

# Responsible Choices

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## 2020 Third Quarter Report to Shareholders

For the Quarter Ended September 30, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated November 4, 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 nine months ended September 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.

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**HIGHLIGHTS<sup>1</sup>**

<b>Profitability</b>						
	<b>Third quarter</b>			<b>Year-to-date at September 30</b>		
	<b>2020</b>	<b>2019</b>	<b>Variation</b>	<b>2020</b>	<b>2019</b>	<b>Variation</b>
Net income attributed to common shareholders (in millions)	\$217.5	\$183.7	18%	\$439.3	\$516.2	(15%)
Weighted average number of common shares (diluted) (in millions)	107.1	106.9	—	107.2	107.3	—
Earnings per common share (EPS) (diluted)	\$2.03	\$1.72	18%	\$4.10	\$4.81	(15%)
Core earnings per common share (EPS) (diluted) <sup>2</sup>	\$1.83	\$1.75	5%	\$4.81	\$4.64	4%
	<b>September 30, 2020</b>	<b>June 30, 2020</b>		<b>December 31, 2019</b>	<b>September 30, 2019</b>	
Return on common shareholders' equity (ROE) <sup>3</sup>	10.9%	10.5%		12.9%	12.7%	
Core return on common shareholders' equity (ROE) <sup>3</sup>	12.3%	12.4%		12.6%	12.4%	

The Company ended the third quarter of 2020 with net income to common shareholders of \$217.5 million, up 18% compared to \$183.7 million in 2019, and diluted earnings per common share (EPS) of \$2.03, also up 18% from \$1.72 in 2019. These results include those related to the IAS acquisition in the United States as of May 22, 2020. Without the IAS results for the period from May 22 to June 30, 2020, diluted EPS for the quarter would have been \$2.02.

Return on common shareholders' equity (ROE) was 10.9% at September 30, 2020 versus 12.7% at September 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 \$1.83 for the third quarter compares with \$1.75 for the same period in 2019. Core ROE of 12.3% at September 30, 2020 compares with 12.4% a year earlier.

**Business growth** – Premiums and deposits totalled nearly \$3.9 billion for the quarter, up from third quarter 2019 (+43%). In Canada, third quarter sales were particularly good for Individual Insurance (+14%), segregated funds (+26%), Employee Plans (+102%) and iAAH (+14%). Gross mutual fund sales showed good growth at \$544.7 million (+17%), and net sales were positive once again with inflows of \$47.6 million. Segregated funds recorded strong net inflows totalling \$375.9 million. For Group Savings and Retirement, third quarter sales were particularly good (+164%). In the U.S., Individual Insurance sales were up year over year (+30%), and Dealer Services sales (including IAS sales for the period from May 22 to September 30, 2020) posted significant growth (+112%). Finally, total assets under management and administration were up 3% during the quarter, amounting to \$185.8 billion at September 30, 2020.

**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. After one full quarter on the market, sales are in line with management objectives, mainly due to the excellent response to the product by all of the Company's distribution networks. On another note, premiums were increased for various individual insurance products during the quarter, mainly to reflect the drop in interest rates since the beginning of the year.

**Financial position** – The solvency ratio was 125% at September 30, 2020, compared with 124% at the end of the previous quarter and 134% a year earlier. The Company's target range is 110% to 116%. The increase in the third quarter essentially stems from organic capital generation. The Company's debt ratio at September 30, 2020 was 25.1%.

**Book value** – The book value per common share was \$54.50 at September 30, 2020, up 2% from the last quarter and 7% over twelve months.

**Dividend** – In accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic, the Board of Directors approved a quarterly dividend of \$0.4850 per common share payable in the fourth quarter of 2020.

<sup>1</sup> This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.

<sup>2</sup> In Q4 2019, an adjustment was made to core EPS for Q3 2019 following a change to the definition of EPS relating to the impact of macroeconomic changes.

<sup>3</sup> Trailing twelve months.

