX Closing Value</td>
<td>15,515 points</td>
<td>13,379 points</td>
<td>17,063 points</td>
<td>16,382 points</td>
</tr>
<tr>
<td>Solvency ratio</td>
<td>124%</td>
<td>137%</td>
<td>133%</td>
<td>127%</td>
</tr>
<tr>
<td>Impact of a drop in the stock markets (S&amp;P/TSX Index)17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities</td>
<td>(20%)</td>
<td>(13%)</td>
<td>(24%)</td>
<td>(25%)</td>
</tr>
<tr>
<td>Index trigger threshold</td>
<td>12,500 points</td>
<td>11,700 points</td>
<td>13,000 points</td>
<td>12,300 points</td>
</tr>
<tr>
<td>Net income impact due to provision strengthening for each 1% S&amp;P/TSX additional decrease below this level</td>
<td>($20M)</td>
<td>($18M)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Decrease in index that reduces the solvency ratio to 110%</td>
<td>(61%)</td>
<td>(87%)</td>
<td>(91%)</td>
<td>(74%)</td>
</tr>
<tr>
<td>Index trigger threshold</td>
<td>6,000 points</td>
<td>1,800 points</td>
<td>1,500 points</td>
<td>4,200 points</td>
</tr>
<tr>
<td>Impact on net income of a sudden 10% drop in the stock markets (over one year)</td>
<td>($30M)</td>
<td>($26M)</td>
<td>($31M)</td>
<td>($32M)</td>
</tr>
<tr>
<td>Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drop in initial reinvestment rate (IRR)</td>
<td>$3M</td>
<td>—</td>
<td>$2M</td>
<td>($12M)</td>
</tr>
<tr>
<td>Drop in ultimate reinvestment rate (URR)</td>
<td>($69M)</td>
<td>($66M)</td>
<td>($61M)</td>
<td>($64M)</td>
</tr>
</tbody>
</table>

16 The sensitivity analysis is based on non-IFRS measures.
17 The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.
Caution related to sensitivities
The sensitivities presented above are estimates of the impact on the financial statements of sudden changes in interest rates and equity values. Actual results can differ significantly from these estimates for a variety of reasons such as the interaction between these factors, changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors and limitations of our internal models. Therefore, these sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions indicated above. Given the nature of these calculations, we cannot provide assurance that the actual impact on net income and the solvency ratio will be as outlined.

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

NOTICE AND GENERAL INFORMATION

Internal Control Over Financial Reporting
No changes were made to the Company’s internal control over financial reporting during the interim period ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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

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

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

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

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

**Forward-Looking Statements**

This Management’s Discussion and Analysis may contain statements relating to strategies used by iA Financial Corporation or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “may”, “will”, “could”, “should”, “would”, “suspect”, “expect”, “anticipate”, “intend”, “plan”, “believe”, “estimate”, and “continue” (or the negative thereof), as well as words such as “objective” or “goal” or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this Management’s Discussion and Analysis, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change, particularly in light of the ongoing and evolving COVID-19 pandemic, its effect on the global economy and its uncertain impact on our operations.

Although iA Financial Corporation 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 Corporation including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by iA Financial Corporation; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the “Risk Management” section of the Management’s Discussion and Analysis for 2019, the “Risk Management” section of the Management’s Discussion and Analysis for the year ended December 31, 2019, the “Risk Update” section of the Management’s Discussion and Analysis for the period ended March 31, 2020, and elsewhere in iA Financial Corporation’s filings with Canadian Securities Administrators, which are available for review at [sedar.com](http://sedar.com).

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

**Documents Related to the Financial Results**

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

(Unaudited, in millions of dollars, unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>Quarters ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross premiums</td>
<td>2,319</td>
<td>2,186</td>
</tr>
<tr>
<td>Premiums ceded</td>
<td>(206)</td>
<td>(203)</td>
</tr>
<tr>
<td>Net premiums (Note 17)</td>
<td>2,113</td>
<td>1,983</td>
</tr>
<tr>
<td>Investment income (Note 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other investment income</td>
<td>308</td>
<td>328</td>
</tr>
<tr>
<td>Change in fair value of investments</td>
<td>3,847</td>
<td>1,343</td>
</tr>
<tr>
<td>Investment income (Note 5)</td>
<td>4,155</td>
<td>1,671</td>
</tr>
<tr>
<td>Other revenues</td>
<td>416</td>
<td>425</td>
</tr>
<tr>
<td><strong>Policy benefits and expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross benefits and claims on contracts</td>
<td>1,220</td>
<td>1,442</td>
</tr>
<tr>
<td>Ceded benefits and claims on contracts</td>
<td>(137)</td>
<td>(125)</td>
</tr>
<tr>
<td>Net transfer to segregated funds</td>
<td>524</td>
<td>196</td>
</tr>
<tr>
<td>Increase (decrease) in insurance contract liabilities</td>
<td>4,018</td>
<td>1,550</td>
</tr>
<tr>
<td>Increase (decrease) in investment contract liabilities</td>
<td>21</td>
<td>7</td>
</tr>
<tr>
<td>Decrease (increase) in reinsurance assets</td>
<td>(19)</td>
<td>(41)</td>
</tr>
<tr>
<td>Policy benefits and expenses</td>
<td>5,627</td>
<td>3,029</td>
</tr>
<tr>
<td>Commissions</td>
<td>395</td>
<td>410</td>
</tr>
<tr>
<td>General expenses</td>
<td>369</td>
<td>353</td>
</tr>
<tr>
<td>Premium and other taxes</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>Financing charges</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>6,437</td>
<td>3,838</td>
</tr>
<tr>
<td>Income taxes (Note 16)</td>
<td>247</td>
<td>241</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>195</td>
<td>187</td>
</tr>
<tr>
<td>Net income attributed to participating policyholders</td>
<td>7</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net income attributed to shareholders</strong></td>
<td>188</td>
<td>187</td>
</tr>
<tr>
<td>Dividends attributed to preferred shares issued by a subsidiary (Note 12)</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>Net income attributed to common shareholders</strong></td>
<td>183</td>
<td>181</td>
</tr>
<tr>
<td><strong>Earnings per common share (in dollars) (Note 18)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>1.71</td>
<td>1.70</td>
</tr>
<tr>
<td>Diluted</td>
<td>1.71</td>
<td>1.69</td>
</tr>
<tr>
<td><strong>Weighted average number of shares outstanding (in millions of units) (Note 18)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Diluted</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td><strong>Dividends per common share (in dollars) (Note 11)</strong></td>
<td>0.49</td>
<td>0.45</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
Consolidated Comprehensive Income Statements

<table>
<thead>
<tr>
<th>(Unaudited, in millions of dollars)</th>
<th>Quarters ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Net income</td>
<td>$195</td>
<td>$187</td>
</tr>
</tbody>
</table>

Other comprehensive income, net of income taxes

Items that may be reclassified subsequently to net income:

<table>
<thead>
<tr>
<th>Available for sale financial assets</th>
<th>145</th>
<th>20</th>
<th>27</th>
<th>90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gains (losses) on available for sale financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification of losses (gains) on available for sale financial assets included in net income</td>
<td>(6)</td>
<td>(7)</td>
<td>(14)</td>
<td>(9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>139</td>
<td>13</td>
<td>13</td>
<td>81</td>
</tr>
</tbody>
</table>

Net investment hedge

<table>
<thead>
<tr>
<th>Unrealized gains (losses) on currency translation in foreign operations</th>
<th>(56)</th>
<th>(26)</th>
<th>72</th>
<th>(51)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedges of net investment in foreign operations</td>
<td>59</td>
<td>21</td>
<td>(51)</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>(5)</td>
<td>21</td>
<td>(10)</td>
</tr>
</tbody>
</table>

Cash flow hedge

| Unrealized gains (losses) on cash flow hedges | (49)       | (1)        | 31         | (2)        |
|                                             |           |            |            |            |

Items that will not be reclassified subsequently to net income:

| Remeasurement of post-employment benefits | (125)      | (35)       | (56)       | (57)       |
| Total other comprehensive income         | (32)       | (28)       | 9          | 12         |
| Comprehensice income                     | 163        | 159        | 250        | 357        |
| Comprehensive income attributed to participating policyholders | 7          | —          | 8          | 1          |
| Comprehensice income attributed to shareholders | 156        | 159        | 242        | 356        |

Income Taxes Included in Other Comprehensive Income

<table>
<thead>
<tr>
<th>(Unaudited, in millions of dollars)</th>
<th>Quarters ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Income tax recovery (expense) related to:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Items that may be reclassified subsequently to net income:

| Unrealized losses (gains) on available for sale financial assets | (51)       | (6)        | (9)        | (31)       |
| Reclassification of gains (losses) on available for sale financial assets included in net income | 1          | 2          | 4          | 4          |
| Hedges of net investment in foreign operations | (10)       | (4)        | 9          | (7)        |
| Unrealized losses (gains) on cash flow hedges | (5)        | —          | (5)        | —          |
|                                      | (65)       | (8)        | (1)        | (34)       |

Items that will not be reclassified subsequently to net income:

| Remeasurement of post-employment benefits | 44         | 12         | 20         | 20         |
| Total income tax recovery (expense) included in other comprehensive income | (21)       | 4          | 19         | (14)       |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
## Consolidated Statements of Financial Position

(In millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>As at June 30 2020</th>
<th>As at December 31 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (Note 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>1,487</td>
<td>1,108</td>
</tr>
<tr>
<td>Bonds</td>
<td>29,964</td>
<td>27,508</td>
</tr>
<tr>
<td>Stocks</td>
<td>2,929</td>
<td>3,024</td>
</tr>
<tr>
<td>Mortgages and other loans</td>
<td>3,749</td>
<td>3,870</td>
</tr>
<tr>
<td>Derivative financial instruments (Note 8)</td>
<td>1,712</td>
<td>1,003</td>
</tr>
<tr>
<td>Policy loans</td>
<td>931</td>
<td>900</td>
</tr>
<tr>
<td>Other invested assets</td>
<td>547</td>
<td>429</td>
</tr>
<tr>
<td>Investment properties</td>
<td>1,989</td>
<td>2,077</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,471</td>
<td>2,193</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>1,273</td>
<td>1,030</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>403</td>
<td>394</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>64</td>
<td>28</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,641</td>
<td>1,110</td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,339</td>
<td>606</td>
</tr>
<tr>
<td>General fund assets</td>
<td>51,499</td>
<td>45,280</td>
</tr>
<tr>
<td>Segregated funds net assets (Note 9)</td>
<td>28,505</td>
<td>27,668</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>80,004</td>
<td>73,148</td>
</tr>
</tbody>
</table>

| **Liabilities**           |                    |                        |
| Insurance contract liabilities | 34,178             | 30,665                 |
| Investment contract liabilities | 654              | 630                    |
| Derivative financial instruments (Note 8) | 859          | 455                    |
| Other liabilities         | 7,696              | 6,063                  |
| Deferred income tax liabilities | 394            | 287                    |
| Debentures                | 1,448              | 1,050                  |
| General fund liabilities  | 45,229             | 39,150                 |
| Liabilities related to segregated funds net assets (Note 9) | 28,505       | 27,668                 |
| **Total liabilities**     | 73,734             | 67,018                 |

| **Equity**                |                    |                        |
| Share capital and contributed surplus | 1,690          | 1,684                  |
| Preferred shares issued by a subsidiary (Note 12) | 525         | 525                    |
| Retained earnings and accumulated other comprehensive income | 4,005     | 3,879                  |
| Participating policyholders' accounts | 50              | 42                     |
| **Total liabilities and equity** | 80,004         | 73,148                 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
## Consolidated Equity Statements

(UNAUDITED, IN MILLIONS OF DOLLARS)

<table>
<thead>
<tr>
<th>Participating policyholders' accounts</th>
<th>As at June 30, 2020</th>
<th>Accumulated other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Note 11)</td>
<td>(Note 12)</td>
</tr>
<tr>
<td>Balance as at December 31, 2018</td>
<td>52</td>
<td>1,655</td>
</tr>
<tr>
<td>Net income attributed to shareholders</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income attributed to participating policyholders' accounts</td>
<td>(10)</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Comprehensive income for the year</strong></td>
<td>(10)</td>
<td>—</td>
</tr>
</tbody>
</table>

**Equity transactions**

- **Transfer of post-employment benefits**
- **Stock option plan**
- **Stock options exercised**
- **Common shares issued**
- **Redemption of common shares**
- **Dividends on common shares**
- **Dividends on preferred shares issued by a subsidiary**
- **Other**

**Balance as at December 31, 2019**

<table>
<thead>
<tr>
<th>42</th>
<th>1,666</th>
<th>525</th>
<th>18</th>
<th>3,823</th>
<th>56</th>
<th>6,130</th>
</tr>
</thead>
</table>

Net income attributed to shareholders | —         | —         | —                  | —                 | 233       | —     | 233   |
Net income attributed to participating policyholders' accounts | 8         | —         | —                  | —                 | —         | —     | 8     |
Other comprehensive income            | —         | —         | —                  | —                 | —         | 9     | 9     |
Comprehensive income for the period    | 8         | —         | —                  | —                 | 233       | 9     | 250   |

**Equity transactions**

- **Transfer of post-employment benefits**
- **Stock option plan**
- **Stock options exercised**
- **Common shares issued**
- **Redemption of common shares**
- **Dividends on common shares**
- **Dividends on preferred shares issued by a subsidiary**
- **Other**

**Balance as at June 30, 2020**

| 50 | 1,672 | 525 | 18 | 3,884 | 121 | 6,270 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
(Unaudited, in millions of dollars)

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

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
## Consolidated Cash Flows Statements

(UNAUDITED, IN MILLIONS OF DOLLARS)

<table>
<thead>
<tr>
<th></th>
<th>SIX MONTHS ENDED JUNE 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>291</td>
</tr>
<tr>
<td>Financing charges</td>
<td>36</td>
</tr>
<tr>
<td>Income taxes paid, net of refunds</td>
<td>(55)</td>
</tr>
<tr>
<td>Operating activities not affecting cash:</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in insurance contract liabilities</td>
<td>3,426</td>
</tr>
<tr>
<td>Increase (decrease) in investment contract liabilities</td>
<td>24</td>
</tr>
<tr>
<td>Decrease (increase) in reinsurance assets</td>
<td>(125)</td>
</tr>
<tr>
<td>Unrealized losses (gains) on investments</td>
<td>(2,544)</td>
</tr>
<tr>
<td>Provisions for losses</td>
<td>37</td>
</tr>
<tr>
<td>Amortization of premiums and discounts</td>
<td>10</td>
</tr>
<tr>
<td>Other depreciation</td>
<td>116</td>
</tr>
<tr>
<td>Goodwill impairment (Note 15)</td>
<td>24</td>
</tr>
<tr>
<td>Gain on disposal of business (Note 4)</td>
<td>(16)</td>
</tr>
<tr>
<td>Other items not affecting cash</td>
<td>12</td>
</tr>
<tr>
<td><strong>Operating activities affecting cash:</strong></td>
<td></td>
</tr>
<tr>
<td>Sales, maturities and repayments on investments</td>
<td>8,054</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(7,812)</td>
</tr>
<tr>
<td>Realized losses (gains) on investments</td>
<td>(22)</td>
</tr>
<tr>
<td>Other items affecting cash</td>
<td>(268)</td>
</tr>
<tr>
<td><strong>Net cash from (used in) operating activities</strong></td>
<td>1,170</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Acquisition of businesses, net of cash</td>
<td>(1,042)</td>
</tr>
<tr>
<td>Disposal of business, net of cash</td>
<td>—</td>
</tr>
<tr>
<td>Sales (purchases) of fixed and intangible assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(77)</td>
</tr>
<tr>
<td><strong>Net cash from (used in) investing activities</strong></td>
<td>(1,040)</td>
</tr>
<tr>
<td><strong>Cash Flows from Financing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares (Note 11)</td>
<td>6</td>
</tr>
<tr>
<td>Redemption of common shares (Note 11)</td>
<td>(4)</td>
</tr>
<tr>
<td>Issuance of debentures (Note 10)</td>
<td>398</td>
</tr>
<tr>
<td>Redemption of debentures (Note 10)</td>
<td>—</td>
</tr>
<tr>
<td>Reimbursement of lease liabilities (Note 10)</td>
<td>(17)</td>
</tr>
<tr>
<td>Dividends paid on common shares</td>
<td>(104)</td>
</tr>
<tr>
<td>Dividends paid on preferred shares issued by a subsidiary</td>
<td>(11)</td>
</tr>
<tr>
<td>Interest paid on debentures</td>
<td>(16)</td>
</tr>
<tr>
<td>Interest paid on lease liabilities</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Net cash from (used in) financing activities</strong></td>
<td>250</td>
</tr>
<tr>
<td>Foreign currency gains (losses) on cash</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in cash and short-term investments</strong></td>
<td>379</td>
</tr>
<tr>
<td><strong>Cash and short-term investments at beginning</strong></td>
<td>1,108</td>
</tr>
<tr>
<td><strong>Cash and short-term investments at end</strong></td>
<td>1,487</td>
</tr>
</tbody>
</table>

### Supplementary Information:

|                                |       |       |
|                                | 2020  | 2019  |
| Cash                          | 943   | 501   |
| Short-term investments        | 544   | 372   |
| **Total cash and short-term investments** | 1,487 | 873   |

1 For the six months ended June 30, 2020, fixed assets and lease liabilities presented in the Consolidated Statements of Financial Position include an amount of $18 ($6 for the six months ended June 30, 2019) of initial capitalization not affecting cash.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
Notes to Interim Condensed Consolidated Financial Statements

Six months ended June 30, 2020 and 2019 (unaudited) (in millions of dollars, unless otherwise indicated)

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

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

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

The Company’s Interim Consolidated Financial Statements are prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). These Interim Consolidated Financial Statements do not contain all the information required in a complete annual financial statement and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2019, which are included in the 2019 Annual Report. The significant accounting policies used to prepare these Interim Consolidated Financial Statements are consistent with those found in the 2019 Annual Report, except for items mentioned in Note 3.

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

2 › Impacts of COVID-19 Pandemic
Since the beginning of 2020, the spread of the COVID-19 virus, elevated to a pandemic by the World Health Organization (WHO) on March 11, 2020, has negatively impacted the financial markets, resulted in economic uncertainty and shaken the operations of the business community. The COVID-19 pandemic has forced governments to implement exceptional measures to slow the progression of this crisis. These measures, which include travel bans, periods of isolation and social distancing, have disrupted the world’s financial markets and economies. This situation had negative effects on the Company’s financial results for the six months ended June 30, 2020. However, the risk management program established by the Company made it possible to partially mitigate the effects of this crisis on the results of the Company. The Company deployed initiatives in order to support its clients and mitigate the impacts of the crisis, in addition to the measures implemented by levels of government to contain this pandemic. In addition, governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions. With regards to the operations of the Company, measures are used to protect the health and the safety of its employees while ensuring the continuity of its activities.

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

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

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

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

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

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

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

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

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

3) Changes in Accounting Policies
New Accounting Policies Applied
These standards or amendments apply to financial statements beginning on or after January 1, 2020.

<table>
<thead>
<tr>
<th>Standards or amendments</th>
<th>Description of the standards or amendments and impacts on financial statements of the Company</th>
</tr>
</thead>
</table>
| IFRS 4 Insurance Contracts | Description: On September 12, 2016, the IASB published an amendment to IFRS 4 Insurance Contracts. This amendment, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, provides two options to entities applying IFRS 4:  
  * the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4;  
  * the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities.  
  On June 25, 2020, the IASB published an amendment to IFRS 4 Insurance Contracts to extend the deferral approach until January 1, 2023.  
  Status: The Company met all criteria and chose the deferral approach, as described below. The Company will apply IFRS 9 only to financial statements beginning on January 1, 2023. |
| Conceptual Framework for Financial Reporting | Description: On March 29, 2018, the IASB published a revised version of the Conceptual Framework for Financial Reporting. The IASB decided to revise the Conceptual Framework because important issues were not addressed and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. This revised version applies prospectively.  
  Impact: No impact on the Company's financial statements. |
| IFRS 3 Business Combinations | Description: On October 22, 2018, the IASB published an amendment to the standard IFRS 3 Business Combinations.  
  The amendment Definition of a Business clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment applies prospectively.  
  Impact: No impact on the Company’s financial statements. |
| IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | Description: On October 31, 2018, the IASB published an amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment Definition of Material clarifies the definition of material in IAS 1 along with the explanation accompanying that definition and aligns the definitions used across IFRS standards. This amendment applies prospectively.  
  Impact: No impact on the Company’s financial statements. |
## Future Changes in Accounting Policies
Standards or amendments are presented on the basis of their publication date unless a more relevant approach allows for better information.