**Sale of residential mortgage portfolio** – On September 1, 2020, the Company assigned to a third party, by way of a sales agreement, its residential mortgage portfolio held through iA Insurance as well as its rights and obligations toward the Canada Mortgage and Housing Corporation (CMHC) regarding residential mortgages included under the mortgage-backed securities program issued under the *National Housing Act*. This sale reflects management's decision to exit the residential mortgage market.

The Company transferred the risks and rewards related to this portfolio and, consequently, derecognized the residential mortgages. Under this transaction, the Company received monetary consideration and recognized government bonds under its assets.

**Executive Committee** – On July 30, 2020, Éric Jobin was appointed Executive Vice-President, Group Benefits and Retirement Solutions. Mr. Jobin, who was already managing this business line on an interim basis, also becomes a member of the Company's Executive Committee and continues to report to Michael L. Stickney. This growth-oriented organization change will enable the Company to better position itself in the Canadian group products market and to meet future challenges in this sector.

**Normal Course Issuer Bid** – The Company did not redeem or cancel any outstanding common shares in the third quarter of 2020, as redemptions are currently on hold in accordance with regulators' instructions.

**Reinsurance agreements** – Since the beginning of fourth quarter 2020, the Company has taken advantage of a favourable reinsurance environment to begin signing new reinsurance agreements (in Canada and the United States) that will have an impact on its fourth quarter financial results. The full impact of these agreements will be assessed during the fourth quarter and disclosed with the Company's financial results as at December 31, 2020. At this time, the Company plans to use the gains from these agreements to take on additional protections against uncertainties arising from the current pandemic. The overall impact on fourth quarter 2020 results is expected to be positive or neutral.

**Annual actuarial assumption review** – The annual review of actuarial assumptions has begun and will be finalized in the coming weeks. The final results will be reported on February 11, 2021, with the fourth quarter 2020 earnings release. Aside from the additional pandemic-related protections mentioned above, the Company believes the impact of the annual actuarial assumption review on fourth quarter 2020 results will be immaterial.

**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.

*Unless otherwise indicated, the results presented in this document are compared with those from the corresponding period in the previous year.*

## **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.

<b>Net Premiums, Premium Equivalents and Deposits<sup>4,5</sup></b>						
<b>(In millions of dollars)</b>	<b>Third quarter</b>			<b>Year-to-date at September 30</b>		
	<b>2020</b>	<b>2019</b>	<b>Variation</b>	<b>2020</b>	<b>2019</b>	<b>Variation</b>
Individual Insurance	412.0	397.5	14.5	1,203.0	1,176.6	26.4
Individual Wealth Management	1,477.8	1,203.6	274.2	4,527.6	3,598.6	929.0
Group Insurance	450.0	454.6	(4.6)	1,304.6	1,339.1	(34.5)
Group Savings and Retirement	1,173.5	439.5	734.0	2,183.7	1,460.3	723.4
US Operations	310.9	160.6	150.3	677.4	475.3	202.1
General Insurance <sup>6</sup>	91.4	79.5	11.9	251.4	231.9	19.5
<b>Total</b>	<b>3,915.6</b>	<b>2,735.3</b>	<b>1,180.3</b>	<b>10,147.7</b>	<b>8,281.8</b>	<b>1,865.9</b>

Premiums and deposits exceeded \$3.9 billion in the third quarter, an increase of 43% year over year, mainly due to the contribution of Group Savings and Retirement and, to a lesser extent, Individual Wealth Management. For the year to date, premiums and deposits surpassed \$10.1 billion for an increase of 23% year over year. Like for the quarter, this increase is mainly due to the performance of the two savings business lines.