<table>
<thead>
<tr>
<th>Standards or amendments</th>
<th>Description of the standards or amendments</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 9 <strong>Financial Instruments</strong></td>
<td>The Company adopted the amendment to IFRS 4 <em>Insurance Contracts</em> described in the section “New Accounting Policies Applied”. Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17. Description: On July 24, 2014, the IASB published the standard IFRS 9 <strong>Financial Instruments</strong>: 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 <strong>Financial Instruments</strong>: The amendment Prepayment Features with Negative Compensation enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation. Status: The Company is evaluating the impact of this standard on its financial statements.</td>
</tr>
<tr>
<td>IFRS 17 <strong>Insurance Contracts</strong></td>
<td>Description: On May 18, 2017, the IASB published the standard IFRS 17 <strong>Insurance Contracts</strong> which replaces the provisions of the standard IFRS 4 <strong>Insurance Contracts</strong>. 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 <strong>Financial Instruments</strong> and IFRS 15 <strong>Revenue from Contracts with Customers</strong> are previously applied. On June 25, 2020, the IASB published an amendment to IFRS 17 <strong>Insurance Contracts</strong> that clarifies different subjects and that postpones the effective date to financial statements beginning on or after January 1, 2023. 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.</td>
</tr>
<tr>
<td>IAS 1 <strong>Presentation of Financial Statements</strong></td>
<td>Description: On January 23, 2020, the IASB published an amendment to IAS 1 <strong>Presentation of Financial Statements</strong>: The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. On July 15, 2020, the IASB published an amendment to IAS 1 <strong>Presentation of Financial Statements</strong> that postpones the effective date to financial statements beginning on or after January 1, 2023. Status: The Company is evaluating the impact of this amendment on its financial statements.</td>
</tr>
<tr>
<td>IAS 16 <strong>Property, Plant and Equipment</strong></td>
<td>Description: On May 14, 2020, the IASB published an amendment to IAS 16 <strong>Property, Plant and Equipment</strong>: The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. Status: The Company is evaluating the impact of this amendment on its financial statements.</td>
</tr>
<tr>
<td>IAS 37 <strong>Provisions, Contingent Liabilities and Contingent Assets</strong></td>
<td>Description: On May 14, 2020, the IASB published an amendment to IAS 37 <strong>Provisions, Contingent Liabilities and Contingent Assets</strong>: The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2022. Early adoption is permitted. Status: The Company is evaluating the impact of this amendment on its financial statements.</td>
</tr>
</tbody>
</table>
Information on the Deferral of the Application of IFRS 9 Financial Instruments
The Company applies IFRS 4 Insurance Contracts in its operations. This standard was amended in 2016 to allow entities that apply IFRS 4 to defer the application of IFRS 9 Financial Instruments if total liabilities for insurance activities represent more than 90% of the entity’s total liabilities. This calculation is made as of the closing date preceding April 1, 2016, the calculation date identified in the standard.

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

The Company has decided to defer the application of IFRS 9 until IFRS 17 Insurance Contracts is adopted. IFRS 17 includes the measurement principles of these policies. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables or available for sale as at June 30, 2020, an amount of $706 ($756 as at December 31, 2019) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

Acquisition and Disposal of Businesses

Acquisition of Businesses

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

US Operations
On May 22, 2020, the Company acquired 100% of the shares of IAS Parent Holdings, Inc. and its subsidiaries (collectively “IAS”) for a total amount of $977. IAS is one of the largest independent providers of solutions in the U.S. vehicle warranty market. IAS provides a comprehensive portfolio of vehicle warranties and related software and services sold through one of the industry’s broadest and most diverse distribution networks in the U.S. market.

The Company has up to 12 months following the acquisition date to complete the allocation of the acquisition price. As at June 30, 2020, the goodwill acquired in these businesses acquisitions had not been allocated yet to a cash-generating unit (CGU). Once the analysis is finalized, allocation of the preliminary purchase price and its distribution by line of business could be adjusted.
The preliminary allocation of the acquisition price is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group Insurance</th>
<th>US Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of identifiable assets and liabilities acquired</td>
<td>(10)</td>
<td>(149)</td>
</tr>
<tr>
<td>Fair value of intangible assets</td>
<td>72</td>
<td>488</td>
</tr>
<tr>
<td>Fair value of deferred income tax liabilities on intangible assets</td>
<td>(19)</td>
<td>(102)</td>
</tr>
<tr>
<td>Fair value of net identifiable assets acquired</td>
<td>43</td>
<td>237</td>
</tr>
<tr>
<td>Goodwill</td>
<td>64</td>
<td>740</td>
</tr>
<tr>
<td><strong>Acquisition price:</strong></td>
<td><strong>107</strong></td>
<td><strong>977</strong></td>
</tr>
<tr>
<td>Cash</td>
<td>109</td>
<td>977</td>
</tr>
<tr>
<td>Account receivable</td>
<td>(2)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107</strong></td>
<td><strong>977</strong></td>
</tr>
</tbody>
</table>

Goodwill is not deductible for tax purposes.

As at June 30, 2020, revenues and net income from WGI and Lubrico did not have a significant impact on the Company’s financial results. In addition, revenues and net income from IAS, that have not been considered, would not have a significant impact on the Company’s financial results. Integration expenses and acquisition costs of $5 are included in General expenses.

**Disposal of Business**

On June 1, 2020, the Company sold a subsidiary, IA Investment Counsel Inc., to CWB Financial Group. Goodwill of $26 and intangible assets of $41 were disposed of in this transaction. A gain before tax of $16 was recognized in the Income Statement in Other revenues. The after-tax gain on this transaction is $8. The sale reflects the Company’s decision to focus on serving wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices.
Invested Assets and Investment Income

a) Carrying Value and Fair Value

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

\(^1\) The residential mortgage loan portfolio is held for sale. See Note 20 "Commitments".
### Cash and short-term investments

<table>
<thead>
<tr>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$489</td>
<td>$619</td>
<td>$1,108</td>
<td>$1,108</td>
<td></td>
</tr>
</tbody>
</table>

### Bonds

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governments</td>
<td>11,714</td>
<td>1,870</td>
<td>111</td>
<td></td>
<td>13,695</td>
<td></td>
</tr>
<tr>
<td>Municipalities</td>
<td>1,106</td>
<td>166</td>
<td>40</td>
<td></td>
<td>1,312</td>
<td></td>
</tr>
<tr>
<td>Corporate and other</td>
<td>8,601</td>
<td>1,721</td>
<td>2,179</td>
<td></td>
<td>12,501</td>
<td></td>
</tr>
</tbody>
</table>

### Stocks

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>1,621</td>
<td>34</td>
<td></td>
<td></td>
<td>1,655</td>
<td></td>
</tr>
<tr>
<td>Preferred</td>
<td>186</td>
<td>374</td>
<td></td>
<td></td>
<td>560</td>
<td></td>
</tr>
<tr>
<td>Stock indexes</td>
<td>215</td>
<td>98</td>
<td></td>
<td></td>
<td>313</td>
<td></td>
</tr>
<tr>
<td>Investment fund units</td>
<td>489</td>
<td>7</td>
<td></td>
<td></td>
<td>496</td>
<td></td>
</tr>
</tbody>
</table>

### Mortgages and other loans

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>—</td>
<td>—</td>
<td>846</td>
<td></td>
<td>846</td>
<td></td>
</tr>
<tr>
<td>Multi-residential</td>
<td>—</td>
<td>—</td>
<td>1,419</td>
<td></td>
<td>1,419</td>
<td></td>
</tr>
<tr>
<td>Non-residential</td>
<td>—</td>
<td>—</td>
<td>6</td>
<td></td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

### Conventional mortgages

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>—</td>
<td>—</td>
<td>293</td>
<td></td>
<td>293</td>
<td></td>
</tr>
<tr>
<td>Multi-residential</td>
<td>66</td>
<td>—</td>
<td>193</td>
<td></td>
<td>259</td>
<td></td>
</tr>
<tr>
<td>Non-residential</td>
<td>28</td>
<td>—</td>
<td>225</td>
<td></td>
<td>253</td>
<td></td>
</tr>
</tbody>
</table>

### Other loans

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>794</td>
<td></td>
<td>794</td>
<td></td>
</tr>
</tbody>
</table>

### Derivative financial instruments

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,003</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td>1,003</td>
<td>1,003</td>
</tr>
</tbody>
</table>

### Policy loans

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>900</td>
<td></td>
<td>900</td>
<td>900</td>
</tr>
</tbody>
</table>

### Other invested assets

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5</td>
<td>424</td>
<td>429</td>
<td>429</td>
</tr>
</tbody>
</table>

### Investment properties

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,077</td>
<td>2,077</td>
<td>2,099</td>
</tr>
</tbody>
</table>

### Investment properties

<table>
<thead>
<tr>
<th></th>
<th>At fair value through profit or loss</th>
<th>Available for sale</th>
<th>Loans and receivables</th>
<th>Other</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,518</td>
<td>4,270</td>
<td>7,630</td>
<td>2,501</td>
<td></td>
<td>39,919</td>
<td>40,230</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Quarters ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Interest and other investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>244</td>
<td>242</td>
</tr>
<tr>
<td>Dividends</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td>Rental income</td>
<td>47</td>
<td>48</td>
</tr>
<tr>
<td>Gains (losses) realized</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Variation in provisions for losses</td>
<td>(17)</td>
<td>(11)</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>308</td>
<td>328</td>
</tr>
<tr>
<td>Change in fair value of investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Bonds</td>
<td>2,284</td>
<td>912</td>
</tr>
<tr>
<td>Stocks</td>
<td>61</td>
<td>11</td>
</tr>
<tr>
<td>Mortgages and other loans</td>
<td>(5)</td>
<td>(1)</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>1,548</td>
<td>416</td>
</tr>
<tr>
<td>Investment properties</td>
<td>(38)</td>
<td>(2)</td>
</tr>
<tr>
<td>Other</td>
<td>(4)</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>3,847</td>
<td>1,343</td>
</tr>
<tr>
<td>Total investment income</td>
<td>4,155</td>
<td>1,671</td>
</tr>
</tbody>
</table>

6 Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

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

Financial Assets

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

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

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

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

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative financial instrument. Fair value of derivative financial instruments, such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as discounted cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.
Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable on the market is used to ascertain the fair value of these derivative financial instruments. While these data are not observable, they are based on assumptions deemed appropriate given the circumstances. Once the restricted trading period ends, the instruments are valued using standard valuation models based on data observable on the market, as described previously. The Company’s use of non-observable data is limited to the trading restrictions period, and their effect on the fair value of derivative financial instruments does not represent a significant amount.