<b>Assets Under Management and Administration<sup>7</sup></b>				
<b>(In millions of dollars)</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Assets under management				
General fund	52,705.8	51,499.5	45,279.6	45,458.8
Segregated funds	30,119.0	28,504.8	27,867.9	26,976.4
Mutual funds	10,518.0	10,048.7	11,594.2	11,360.2
Other	3,731.7	5,287.3	15,500.1	15,666.6
Subtotal	97,074.5	95,340.3	100,241.8	99,462.0
Assets under administration	88,745.4	85,682.6	89,245.8	87,592.0
<b>Total</b>	<b>185,819.9</b>	<b>181,022.9</b>	<b>189,487.6</b>	<b>187,054.0</b>

Assets under management and administration were up 3% during the third quarter, supported by net fund entries and market growth. They finished the quarter at \$185.8 billion compared to \$187.1 billion in the same quarter last year. This decrease is mainly due to the drop in the Canadian stock market, but also to the second quarter sale of iA Investment Counsel Inc.

<sup>4</sup> 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.

<sup>5</sup> This table presents non-IFRS measures.

<sup>6</sup> Includes IAAH and some minor consolidation adjustments.

<sup>7</sup> This table presents non-IFRS measures.

Sales Growth by Line of Business <sup>8</sup>						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
<b>Individual Insurance</b>						
Minimum premiums	51.6	45.8	13%	138.4	127.9	8%
Excess premiums	1.8	1.2	50%	13.1	8.3	58%
Total	53.4	47.0	14%	151.5	136.2	11%
<b>Individual Wealth Management</b>						
Gross sales						
General fund	208.2	162.0	29%	588.8	369.1	60%
Segregated funds	724.9	576.4	26%	2,196.5	1,732.1	27%
Mutual funds	544.7	465.2	17%	1,742.3	1,497.4	16%
Total	1,477.8	1,203.6	23%	4,527.6	3,598.6	26%
Net sales (after redemptions and transfers)						
Segregated funds	375.9	167.8	208.1	1,216.7	419.2	797.5
Mutual funds	47.6	(127.9)	175.5	(1.7)	(353.2)	351.5
<b>Group Insurance</b>						
Employee Plans	26.1	12.9	102%	106.1	42.9	147%
Dealer Services						
Creditor Insurance	90.1	97.6	(8%)	195.4	253.7	(23%)
P&C Insurance	87.0	70.6	23%	203.1	197.5	3%
Car loan originations	132.0	131.5	0%	324.2	328.1	(1%)
Special Markets Solutions	40.3	62.9	(36%)	161.0	197.6	(19%)
Group Savings and Retirement	1,180.0	446.5	164%	2,203.9	1,480.4	49%
<b>US Operations (\$US)</b>						
Individual Insurance	33.7	25.9	30%	96.0	69.8	38%
Dealer Services – P&C Insurance <sup>9,10</sup>	249.1	117.4	112%	473.2	341.6	39%
<b>General Insurance</b>						
iAAH (auto and home insurance)	109.8	96.2	14%	308.7	274.8	12%

*Individual Insurance in Canada* – Third quarter sales totalled \$53.4 million, continuing their momentum with a year-over-year increase of 14% for the quarter and 11% for the year to date. This positive result stems in part from sales of the new participating whole life product launched in June.

*Individual Wealth Management* – Guaranteed product (general fund) sales for the quarter were up significantly from last year at \$208.2 million (+29%). Gross segregated fund sales were up 26% year over year at \$724.9 million, and net sales of \$375.9 million more than doubled compared to third quarter 2019. In gross segregated fund sales, the Company maintained its solid position in the industry, closely following first place during the third quarter. In addition, the Company remains first in the industry for net segregated fund sales.

Gross mutual fund sales were up 17% year over year at \$544.7 million, and net sales of \$47.6 million were positive for the second quarter in a row.

*Group Insurance – Employee Plans* – The momentum from the beginning of the year continued in the third quarter with sales totalling \$26.1 million, significantly up from \$12.9 million in the same quarter last year. This result stems in part from the large number of new groups that were implemented during the quarter. Note that sales in this division vary considerably from one quarter to another based on the size and number of contracts sold.

<sup>8</sup> Sales are not an IFRS measure.

<sup>9</sup> Property and casualty insurance.