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

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

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

**Investment Properties**

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

**Financial Liabilities**

**Derivative Financial Instruments** – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 8 “Derivative Financial Instruments” and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the “Financial Assets” section.

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

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

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

The fair value of the mortgage debt is $76 ($76 as at December 31, 2019). It is secured by real estate with a carrying value of $73 ($74 as at December 31, 2019), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is $1.

**Debentures** – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments.
b) Hierarchy of the Fair Value
Disclosures regarding financial instruments and investment properties must be presented as a hierarchy that categorizes the inputs to valuation models used to measure the fair value of financial assets and financial liabilities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobserved inputs. The three levels of the hierarchy are described below:

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

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

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

<table>
<thead>
<tr>
<th>Cash and short-term investments</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Held for trading</td>
<td>—</td>
<td>489</td>
<td>—</td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments</td>
<td>850</td>
<td>10,864</td>
<td>—</td>
</tr>
<tr>
<td>Municipalities</td>
<td>—</td>
<td>1,106</td>
<td>—</td>
</tr>
<tr>
<td>Corporate and other</td>
<td>—</td>
<td>8,472</td>
<td>129</td>
</tr>
<tr>
<td>Total</td>
<td>850</td>
<td>20,442</td>
<td>129</td>
</tr>
</tbody>
</table>

| Available for sale            | | | |
| Governments                   | 76 | 1,794 | — |
| Municipalities                | — | 166 | — |
| Corporate and other           | — | 1,710 | 11 |
| Total                         | 76 | 3,670 | 11 |

| Stocks                        | | | |
| Designated at fair value through profit or loss | 1,220 | — | 1,291 |
| Available for sale            | 108 | 374 | 31 |
| Total                         | 1,328 | 374 | 1,322 |

| Mortgages and other loans     | | | |
| Designated at fair value through profit or loss | — | 94 | — |

| Derivative financial instruments | | | |
| Held for trading                | 229 | 774 | — |
| Investment properties           | — | — | 2,077 |
| General fund investments recognized at fair value | 2,483 | 25,843 | 3,539 |
| Segregated funds financial instruments and investment properties | 21,343 | 6,373 | 90 |
| Total financial assets at fair value | 23,826 | 32,216 | 3,629 |

<table>
<thead>
<tr>
<th>As at December 31, 2019</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

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

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

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.48% to 3.25% as at June 30, 2020 (1.09% to 2.68% as at December 31, 2019). Stocks classified into Level 3 are mainly valued from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at June 30, 2020 are the discount rate, which is between 5.25% and 7.75% (5.25% and 7.75% as at December 31, 2019) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.25% as at December 31, 2019). The discount rate is based on market activity by type of building and the location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and location. This rate reflects the expected rate of return on the investment over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.
Due to the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company does not assess whether the application of other assumptions would have an impact on fair value. Also, the investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the CALM. Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

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

<table>
<thead>
<tr>
<th></th>
<th>Balance as at December 31, 2019</th>
<th>Realized and unrealized gains (losses) included in net income</th>
<th>Realized and unrealized gains (losses) included in other comprehensive income</th>
<th>Purchases</th>
<th>Sales and settlements</th>
<th>Transfers in (out) of Level 3</th>
<th>Balance as at June 30, 2020</th>
<th>Total unrealized gains (losses) included in net income on investments still held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated at fair value through profit or loss</td>
<td>129</td>
<td>9</td>
<td>—</td>
<td>27</td>
<td>(27)</td>
<td>3</td>
<td>141</td>
<td>9</td>
</tr>
<tr>
<td>Available for sale</td>
<td>11</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>11</td>
<td>—</td>
</tr>
<tr>
<td>Stocks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated at fair value through profit or loss</td>
<td>1,291</td>
<td>(48)</td>
<td>—</td>
<td>122</td>
<td>(60)</td>
<td>—</td>
<td>1,305</td>
<td>(48)</td>
</tr>
<tr>
<td>Available for sale</td>
<td>31</td>
<td>—</td>
<td>3</td>
<td>1</td>
<td>(1)</td>
<td>—</td>
<td>34</td>
<td>—</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading</td>
<td>—</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Investment properties</td>
<td>2,077</td>
<td>(71)</td>
<td>—</td>
<td>14</td>
<td>(31)</td>
<td>—</td>
<td>1,989</td>
<td>(71)</td>
</tr>
<tr>
<td>General fund investments recognized at fair value</td>
<td>3,539</td>
<td>(109)</td>
<td>3</td>
<td>164</td>
<td>(119)</td>
<td>3</td>
<td>3,481</td>
<td>(109)</td>
</tr>
<tr>
<td>Segregated funds financial instruments and investment properties</td>
<td>90</td>
<td>2</td>
<td>—</td>
<td>152</td>
<td>(3)</td>
<td>1</td>
<td>242</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>3,629</td>
<td>(107)</td>
<td>3</td>
<td>316</td>
<td>(122)</td>
<td>4</td>
<td>3,723</td>
<td>(107)</td>
</tr>
</tbody>
</table>
## Financial Instruments

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

For the six months ended June 30, 2020, an amount of $14 ($55 for the year ended December 31, 2019) presented in Purchases for investment properties corresponds to capitalizations to Investment properties. Also, Sales and settlements for investment properties do not include any transfers to fixed assets ($2 for the year ended December 31, 2019).

### 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:

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classified as loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments</td>
<td></td>
<td>8</td>
<td>141</td>
<td>149</td>
</tr>
<tr>
<td>Municipalities</td>
<td></td>
<td>54</td>
<td>—</td>
<td>54</td>
</tr>
<tr>
<td>Corporate and other</td>
<td></td>
<td>225</td>
<td>2,519</td>
<td>2,744</td>
</tr>
<tr>
<td>Mortgages and other loans</td>
<td></td>
<td>287</td>
<td>2,660</td>
<td>2,947</td>
</tr>
<tr>
<td>Total of assets classified as loans and receivables</td>
<td></td>
<td>4,070</td>
<td>2,660</td>
<td>6,730</td>
</tr>
</tbody>
</table>
As at December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Classified as loans and receivables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments</td>
<td>—</td>
<td>8</td>
<td>132</td>
<td>140</td>
</tr>
<tr>
<td>Municipalities</td>
<td>—</td>
<td>51</td>
<td>—</td>
<td>51</td>
</tr>
<tr>
<td>Corporate and other</td>
<td>—</td>
<td>243</td>
<td>2,138</td>
<td>2,381</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>302</td>
<td>2,270</td>
<td>2,572</td>
</tr>
<tr>
<td><strong>Mortgages and other loans</strong></td>
<td>—</td>
<td>3,823</td>
<td>—</td>
<td>3,823</td>
</tr>
<tr>
<td><strong>Total of assets classified as loans and receivables</strong></td>
<td>—</td>
<td>4,125</td>
<td>2,270</td>
<td>6,395</td>
</tr>
</tbody>
</table>

**Financial Liabilities**

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

As at June 30, 2020

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurring fair value measurements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading</td>
<td>52</td>
<td>226</td>
<td>—</td>
<td>278</td>
</tr>
<tr>
<td><strong>Derivative financial instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading</td>
<td>87</td>
<td>741</td>
<td>31</td>
<td>859</td>
</tr>
<tr>
<td><strong>Total of liabilities classified as held for trading</strong></td>
<td>139</td>
<td>967</td>
<td>31</td>
<td>1,137</td>
</tr>
</tbody>
</table>

**Classified at amortized cost**

|                      |         |         |         |       |
| **Other liabilities** |         |         |         |       |
| Securitization liabilities | —     | 1,128   | —       | 1,128 |
| Mortgage debt         | —       | 76      | —       | 76    |
| Debentures            | —       | 1,499   | —       | 1,499 |
| **Total of liabilities classified at amortized cost** | —       | 2,703   | —       | 2,703 |

As at December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurring fair value measurements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading</td>
<td>46</td>
<td>165</td>
<td>—</td>
<td>211</td>
</tr>
<tr>
<td><strong>Derivative financial instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading</td>
<td>80</td>
<td>339</td>
<td>36</td>
<td>455</td>
</tr>
<tr>
<td><strong>Total of liabilities classified as held for trading</strong></td>
<td>126</td>
<td>504</td>
<td>36</td>
<td>666</td>
</tr>
</tbody>
</table>

**Classified at amortized cost**

|                      |         |         |         |       |
| **Other liabilities** |         |         |         |       |
| Securitization liabilities | —     | 1,183   | —       | 1,183 |
| Mortgage debt         | —       | 76      | —       | 76    |
| Debentures            | —       | 1,063   | —       | 1,063 |
| **Total of liabilities classified at amortized cost** | —       | 2,322   | —       | 2,322 |
7. Management of Risks Associated with Financial Instruments

a) Impairment of Financial Assets Classified as Available for Sale

During the six months ended June 30, 2020 and the year ended December 31, 2019, the Company did not reclassify any unrealized losses of stocks classified as available for sale from Other comprehensive income to Investment income in the Income Statement.

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

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

<table>
<thead>
<tr>
<th></th>
<th>As at June 30, 2020</th>
<th>As at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair value</td>
<td>Unrealized losses</td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments</td>
<td>1,389</td>
<td></td>
</tr>
<tr>
<td>Municipalities</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>Corporate and other</td>
<td>1,707</td>
<td>(3)</td>
</tr>
<tr>
<td></td>
<td>3,276</td>
<td>(3)</td>
</tr>
<tr>
<td>Stocks</td>
<td>400</td>
<td>(62)</td>
</tr>
<tr>
<td>Other investments</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,790</td>
<td>(65)</td>
</tr>
</tbody>
</table>

b) Credit Risk

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

b) i) Credit Quality Indicators

Bonds by Investment Grade

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

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of $2,170 as at June 30, 2020 ($2,054 as at December 31, 2019).