<sup>10</sup> IAS Parent Holdings, Inc. sales have been added to these figures. The Q3 amount includes all sales from May 22 to September 30, 2020. The amount of sales for Q2 2020 (May 22 to June 30, 2020) is US\$27.1M.

*Group Insurance – Dealer Services* – Total sales of \$309.1 million in the third quarter were up 3% year over year. By product, P&C sales (including extended warranties and replacement insurance) were up 23% from the previous year at \$87.0 million, while creditor insurance sales of \$90.1 million compared with \$97.6 million a year ago. Car loan originations of \$132.0 million mimicked their strong performance from the same period last year.

*Group Insurance – Special Markets Solutions* – Third quarter sales totalled \$40.3 million, compared to \$62.9 million a year earlier. This decrease is largely explained by significantly lower sales of travel insurance due to the pandemic.

*Group Savings and Retirement* – Total third quarter sales amounted to \$1,180.0 million, significantly up from \$446.5 million a year earlier. This increase came from both accumulation product and insured annuity sales, supported by the signing of several groups with sizable assets as well as a major insured annuity contract. Note that sales in this business line can vary considerably based on the size and number of contracts sold.

*US Operations* – Year over year, Individual Insurance sales grew by 30% in the third quarter to US\$33.7 million. Dealer Services sales (including IAS sales for the period from May 22 to September 30, 2020) more than doubled at US\$249.1 million. Along with the addition of IAS's sales, this growth is essentially explained by the recovery of car sales following the reopening of dealerships that had closed during the second quarter. On the other hand, vehicle inventories in the United States reached their lowest levels in seven years, which may have tempered growth in the third quarter.

*General Insurance (iAAH)* – Direct written premiums grew by 14% year over year to \$109.8 million.

## ANALYSIS ACCORDING TO SOURCES OF EARNINGS

Results According to Sources of Earnings <sup>11</sup>						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Operating profit						
Expected profit on in-force	224.6	206.9	17.7	587.7	575.8	11.9
Experience gains (losses)	26.3	5.0	21.3	(74.0)	36.8	(110.8)
Gain (strain) on sales	(1.7)	(2.3)	0.6	(21.8)	(9.7)	(12.1)
Changes in assumptions and management actions <sup>12</sup>	—	(8.5)	8.5	(24.0)	(8.5)	(15.5)
Subtotal	249.2	201.1	48.1	467.9	594.4	(126.5)
Income on capital	19.3	40.1	(20.8)	84.4	95.1	(10.7)
Income taxes	(45.5)	(52.1)	6.6	(96.4)	(156.5)	60.1
Net income attributed to shareholders	223.0	189.1	33.9	455.9	533.0	(77.1)
Less: dividends on preferred shares issued by a subsidiary	5.5	5.4	0.1	16.6	16.8	(0.2)
Net income attributed to common shareholders	217.5	183.7	33.8	439.3	516.2	(76.9)

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 September 30, 2020. This data complements information presented in the "Analysis According to the Financial Statements" section 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.

<sup>11</sup> This table contains measures that have no IFRS equivalents. See "Non-IFRS Financial Information" at the end of this document for more information.

<sup>12</sup> Q1 2020: PPI goodwill impairment.

For the third quarter of 2020, expected profit on in-force was up year over year by 9% or \$17.7 million. This increase is essentially explained by the increase in expected profit on in-force in US Operations given the contribution of the IAS acquisition. Note that expected profit on in-force for the third quarter includes that related to the IAS acquisition in the United States for the period from May 22 to September 30, 2020, which is in line with management's expectations as stated during the second quarter 2020 results disclosure.

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

In the third quarter of 2020, the Company recorded a net experience gain of \$26.3 million, or \$19.0 million after tax (+\$0.18 EPS), due to the following:

- *Individual Insurance* – Experience was positive in the third quarter with a gain of \$12.8 million after tax (+\$0.11 EPS), resulting mainly from favourable macroeconomic changes. The markets had a positive impact on universal life insurance policies (+ \$0.05 EPS) and on assets backing individual insurance reserves (+\$0.02 EPS). In addition, mortality was unfavourable (partially due to the pandemic) (-\$0.02 EPS); morbidity was favourable, particularly with respect to short- and long-term disability (mainly due to the pandemic) (+\$0.03 EPS); expenses were lower than expected (+\$0.02 EPS); commission income for the PPI subsidiary was lower than expected, consistent with the first quarter goodwill adjustment (-\$0.01 EPS); and, lastly, various other items generated a slight gain (+\$0.02 EPS).
- *Individual Wealth Management* – Experience for this business line was favourable in the third quarter (after-tax gain of \$3.5 million or +\$0.04 EPS). Gains were generated by the positive impact of macroeconomic changes on investment fund income (MERs) (+\$0.02 EPS) and on the segregated fund hedging program (+\$0.03 EPS). In contrast, commissions paid on mutual fund sales were higher than expected (-\$0.01 EPS).
- *Group Insurance* – This business line recorded an after-tax gain of \$4.0 million for the quarter (+\$0.04 EPS). Experience in Employee Plans was slightly better than expected (+\$0.01 EPS) with favourable long-term disability experience (partly due to the pandemic) being offset in part by unfavourable experience in health and dental insurance and unfavourable mortality. In Dealer Services (including car loans), expenses were lower than expected (+\$0.02 EPS), as were integration costs for the acquisitions announced on January 10, 2020 (+\$0.01 EPS). Lastly, results were in line with expectations for car loans and in Special Markets Solutions.
- *Group Savings and Retirement* – This business line reported an after-tax gain of \$2.0 million (+\$0.02 EPS) due to favourable longevity (+\$0.01 EPS) and lower expenses (+\$0.01 EPS).
- *US Operations* – Experience in this business line was below expectations for the quarter with an after-tax loss of \$3.3 million (-\$0.03 EPS). This is explained by unfavourable mortality in Individual Insurance (-\$0.05 EPS), nearly half of which can be attributed to confirmed COVID-19 cases. Dealer Services recorded favourable experience (+\$0.02 EPS) with slightly higher income and lower than expected IAS integration costs. Note that the business line's third quarter results include operating profit from the IAS acquisition for the period from May 22 to September 30, 2020, and are in line with management's expectations as stated during the second quarter results disclosure.

*Strain in Individual Insurance and US Operations* – Strain on new business for the two business lines amounted to \$1.5 million pre-tax, or 2% of sales for the quarter. This is close to expectations due to two offsetting items. First, as in the first and second quarters, the strain calculation takes into account the first quarter drop in interest rates (-\$0.03 EPS). Second, a positive impact was generated by increased premiums in Individual Insurance (+\$0.03 EPS).

*Income on capital* – Net income earned on the Company's surplus funds, which includes income from iA Auto and Home (iAAH), was \$19.3 million before tax for the third 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 (+\$0.11 EPS) due mainly to lower claims, particularly in auto insurance, as well as lower expenses. The iAAH result is in part related to the pandemic. Other variations versus expected income on capital are as follows:

- The sale of the residential mortgage portfolio generated a gain (+\$0.06 EPS).
- The writedown of assets, in particular the revision of the useful life of a software application, led to a loss (-\$0.11 EPS).
- The February debenture issuance had a positive impact on income (+\$0.02 EPS), offset by higher financing expenses due to the same issuance (-\$0.02 EPS).
- Various other items led to lower than expected income on capital (-\$0.04 EPS).



*Income taxes* – Income taxes amounted to \$45.5 million in the third quarter for an effective tax rate of 16.9%. This lower than expected tax expense represents a positive impact of \$0.12 EPS and essentially stems from the Company's status as a multinational insurer, which allows for lower taxation on investment income.