Mortgages and Other Loans

<table>
<thead>
<tr>
<th></th>
<th>As at June 30, 2020</th>
<th>As at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured mortgages</td>
<td>$2,138</td>
<td>$2,271</td>
</tr>
<tr>
<td>Conventional mortgages</td>
<td>$783</td>
<td>$805</td>
</tr>
<tr>
<td>Other loans</td>
<td>$828</td>
<td>$794</td>
</tr>
<tr>
<td>Total</td>
<td>$3,749</td>
<td>$3,870</td>
</tr>
</tbody>
</table>

The credit quality of mortgages and other loans is assessed internally, on a regular basis, when the review of the portfolio is made.
b) ii) Past Due or Impaired Financial Assets
Past Due Bonds, Mortgages and Other Loans

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

<table>
<thead>
<tr>
<th>Gross values</th>
<th>As at June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bonds classified as loans and receivables</td>
</tr>
<tr>
<td>Not past due and not impaired</td>
<td>2,525</td>
</tr>
<tr>
<td>Past due and not impaired</td>
<td>2,569</td>
</tr>
<tr>
<td>30 – 89 days in arrears</td>
<td>3</td>
</tr>
<tr>
<td>90 – 119 days in arrears</td>
<td>3</td>
</tr>
<tr>
<td>120 days or more in arrears</td>
<td>3</td>
</tr>
<tr>
<td>Impaired</td>
<td>44</td>
</tr>
<tr>
<td>Total of gross values</td>
<td>2,569</td>
</tr>
<tr>
<td>Specific provisions for losses</td>
<td>8</td>
</tr>
<tr>
<td>Collective provisions</td>
<td>—</td>
</tr>
<tr>
<td>Total of net values</td>
<td>2,561</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross values</th>
<th>As at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bonds classified as loans and receivables</td>
</tr>
<tr>
<td>Not past due and not impaired</td>
<td>2,319</td>
</tr>
<tr>
<td>Past due and not impaired</td>
<td>2,340</td>
</tr>
<tr>
<td>30 – 89 days in arrears</td>
<td>2</td>
</tr>
<tr>
<td>90 – 119 days in arrears</td>
<td>2</td>
</tr>
<tr>
<td>120 days or more in arrears</td>
<td>2</td>
</tr>
<tr>
<td>Impaired</td>
<td>21</td>
</tr>
<tr>
<td>Total of gross values</td>
<td>2,340</td>
</tr>
<tr>
<td>Specific provisions for losses</td>
<td>10</td>
</tr>
<tr>
<td>Collective provisions</td>
<td>—</td>
</tr>
<tr>
<td>Total of net values</td>
<td>2,330</td>
</tr>
</tbody>
</table>

Foreclosed Properties
During the six months ended June 30, 2020, the Company took possession of properties held as collateral on mortgages for a value of less than $1 ($3 for the year ended December 31, 2019). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in Other Assets.
Specific Provisions for Losses

### As at June 30, 2020

<table>
<thead>
<tr>
<th>Bonds classified as loans and receivables</th>
<th>Mortgages classified as loans and receivables</th>
<th>Other loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning</td>
<td>10</td>
<td>—</td>
<td>10</td>
</tr>
<tr>
<td>Variation in specific provisions for losses</td>
<td>(2)</td>
<td>—</td>
<td>(2)</td>
</tr>
<tr>
<td>Balance at end</td>
<td>8</td>
<td>—</td>
<td>8</td>
</tr>
</tbody>
</table>

## As at December 31, 2019

<table>
<thead>
<tr>
<th>Bonds classified as loans and receivables</th>
<th>Mortgages classified as loans and receivables</th>
<th>Other loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning</td>
<td>8</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Variation in specific provisions for losses</td>
<td>2</td>
<td>(1)</td>
<td>1</td>
</tr>
<tr>
<td>Balance at end</td>
<td>10</td>
<td>—</td>
<td>10</td>
</tr>
</tbody>
</table>

### 8 Derivative Financial Instruments

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

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at June 30, 2020 is $1,709 ($1,001 as at December 31, 2019). The Company’s exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of derivative financial instrument contracts.

#### As at June 30, 2020

<table>
<thead>
<tr>
<th>Notional amount</th>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### Equity contracts

- **Swap contracts**: 582 624 91 1,297 59 (2)
- **Futures contracts**: 875 — — 875 2 (9)
- **Options**: 6,243 — — 6,243 221 (79)

### Currency contracts

- **Forward contracts**: 4,046 1,078 — 5,124 71 (58)
- **Swap contracts**: 55 789 2,677 3,521 13 (491)

### Interest rate contracts

- **Swap contracts**: 910 3,688 5,181 9,779 696 (190)
- **Forward contracts**: 1,510 3,159 — 4,669 649 —
- **Options**: 23 — — 23 — —

### Credit risk contracts

- **Swap contracts**: — 21 — 21 — —

### Other derivative contracts

- **Other derivative contracts**: 2 3 354 359 1 (30)

### Total

| $ | 14,246 | 9,362 | 8,303 | 31,911 | 1,712 | (859) |
As at December 31, 2019

<table>
<thead>
<tr>
<th>Notional amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 year</td>
</tr>
<tr>
<td>Swap contracts</td>
<td>$490</td>
</tr>
<tr>
<td>Futures contracts</td>
<td>$632</td>
</tr>
<tr>
<td>Options</td>
<td>$5,594</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Equity contracts |            |             |              |        |          |          |
| **Total**        |            |             |              |        |          |          |

<table>
<thead>
<tr>
<th>Notional amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 year</td>
</tr>
<tr>
<td>Swap contracts</td>
<td>$4,315</td>
</tr>
<tr>
<td>Futures contracts</td>
<td>$21</td>
</tr>
<tr>
<td>Options</td>
<td>$643</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Currency contracts |            |             |              |        |          |          |
| **Total**          |            |             |              |        |          |          |

| Interest rate contracts |            |             |              |        |          |          |
| **Total**             |            |             |              |        |          |          |

| Other derivative contracts |            |             |              |        |          |          |
| **Total**                |            |             |              |        |          |          |

As at June 30, 2020

<table>
<thead>
<tr>
<th>Notional amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td>Derivative financial instruments not designated as hedge accounting</td>
<td>$29,348</td>
</tr>
<tr>
<td>Net investment hedge</td>
<td>$1,439</td>
</tr>
<tr>
<td>Fair value hedges</td>
<td></td>
</tr>
<tr>
<td>Interest risk</td>
<td>$988</td>
</tr>
<tr>
<td>Currency risk</td>
<td>$19</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td></td>
</tr>
<tr>
<td>Currency risk</td>
<td>$117</td>
</tr>
<tr>
<td><strong>Total of derivative financial instruments</strong></td>
<td>$31,911</td>
</tr>
</tbody>
</table>

As at December 31, 2019

<table>
<thead>
<tr>
<th>Notional amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td>Derivative financial instruments not designated as hedge accounting</td>
<td>$26,568</td>
</tr>
<tr>
<td>Net investment hedge</td>
<td>$1,284</td>
</tr>
<tr>
<td>Fair value hedges</td>
<td></td>
</tr>
<tr>
<td>Interest risk</td>
<td>$1,002</td>
</tr>
<tr>
<td>Currency risk</td>
<td>$17</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td></td>
</tr>
<tr>
<td>Currency risk</td>
<td>$1,034</td>
</tr>
<tr>
<td><strong>Total of derivative financial instruments</strong></td>
<td>$29,905</td>
</tr>
</tbody>
</table>

Embedded Derivative Financial Instruments

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

Net Investment Hedge

Forward contracts traded over the counter, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 2 years as at June 30, 2020 (less than 2 years as at December 31, 2019). The effective portion of changes in fair value is recorded in Other comprehensive income, as is the foreign currency translation of the net investment in a foreign operation. For the six months ended June 30, 2020 and 2019, the Company did not recognize any ineffectiveness.
Fair Value Hedges

Interest rate risk hedging
The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk related to financial assets classified as available for sale. The Company entered into interest rate swap contracts with maturities ranging from 1 year to 15 years as at June 30, 2020 (from 2 years to 15 years as at December 31, 2019).

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The Company entered into interest rate swap contracts with maturities of less than 1 year to 8 years as at June 30, 2020 (less than 1 year to 9 years as at December 31, 2019).

For the six months ended June 30, 2020, the Company has recognized a loss of $27 on the hedging instruments (gain of $28 for the six months ended June 30, 2019) and a gain of $28 on the hedged items (loss of $28 for the six months ended June 30, 2019). For the six months ended June 30, 2020, the Company has recognized an ineffectiveness of $1 (none for the six months ended June 30, 2019).

Currency rate risk hedging
The Company entered into a fair value hedge to manage its exposure to changes in currency rate risk related to financial assets classified as available for sale. The Company entered into forward contracts traded over the counter with maturities of less than 2 years as at June 30, 2020 (less than 2 years as at December 31, 2019).

For the six months ended June 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

Cash Flow Hedges
The Company entered into a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on financial assets denominated in foreign currency. The Company entered into swap contracts that have maturities from 4 years to 9 years as at June 30, 2020 (from 4 years to 10 years as at December 31 2019).

For the six months ended June 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

During the six months ended June 30, 2020, the Company ended a cash flow hedging relationship which was entered into in 2019 in order to manage its exposure to changes in currency rate risk on forecasted transactions. The Company was using forward contracts that had maturities of less than 1 year as at December 31, 2019.

For the six months ended June 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

9 Segregated Funds Net Assets

<table>
<thead>
<tr>
<th></th>
<th>As at June 30</th>
<th>As at December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>1,143</td>
<td>992</td>
</tr>
<tr>
<td>Bonds</td>
<td>5,767</td>
<td>5,509</td>
</tr>
<tr>
<td>Stocks</td>
<td>21,456</td>
<td>21,362</td>
</tr>
<tr>
<td>Mortgages</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Investment properties</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>Other assets</td>
<td>833</td>
<td>285</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>29,260</td>
<td>28,206</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>755</td>
<td>338</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>28,505</td>
<td>27,868</td>
</tr>
</tbody>
</table>
The following table presents the change in segregated funds net assets:

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

10 - Debentures
On February 21, 2020, the Company issued subordinated debentures in the amount of $400 maturing February 21, 2030, bearing interest of 2.40%, payable semi-annually from August 21, 2020 to February 21, 2025, and variable interest equal to the three-month Canadian Dealer Offered Rate (CDOR), plus 0.71%, payable quarterly, commencing May 21, 2025 until February 21, 2030. These subordinated debentures are redeemable by the Company starting February 21, 2025, in whole or in part, subject to prior approval by the Autorité des marchés financiers (AMF). The carrying value of the debentures includes amortized transaction costs and an issuance discount for a total of $2.