*COVID-19 pandemic and macroeconomic changes* – Since March 2020, the COVID-19 pandemic has impacted both society in general and the economy. The Company nonetheless 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, ensuring that the quality of service clients receive is similar to or better than before the pandemic and enabling employees and advisors to continue to work safely and securely. Given the ongoing uncertainty about how long the pandemic will last, the effectiveness of government measures to slow its spread and the impact on the economy, it is impossible to accurately predict the total bearing the pandemic will have on the Company's financial results for 2020, but it could be material. Consequently, in May, the Company withdrew the 2020 financial guidance provided to the markets on February 13, 2020.

### 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 third quarter of 2020 was \$1.83, a year-over-year increase of 5%. The table below reconciles the Company's reported and core EPS on a diluted basis. Six items were adjusted in the core EPS calculation for the quarter, representing a decrease of \$0.20 versus reported EPS.

Reported EPS and Core EPS Reconciliation						
(On a diluted basis) <sup>13</sup>	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
<b>Reported EPS</b>	\$2.03	\$1.72	18%	\$4.10	\$4.81	(15%)
<b>Adjusted for:</b>						
Specific items:						
Unusual income tax gains and losses	—	—		—	(\$0.04)	
Sale of residential mortgage portfolio	(\$0.06)	—		(\$0.06)	—	
Software and other writedowns	\$0.11	—		\$0.11	—	
Sale of iA Investment Counsel	—	—		(\$0.08)	—	
Acquisition and integration costs	\$0.02	—		\$0.08	—	
PPI purchase price and goodwill adjustments	—	\$0.08		—	\$0.08	
PPI goodwill impairment	—	—		\$0.22	—	
Market-related gains and losses	(\$0.12)	(\$0.07)		\$0.58	(\$0.25)	
Experience gains and losses in excess of \$0.04 EPS						
Policyholder experience	—	\$0.03		\$0.09	\$0.03	
Strain on sales	—	—		\$0.01	—	
Income on capital (excluding iAAH)	—	—		\$0.01	—	
iA Auto and Home experience	(\$0.07)	(\$0.01)		(\$0.17)	(\$0.01)	
Usual income tax gains and losses	(\$0.08)	—		(\$0.08)	\$0.02	
<b>Core EPS</b>	<b>\$1.83</b>	<b>\$1.75</b>	<b>5%</b>	<b>\$4.81</b>	<b>\$4.64</b>	<b>4%</b>

<sup>13</sup> In Q4-2019, an adjustment has been made to the Q3-2019 core EPS following a modification of the core earnings per common share definition relating to macroeconomic variation impacts.

**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.

<b>Consolidated Income Statements</b>						
<b>(In millions of dollars)</b>	<b>Third quarter</b>			<b>Year-to-date at September 30</b>		
	<b>2020</b>	<b>2019</b>	<b>Variation</b>	<b>2020</b>	<b>2019</b>	<b>Variation</b>
Revenues						
Net premiums	3,247.6	2,189.5	1,058.1	8,116.1	6,527.0	1,589.1
Investment income	395.5	1,109.8	(714.3)	3,693.5	4,943.1	(1,249.6)
Other revenues	455.4	416.2	39.2	1,311.2	1,251.1	60.1
Total	4,098.5	3,715.5	383.0	13,120.8	12,721.2	399.6
Less: policy benefits and expenses	3,831.0	3,474.5	356.5	12,562.3	12,031.3	531.0
Income before income taxes	267.5	241.0	26.5	558.5	689.9	(131.4)
Less: income taxes	48.5	51.9	(3.4)	98.6	156.3	(57.7)
Net income	219.0	189.1	29.9	459.9	533.6	(73.7)
Less: net income attributed to participating policyholders	(4.0)	—	(4.0)	4.0	0.6	3.4
Net income attributed to shareholders	223.0	189.1	33.9	455.9	533.0	(77.1)
Less: preferred share dividends issued by a subsidiary	5.5	5.4	0.1	16.6	16.8	(0.2)
Net income attributed to common shareholders	217.5	183.7	33.8	439.3	516.2	(76.9)

**Revenues**

The following table presents the composition of revenues by line of business.

<b>Revenues by Line of Business</b>							
<b>(In millions of dollars)</b>	<b>Third quarter</b>						
	<b>Individual Insurance</b>	<b>Individual Wealth Management</b>	<b>Group Insurance</b>	<b>Group Savings and Retirement</b>	<b>US Operations</b>	<b>Other</b>	<b>Total</b>
Net premiums	412.0	933.1	414.5	1,167.5	229.1	91.4	3,247.6
<i>Variation vs. 2019</i>	<i>14.5</i>	<i>194.7</i>	<i>(3.6)</i>	<i>739.0</i>	<i>101.6</i>	<i>11.9</i>	<i>1,058.1</i>
Investment income	257.0	(32.0)	42.0	71.0	15.6	41.9	395.5
<i>Variation vs. 2019</i>	<i>(604.4)</i>	<i>(79.0)</i>	<i>4.2</i>	<i>7.3</i>	<i>(49.9)</i>	<i>7.5</i>	<i>(714.3)</i>
Other revenues	27.2	370.0	24.0	26.0	61.2	(53.0)	455.4
<i>Variation vs. 2019</i>	<i>(2.6)</i>	<i>2.2</i>	<i>10.5</i>	<i>1.8</i>	<i>42.4</i>	<i>(15.1)</i>	<i>39.2</i>
Total	696.2	1,271.1	480.5	1,264.5	305.9	80.3	4,098.5
<i>Variation vs. 2019</i>	<i>(592.5)</i>	<i>117.9</i>	<i>11.1</i>	<i>748.1</i>	<i>94.1</i>	<i>4.3</i>	<i>383.0</i>

*Net premiums* – The \$1,058.1 million increase over the third quarter of 2019 is mainly explained by:

- Increased Group Savings and Retirement premiums due to the signing of large contracts.
- Increased segregated fund premiums and sales in guaranteed investment certificates (GICs) and high interest savings accounts in Individual Wealth Management.
- Growth in net premiums in US Operations due to the IAS acquisition and from entities already within the group.

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 \$714.3 million decrease in investment income compared to third quarter 2019 is largely due to the decrease in the fair value of bond investments, mainly caused by variations in interest rates and issuer spreads.

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. Other revenues were up \$39.2 million year over year in the third quarter, essentially from entities acquired in 2020.

### Policy Benefits and Expenses

Policy benefits and expenses increased by \$356.5 million in the third quarter compared to the same period last year. This increase is explained by:

- An increase in net transfers to segregated funds in the Individual Wealth Management and Group Savings and Retirement sectors.
- An increase in net benefits reflecting the normal course of business. Net benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- An increase in commissions, mainly due to the IAS acquisition and net premium growth in the other US Operations subsidiaries.
- An increase in general expenses, mostly related to 2020 acquisitions.

The increase in policy benefits and expenses was mitigated by:

- A decrease 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.

### Income Taxes

For the third quarter of 2020, the Company recorded an income tax expense of \$48.5 million, compared to \$51.9 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 \$217.5 million for the third quarter of 2020, compared to \$183.7 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.

Selected Financial Data									
(In millions of dollars, unless otherwise indicated)	2020			2019				2018 <sup>14</sup>	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	4,098.5	6,684.1	2,338.2	2,543.9	3,715.5	4,078.7	4,927.0	2,587.4	1,980.2
Net income attributed to common shareholders	217.5	182.7	39.1	171.2	183.7	181.4	151.1	149.5	164.9
Earnings per common share									
Basic	\$2.03	\$1.71	\$0.37	\$1.60	\$1.73	\$1.70	\$1.41	\$1.37	\$1.50
Diluted	\$2.03	\$1.71	\$0.36	\$1.59	\$1.72	\$1.69	\$1.40	\$1.36	\$1.50

<sup>14</sup> 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.

### Related Party Transactions

There are no material related party transactions outside the normal course of business to report for the third quarter of 2020.