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

11 - Share Capital
As a result of the change in company structure (Note 1), the Company’s authorized share capital consists of the following:

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

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

The share capital issued by the Company is as follows:

<table>
<thead>
<tr>
<th></th>
<th>As at June 30, 2020</th>
<th></th>
<th>As at December 31, 2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Amount</td>
<td>Number of shares</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td>$</td>
<td>(in thousands)</td>
<td>$</td>
</tr>
<tr>
<td>Common shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning</td>
<td>106,966</td>
<td>1,666</td>
<td>108,575</td>
<td>1,655</td>
</tr>
<tr>
<td>Shares issued on exercise of stock options</td>
<td>129</td>
<td>7</td>
<td>1,206</td>
<td>54</td>
</tr>
<tr>
<td>Shares redeemed</td>
<td>(87)</td>
<td>(1)</td>
<td>(2,815)</td>
<td>(43)</td>
</tr>
<tr>
<td>Balance at end</td>
<td>107,008</td>
<td>1,672</td>
<td>106,966</td>
<td>1,666</td>
</tr>
</tbody>
</table>

Stock Option Plan
Following the change in company structure (Note 1), the stock option plan of IA Insurance was replaced by an identical plan offered by the Company. Consequently, all shares issued under the plan are issued by the Company. As at June 30, 2020, the number of outstanding stock options (in thousands) was 2,107 (1,965 as at December 31, 2019). For the six months ended June 30, 2020, the Company granted (in thousands) 285 stock options exercisable at $73.93 (348 stock options exercisable at $49.85 for the year ended December 31, 2019).
Normal Course Issuer Bid Redemption
With the approval of the Toronto Stock Exchange, the Board of Directors has renewed the Normal Course Issuer Bid redemption of 2018 and has authorized the Company to purchase, in the normal course of its activities, from November 12, 2019 to November 11, 2020, up to 5,335,397 common shares (5,482,768 common shares in the Normal Course Issuer Bid redemption of 2018), representing approximately 5% of its 106,707,949 common shares issued and outstanding as at November 1, 2019. For the six months ended June 30, 2020, a total of 86,872 common shares (2,815,373 as at December 31, 2019) were purchased and cancelled for a net cash amount of $4 ($139 as at December 31, 2019), of which $1 was recorded against share capital ($43 as at December 31, 2019) and $3 against retained earnings ($96 in 2019). Redemptions are currently suspended, in accordance with instructions from regulatory authorities.

Dividends

<table>
<thead>
<tr>
<th>quarters ended June 30</th>
<th>six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>total per share</td>
<td>$</td>
</tr>
<tr>
<td>(in dollars)</td>
<td></td>
</tr>
<tr>
<td>common shares</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>104</td>
</tr>
</tbody>
</table>

Dividends Declared and Not Recognized on Common Shares
A dividend of 0.485 dollars per share was approved by the Board of Directors of the Company on July 30, 2020. This dividend was not recorded as a liability in these interim financial statements. This dividend will be paid on September 15, 2020 to the shareholders of record as of August 21, 2020, date on which it will be recognized in the equity of the Company.

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

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

<table>
<thead>
<tr>
<th></th>
<th>as at June 30, 2020</th>
<th>as at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>number of shares</td>
<td>amount</td>
<td>number of shares</td>
</tr>
<tr>
<td>(in thousands)</td>
<td>$</td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Preferred shares, Class A, issued by iA Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>balance at beginning and end</td>
<td>21,000</td>
<td>525</td>
</tr>
</tbody>
</table>

Dividends

<table>
<thead>
<tr>
<th>quarters ended June 30</th>
<th>six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>total per share</td>
<td>$</td>
</tr>
<tr>
<td>(in dollars)</td>
<td></td>
</tr>
<tr>
<td>preferred shares, issued by iA Insurance</td>
<td></td>
</tr>
<tr>
<td>class a – series b</td>
<td>1</td>
</tr>
<tr>
<td>class a – series g</td>
<td>3</td>
</tr>
<tr>
<td>class a – series i</td>
<td>1</td>
</tr>
<tr>
<td>total</td>
<td>5</td>
</tr>
</tbody>
</table>
13 Accumulated Other Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>Bonds</th>
<th>Stocks</th>
<th>Currency translation</th>
<th>Hedging</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at December 31, 2019</td>
<td>$73</td>
<td>$(8)</td>
<td>$73</td>
<td>$(82)</td>
<td>$56</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>$79</td>
<td>$(43)</td>
<td>$—</td>
<td>$—</td>
<td>$36</td>
</tr>
<tr>
<td>Income taxes on unrealized gains (losses)</td>
<td>$(20)</td>
<td>11</td>
<td>$—</td>
<td>$—</td>
<td>$(9)</td>
</tr>
<tr>
<td>Other</td>
<td>$—</td>
<td>$—</td>
<td>$72</td>
<td>$(24)</td>
<td>$48</td>
</tr>
<tr>
<td>Income taxes on other</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$4</td>
<td>$4</td>
</tr>
<tr>
<td></td>
<td>$59</td>
<td>$(32)</td>
<td>$72</td>
<td>$(20)</td>
<td>$79</td>
</tr>
<tr>
<td>Realized losses (gains)</td>
<td>$(17)</td>
<td>$(1)</td>
<td>$—</td>
<td>$—</td>
<td>$(18)</td>
</tr>
<tr>
<td>Income taxes on realized losses (gains)</td>
<td>$4</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$4</td>
</tr>
<tr>
<td></td>
<td>$(13)</td>
<td>$(1)</td>
<td>$—</td>
<td>$—</td>
<td>$(14)</td>
</tr>
<tr>
<td>Balance as at June 30, 2020</td>
<td>$119</td>
<td>$(41)</td>
<td>$145</td>
<td>$(102)</td>
<td>$121</td>
</tr>
<tr>
<td>Balance as at December 31, 2018</td>
<td>$6</td>
<td>$(10)</td>
<td>$135</td>
<td>$(108)</td>
<td>$23</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>$110</td>
<td>$1</td>
<td>$—</td>
<td>$—</td>
<td>$111</td>
</tr>
<tr>
<td>Income taxes on unrealized gains (losses)</td>
<td>$(28)</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$(28)</td>
</tr>
<tr>
<td>Other</td>
<td>$—</td>
<td>$—</td>
<td>$(62)</td>
<td>$31</td>
<td>$(31)</td>
</tr>
<tr>
<td>Income taxes on other</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$(5)</td>
<td>$(5)</td>
</tr>
<tr>
<td></td>
<td>$82</td>
<td>$1</td>
<td>$(62)</td>
<td>$26</td>
<td>$47</td>
</tr>
<tr>
<td>Realized losses (gains)</td>
<td>$(20)</td>
<td>$1</td>
<td>$—</td>
<td>$—</td>
<td>$(19)</td>
</tr>
<tr>
<td>Income taxes on realized losses (gains)</td>
<td>$5</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$5</td>
</tr>
<tr>
<td></td>
<td>$(15)</td>
<td>$1</td>
<td>$—</td>
<td>$—</td>
<td>$(14)</td>
</tr>
<tr>
<td>Balance as at December 31, 2019</td>
<td>$73</td>
<td>$(8)</td>
<td>$73</td>
<td>$(82)</td>
<td>$56</td>
</tr>
<tr>
<td>Balance as at December 31, 2018</td>
<td>$6</td>
<td>$(10)</td>
<td>$135</td>
<td>$(108)</td>
<td>$23</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>$126</td>
<td>$(5)</td>
<td>$—</td>
<td>$—</td>
<td>$121</td>
</tr>
<tr>
<td>Income taxes on unrealized gains (losses)</td>
<td>$(32)</td>
<td>$1</td>
<td>$—</td>
<td>$(31)</td>
<td>$(31)</td>
</tr>
<tr>
<td>Other</td>
<td>$—</td>
<td>$—</td>
<td>$(51)</td>
<td>$46</td>
<td>$(5)</td>
</tr>
<tr>
<td>Income taxes on other</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$(7)</td>
<td>$(7)</td>
</tr>
<tr>
<td></td>
<td>$94</td>
<td>$(4)</td>
<td>$(51)</td>
<td>$39</td>
<td>$78</td>
</tr>
<tr>
<td>Realized losses (gains)</td>
<td>$(13)</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$(13)</td>
</tr>
<tr>
<td>Income taxes on realized losses (gains)</td>
<td>$4</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$4</td>
</tr>
<tr>
<td></td>
<td>$(9)</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$(9)</td>
</tr>
<tr>
<td>Balance as at June 30, 2019</td>
<td>$91</td>
<td>$(14)</td>
<td>$84</td>
<td>$(69)</td>
<td>$92</td>
</tr>
</tbody>
</table>

14 Capital Management

Regulatory Requirements and Solvency Ratio

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

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

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

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

Tier 2 capital is primarily composed of subordinated debentures.

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

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

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

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

The Company manages its capital on a consolidated basis. As at June 30, 2020, the Company maintains a ratio that satisfies the regulatory requirements.

<table>
<thead>
<tr>
<th>June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
</tr>
<tr>
<td>Available Capital</td>
</tr>
<tr>
<td>Tier 1 Capital</td>
</tr>
<tr>
<td>Tier 2 Capital</td>
</tr>
<tr>
<td>Surplus allowance and eligible deposits</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Base solvency buffer</td>
</tr>
<tr>
<td>Total ratio</td>
</tr>
</tbody>
</table>

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

15 › General Expenses

Impairment of Goodwill

As at March 31, 2020, following the effects of the COVID-19 pandemic described in Note 2, the Company reviewed the financial projections of PPI Management Inc. Further to this review, an impairment test was performed with respect to PPI Management Inc. operations included in the Individual Insurance CGU. This led the Company to recognize an impairment of goodwill of $24. This amount was recognized in the Income Statement in General Expenses. To determine the recoverable amount of the CGU, the value in use was determined using cash flow projections before tax covering a five-year period.

16 › Income Taxes

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

<table>
<thead>
<tr>
<th>Quarters ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>247</td>
</tr>
<tr>
<td>Income tax expense at Canadian statutory tax rate</td>
<td>66</td>
</tr>
<tr>
<td>Increase (decrease) in income taxes due to:</td>
<td></td>
</tr>
<tr>
<td>Differences in tax rates on income not subject to tax in Canada</td>
<td>—</td>
</tr>
<tr>
<td>Tax-exempt investment income</td>
<td>(8)</td>
</tr>
<tr>
<td>Non-deductible (non-taxable) portion of the change in fair value of investment properties</td>
<td>3</td>
</tr>
<tr>
<td>Adjustments of previous years</td>
<td>(10)</td>
</tr>
<tr>
<td>Variation in tax rates</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
<tr>
<td>Income tax expense (recovery) and effective income tax rate</td>
<td>52</td>
</tr>
</tbody>
</table>
17 - Segmented Information

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

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

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

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

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

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

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

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

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

**Quarter ended June 30, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Group</th>
<th>Wealth Management</th>
<th>Insurance</th>
<th>Savings and Retirement</th>
<th>US Operations</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums</td>
<td>394</td>
<td>774</td>
<td>366</td>
<td>354</td>
<td>150</td>
<td>75</td>
<td>2,113</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>3,727</td>
<td>(72)</td>
<td>91</td>
<td>277</td>
<td>92</td>
<td>40</td>
<td>4,155</td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td>28</td>
<td>370</td>
<td>9</td>
<td>25</td>
<td>35</td>
<td>(51)</td>
<td>416</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,149</td>
<td>1,072</td>
<td>466</td>
<td>656</td>
<td>277</td>
<td>64</td>
<td>6,684</td>
<td></td>
</tr>
</tbody>
</table>

| **Operating expenses** |            |       |                   |           |                        |               |       |       |
| Gross benefits and claims on contracts | 198 | 339 | 279 | 272 | 132 | — | 1,220 |
| Ceded benefits and claims on contracts | (64) | — | (18) | (7) | (77) | 29 | (137) |
| Net transfer to segregated funds | — | 423 | — | 101 | — | — | 524 |
| Increase (decrease) in insurance contract liabilities | 3,732 | (72) | 22 | 254 | 81 | 1 | 4,018 |
| Increase (decrease) in investment contract liabilities | — | — | 21 | — | — | — | 21 |
| Decrease (increase) in reinsurance assets | (27) | — | 1 | 1 | 7 | (1) | (19) |
| Commissions, general and other expenses | 204 | 320 | 121 | 26 | 129 | (9) | 791 |
| Financing charges | 3 | 1 | 8 | — | — | 7 | 19 |
| **Total** | 4,046 | 1,011 | 434 | 647 | 272 | 27 | 6,437 |

<p>| Income before income taxes and allocation of other activities | 103 | 61 | 32 | 9 | 5 | 37 | 247 |
| Allocation of other activities | 27 | 4 | — | 1 | 5 | (37) | — |
| Income before income taxes | 130 | 65 | 32 | 10 | 10 | — | 247 |
| Income taxes | 22 | 28 | 2 | (2) | 2 | — | 52 |
| <strong>Net income</strong> | 108 | 37 | 30 | 12 | 8 | — | 195 |
| Net income attributed to participating policyholders | 7 | — | — | — | — | — | 7 |
| <strong>Net income attributed to shareholders</strong> | 101 | 37 | 30 | 12 | 8 | — | 188 |</p>
<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Insurance Management</td>
<td>Insurance Management</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenues</td>
<td>Net premiums</td>
<td>391</td>
</tr>
<tr>
<td></td>
<td>Investment income</td>
<td>1,356</td>
</tr>
<tr>
<td></td>
<td>Other revenues</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,779</td>
<td>1,074</td>
</tr>
<tr>
<td></td>
<td></td>
<td>476</td>
</tr>
<tr>
<td></td>
<td></td>
<td>470</td>
</tr>
<tr>
<td></td>
<td></td>
<td>194</td>
</tr>
<tr>
<td></td>
<td></td>
<td>86</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,079</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>Gross benefits and claims on contracts</td>
<td>192</td>
</tr>
<tr>
<td></td>
<td>Ceded benefits and claims on contracts</td>
<td>(56)</td>
</tr>
<tr>
<td></td>
<td>Net transfer to segregated funds</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Increase (decrease) in insurance contract liabilities</td>
<td>1,354</td>
</tr>
<tr>
<td></td>
<td>Increase (decrease) in investment contract liabilities</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Decrease (increase) in reinsurance assets</td>
<td>(14)</td>
</tr>
<tr>
<td></td>
<td>Commissions, general and other expenses</td>
<td>202</td>
</tr>
<tr>
<td></td>
<td>Financing charges</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>1,684</td>
<td>1,016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>446</td>
</tr>
<tr>
<td></td>
<td></td>
<td>460</td>
</tr>
<tr>
<td></td>
<td></td>
<td>178</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,838</td>
</tr>
<tr>
<td></td>
<td>Income before income taxes and allocation of other activities</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td>Allocation of other activities</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Income before income taxes</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>Income taxes</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Net income attributed to shareholders</td>
<td>97</td>
</tr>
</tbody>
</table>
## Revenues

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$1,868</td>
<td>$1,856</td>
<td>$5,754</td>
</tr>
<tr>
<td>Net premiums</td>
<td>$791</td>
<td>$1,852</td>
<td>$2,643</td>
</tr>
<tr>
<td>Investment income</td>
<td>$2,481</td>
<td>$255</td>
<td>$3,736</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$57</td>
<td>$746</td>
<td>$803</td>
</tr>
<tr>
<td></td>
<td>$3,329</td>
<td>$2,853</td>
<td>$6,182</td>
</tr>
</tbody>
</table>

## Operating expenses

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>$8,731</td>
<td>$9,022</td>
<td>$17,753</td>
</tr>
<tr>
<td>Gross benefits and claims on contracts</td>
<td>$2,833</td>
<td>$2,833</td>
<td>$5,666</td>
</tr>
<tr>
<td>Ceded benefits and claims on contracts</td>
<td>$(271)</td>
<td>$(271)</td>
<td>$(542)</td>
</tr>
<tr>
<td>Net transfer to segregated funds</td>
<td>$1,212</td>
<td>$1,212</td>
<td>$2,424</td>
</tr>
<tr>
<td>Increase (decrease) in insurance contract liabilities</td>
<td>$3,316</td>
<td>$3,316</td>
<td>$6,632</td>
</tr>
<tr>
<td>Increase (decrease) in investment contract liabilities</td>
<td>$22</td>
<td>$22</td>
<td>$44</td>
</tr>
<tr>
<td>Decrease (increase) in reinsurance assets</td>
<td>$(94)</td>
<td>$(94)</td>
<td>$(188)</td>
</tr>
<tr>
<td>Commissions, general and other expenses</td>
<td>$1,677</td>
<td>$1,677</td>
<td>$3,354</td>
</tr>
<tr>
<td>Financing charges</td>
<td>$36</td>
<td>$36</td>
<td>$72</td>
</tr>
</tbody>
</table>

## Income before income taxes and allocation of other activities

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes and allocation of other activities</td>
<td>$291</td>
<td>$291</td>
<td>$582</td>
</tr>
<tr>
<td>Allocation of other activities</td>
<td>$71</td>
<td>$71</td>
<td>$142</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>$291</td>
<td>$291</td>
<td>$582</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$50</td>
<td>$50</td>
<td>$100</td>
</tr>
<tr>
<td>Net income</td>
<td>$241</td>
<td>$241</td>
<td>$482</td>
</tr>
<tr>
<td>Net income attributed to participating policyholders</td>
<td>$8</td>
<td>$8</td>
<td>$16</td>
</tr>
<tr>
<td>Net income attributed to shareholders</td>
<td>$233</td>
<td>$233</td>
<td>$466</td>
</tr>
</tbody>
</table>
### Six months ended June 30, 2019

<table>
<thead>
<tr>
<th>Individual</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance</strong></td>
<td><strong>Wealth Management</strong></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Net premiums</td>
<td>779</td>
</tr>
<tr>
<td>Investment income</td>
<td>3,182</td>
</tr>
<tr>
<td>Other revenues</td>
<td>61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,022</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Gross benefits and claims on contracts</td>
<td>418</td>
</tr>
<tr>
<td>Ceded benefits and claims on contracts</td>
<td>(108)</td>
</tr>
<tr>
<td>Net transfer to segregated funds</td>
<td>—</td>
</tr>
<tr>
<td>Increase (decrease) in insurance contract liabilities</td>
<td>3,142</td>
</tr>
<tr>
<td>Increase (decrease) in investment contract liabilities</td>
<td>—</td>
</tr>
<tr>
<td>Decrease (increase) in reinsurance assets</td>
<td>(29)</td>
</tr>
<tr>
<td>Commissions, general and other expenses</td>
<td>402</td>
</tr>
<tr>
<td>Financing charges</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,836</td>
</tr>
<tr>
<td><strong>Income before income taxes and allocation of other activities</strong></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes and allocation of other activities</td>
<td>186</td>
</tr>
<tr>
<td>Allocation of other activities</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>230</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>182</td>
</tr>
<tr>
<td><strong>Net income attributed to participating policyholders</strong></td>
<td></td>
</tr>
<tr>
<td>Net income attributed to participating policyholders</td>
<td>1</td>
</tr>
<tr>
<td><strong>Net income attributed to shareholders</strong></td>
<td></td>
</tr>
<tr>
<td>Net income attributed to shareholders</td>
<td>181</td>
</tr>
</tbody>
</table>

### Segmented Premiums

<table>
<thead>
<tr>
<th>Individual</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance</strong></td>
<td><strong>Wealth Management</strong></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Gross premiums</strong></td>
<td></td>
</tr>
<tr>
<td>Invested in general fund</td>
<td>493</td>
</tr>
<tr>
<td>Invested in segregated funds</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>493</td>
</tr>
<tr>
<td><strong>Premiums ceded</strong></td>
<td></td>
</tr>
<tr>
<td>Invested in general fund</td>
<td>(99)</td>
</tr>
<tr>
<td><strong>Net premiums</strong></td>
<td>394</td>
</tr>
</tbody>
</table>
Quarter ended June 30, 2019

<table>
<thead>
<tr>
<th>Insurance Management</th>
<th>Wealth Management</th>
<th>Savings and Retirement</th>
<th>US Operations</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

| Gross premiums       |                   |                        |               |       |       |
| Invested in general fund | 491             | 98                     | 450           | 30    | 208   | 48    | 1,325 |
| Invested in segregated funds | 643             | 450                     | 346           | 208   | 48    | 2,186 |

| Premiums ceded       |                   |                        |               |       |       |
| Invested in general fund | (100)           | 37                     | (7)           | (88)  | 29    | (203) |
| Net premiums         | 391               | 643                    | 413           | 339   | 120   | 77    | 1,983 |

Six months ended June 30, 2020

<table>
<thead>
<tr>
<th>Insurance Management</th>
<th>Wealth Management</th>
<th>Savings and Retirement</th>
<th>US Operations</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

| Gross premiums       |                   |                        |               |       |       |
| Invested in general fund | 980              | 380                    | 856           | 120   | 537   | 43    | 2,916 |
| Invested in segregated funds | 1,852           | 856                    | 1,001         | 537   | 43    | 5,269 |

| Premiums ceded       |                   |                        |               |       |       |
| Invested in general fund | (189)           | (66)                   | (14)          | (249) | 117   | (401) |
| Net premiums         | 791               | 1,852                  | 790           | 987   | 288   | 160   | 4,868 |

Six months ended June 30, 2019

<table>
<thead>
<tr>
<th>Insurance Management</th>
<th>Wealth Management</th>
<th>Savings and Retirement</th>
<th>US Operations</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

| Gross premiums       |                   |                        |               |       |       |
| Invested in general fund | 969              | 207                    | 881           | 359   | 406   | 96    | 2,918 |
| Invested in segregated funds | 1,363           | 881                    | 1,012         | 406   | 96    | 4,727 |

| Premiums ceded       |                   |                        |               |       |       |
| Invested in general fund | (190)           | (71)                   | (13)          | (171) | 56    | (389) |
| Net premiums         | 779               | 1,363                  | 810           | 999   | 235   | 152   | 4,338 |
### Segmented Assets and Liabilities

<table>
<thead>
<tr>
<th>Assets</th>
<th>Insurance</th>
<th>Wealth Management</th>
<th>Savings and Retirement</th>
<th>US Operations</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested assets</td>
<td>25,684</td>
<td>2,453</td>
<td>2,006</td>
<td>4,176</td>
<td>1,355</td>
<td>7,634</td>
</tr>
<tr>
<td>Segregated funds net assets</td>
<td>—</td>
<td>16,755</td>
<td>—</td>
<td>11,750</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>(664)</td>
<td>—</td>
<td>226</td>
<td>130</td>
<td>1,750</td>
<td>(169)</td>
</tr>
<tr>
<td>Other</td>
<td>110</td>
<td>1,143</td>
<td>—</td>
<td>—</td>
<td>68</td>
<td>5,597</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>25,130</td>
<td>20,351</td>
<td>2,232</td>
<td>16,056</td>
<td>3,173</td>
<td>13,062</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Insurance</th>
<th>Wealth Management</th>
<th>Savings and Retirement</th>
<th>US Operations</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contract liabilities</td>
<td>23,975</td>
<td>2,257</td>
<td>2,329</td>
<td>4,328</td>
<td>2,038</td>
<td>(95)</td>
</tr>
<tr>
<td>Investment contract liabilities</td>
<td>—</td>
<td>16,755</td>
<td>—</td>
<td>11,750</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Liabilities related to segregated funds net assets</td>
<td>—</td>
<td>226</td>
<td>130</td>
<td>1,750</td>
<td>(169)</td>
<td>1,273</td>
</tr>
<tr>
<td>Other</td>
<td>680</td>
<td>56</td>
<td>10</td>
<td>17</td>
<td>—</td>
<td>9,634</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>24,655</td>
<td>19,068</td>
<td>2,339</td>
<td>16,095</td>
<td>2,038</td>
<td>9,539</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th>Insurance</th>
<th>Wealth Management</th>
<th>Savings and Retirement</th>
<th>US Operations</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested assets</td>
<td>23,113</td>
<td>1,880</td>
<td>1,881</td>
<td>3,998</td>
<td>1,058</td>
<td>7,989</td>
</tr>
<tr>
<td>Segregated funds net assets</td>
<td>—</td>
<td>16,392</td>
<td>—</td>
<td>11,476</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>(702)</td>
<td>—</td>
<td>233</td>
<td>132</td>
<td>1,491</td>
<td>(124)</td>
</tr>
<tr>
<td>Other</td>
<td>121</td>
<td>866</td>
<td>—</td>
<td>—</td>
<td>38</td>
<td>3,306</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>22,532</td>
<td>19,138</td>
<td>2,114</td>
<td>15,606</td>
<td>2,587</td>
<td>11,171</td>
</tr>
</tbody>
</table>

### Earnings Per Common Share

**Basic Earnings Per Share**

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

<table>
<thead>
<tr>
<th></th>
<th>Quarters ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Net income attributed to common shareholders</td>
<td>183</td>
<td>181</td>
</tr>
<tr>
<td>Weighted average number of outstanding shares (in millions of units)</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Basic earnings per share (in dollars)</td>
<td>1.71</td>
<td>1.70</td>
</tr>
</tbody>
</table>
Diluted Earnings Per Share

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

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company’s common shares for the period). For the quarter and for the six months ended June 30, 2020, an average of 555,361 and 315,584 antidilutive stock options respectively (139,536 for the quarter and 176,569 for the six months ended June 30, 2019) were excluded from the calculation.

<table>
<thead>
<tr>
<th>Quarters ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Net income attributed to common shareholders</td>
<td>183</td>
</tr>
<tr>
<td>Weighted average number of outstanding shares (in millions of units)</td>
<td>107</td>
</tr>
<tr>
<td>Add: dilutive effect of stock options granted and outstanding (in millions of units)</td>
<td>—</td>
</tr>
<tr>
<td>Weighted average number of outstanding shares on a diluted basis (in millions of units)</td>
<td>107</td>
</tr>
<tr>
<td>Diluted earnings per share (in dollars)</td>
<td>1.71</td>
</tr>
</tbody>
</table>

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

19 Post-Employment Benefits

The Company maintains several funded and unfunded defined benefit plans that provide pension benefits and defined contribution plans.

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

Amounts Recognized in Net Income and Other Comprehensive Income

<table>
<thead>
<tr>
<th>Quarters ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
</tr>
<tr>
<td>Net interest</td>
</tr>
<tr>
<td>Administrative expense</td>
</tr>
<tr>
<td>Components of the cost of defined benefits recognized in the net income</td>
</tr>
<tr>
<td>Remeasurement of net liabilities (assets) as defined benefits¹</td>
</tr>
<tr>
<td>Rate of return on assets (excluding amounts included in the net interest above)</td>
</tr>
<tr>
<td>Actuarial losses on financial assumption changes</td>
</tr>
<tr>
<td>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</td>
</tr>
<tr>
<td>Total of defined benefit cost components</td>
</tr>
</tbody>
</table>

¹ Market based assumptions, such as assumptions on rate of return on assets and changes in financial assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.
Six months ended June 30

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pension plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Net interest</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Components of the cost of defined benefits recognized in the net income</strong></td>
<td>35</td>
<td>3</td>
</tr>
<tr>
<td><strong>Remeasurement of net liabilities (assets) as defined benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate of return on assets (excluding amounts included in the net interest above)</td>
<td>(19)</td>
<td></td>
</tr>
<tr>
<td>Actuarial losses (gains) on financial assumption changes</td>
<td>94</td>
<td>1</td>
</tr>
<tr>
<td>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</td>
<td>75</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total of defined benefit cost components</strong></td>
<td>110</td>
<td>4</td>
</tr>
</tbody>
</table>

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

Items that will not be reclassified subsequently to net income

Quarters ended June 30

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pension plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of post-employment benefits</td>
<td>166</td>
<td>3</td>
</tr>
<tr>
<td>Income taxes on remeasurement of post-employment benefits</td>
<td>(43)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total of other comprehensive income</strong></td>
<td>123</td>
<td>2</td>
</tr>
</tbody>
</table>

Six months ended June 30

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pension plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of post-employment benefits</td>
<td>75</td>
<td>1</td>
</tr>
<tr>
<td>Income taxes on remeasurement of post-employment benefits</td>
<td>(20)</td>
<td></td>
</tr>
<tr>
<td><strong>Total of other comprehensive income</strong></td>
<td>55</td>
<td>1</td>
</tr>
</tbody>
</table>

20 Commitments

Investment Commitments

In the normal course of the Company’s business, various outstanding contractual commitments related to offers for commercial and residential loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. As at June 30, 2020, there were $790 ($803 as at December 31, 2019) of outstanding commitments, of which the estimated disbursements will be $58 ($65 as at December 31, 2019) in 30 days, $339 ($314 as at December 31, 2019) in 31 to 365 days and $393 ($424 as at December 31, 2019) in more than one year.

Disposal of Invested Assets

On May 27, 2020, the Company committed to sell its residential mortgage loan portfolio. This sale reflects management’s decision to withdraw from the residential mortgage market and to focus on the multi-residential and non-residential mortgage markets. Subject to required approvals, the transaction is expected to be closed on September 1, 2020. This commitment has not been reflected in the financial statements and may not be executed.
Letters of Credit
In the normal course of operations, banks issue letters of credit on behalf of the Company. As at June 30, 2020, the balance of these letters is $7 ($7 as at December 31, 2019).

Lines of Credit
As at June 30, 2020, the Company had operating lines of credit totalling $56 ($56 as at December 31, 2019). As at June 30, 2020 and 2019, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

21 Comparative Figures
Certain comparative figures have been reclassified to comply with the current presentation. The reclassifications had no impact on the net income of the Company.
Conference Call
Management held a conference call to present its results on Thursday, July 30, at 2:00 p.m. (ET). You can listen to a replay of the conference call for a 90-day period on the Company’s website at ia.ca, under About IA, in the Investor Relations/Financial Reports section.

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

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

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

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

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

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

iA Financial Group is a business name and trademark of iA Financial Corporation Inc. and Industrial Alliance Insurance and Financial Services Inc.