### Liquidity

To honour its commitments, the Company maintains a sufficient level of liquidity by holding a proportion of marketable high-quality 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 third quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 "General Information" of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the iA Financial Group 2019 Annual Report 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

<b>Investment Mix</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Book value of investments	44,687.0	43,308.0	39,919.2	39,856.8
Allocation of investments by asset class				
Bonds	72.2%	69.1%	68.8%	69.6%
Stocks	7.0%	6.8%	7.6%	7.3%
Mortgages and other loans	5.9%	8.7%	9.7%	9.7%
Investment properties	4.5%	4.6%	5.2%	4.5%
Policy loans	2.0%	2.2%	2.3%	2.3%
Cash and short-term investments	4.0%	3.4%	2.8%	2.5%
Other	4.4%	5.2%	3.6%	4.1%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio amounted to \$44.7 billion at September 30, 2020, up 3% from June 30, 2020 mainly due to favourable equity markets, which continued to grow following their strong recovery in the second quarter. The above table shows the main asset classes that make up the Company's investment portfolio. The decrease in mortgages and other loans is explained by the second quarter sale of the residential mortgage portfolio, which is therefore no longer part of the investment portfolio. Under this transaction, the Company received monetary consideration and recognized bonds under its assets, explaining the increase in this asset class during the quarter.

<b>Quality of Investments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Gross impaired investments	45.4	44.5	21.5	24.0
Provisions for impaired investments	8.0	8.1	10.5	11.1
Net impaired investments	37.4	36.4	10.9	12.9
Net impaired investments as a % of total investments	0.08%	0.08%	0.03%	0.03%
Bonds – Proportion rated BB or lower	0.77%	0.83%	0.87%	0.82%
Mortgages – Proportion of securitized and insured loans <sup>15</sup>	24.1%	34.9%	37.8%	39.2%
– Proportion of insured loans	49.7%	38.3%	36.0%	35.8%
– Delinquency rate	0.00%	0.01%	0.08%	0.08%
Investment properties – Occupancy rate	96.0%	96.0%	94.0%	93.0%
Car loans – Average credit loss rate (non-prime) <sup>16</sup>	4.3%	5.0%	5.4%	5.3%

The indicators in the above table confirm the quality of the investment portfolio. The change in impaired investments over twelve months is the result of provisions taken on certain assets in the second quarter. Given the pandemic environment, the Company continues to strictly monitor its bond downgrade risk exposure. The variations under mortgages are explained by the second quarter sale of the residential mortgage portfolio, which is therefore no longer part of the investment portfolio. 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. This rate is expected to increase gradually as losses from clients affected by the pandemic emerge in late 2020 and early 2021.

<b>Derivative Financial Instruments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Total notional amount (\$B)	31.2	31.9	29.9	26.6
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	1,411.4	1,711.5	1,003.4	1,208.0
Negative fair value	778.1	858.9	454.8	387.7

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.

<sup>15</sup> A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.

<sup>16</sup> Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.

For more information, refer to Note 5 and Note 8 of the Company's unaudited interim condensed consolidated financial statements.

## FINANCIAL POSITION

<b>Capitalization</b>				
<b>(In millions of dollars)</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019<sup>17</sup></b>
Equity				
Common shares	1,672.8	1,671.9	1,666.5	1,652.3
Preferred shares issued by a subsidiary	525.0	525.0	525.0	525.0
Contributed surplus	18.5	18.1	17.5	19.1
Retained earnings	4,034.5	3,884.1	3,823.5	3,651.5
Accumulated other comprehensive income	105.7	121.5	55.6	89.5
Subtotal	6,356.5	6,220.6	6,088.1	5,937.4
Debentures	1,448.2	1,448.1	1,049.7	1,049.5
Participating policyholders' accounts	46.0	50.0	41.9	52.6
Total	7,850.7	7,718.7	7,179.7	7,039.5

The Company's capital amounted to nearly \$7.9 billion at September 30, 2020, up \$132.0 million from June 30, 2020. This increase stems mainly from the increase in retained earnings generated by the net earnings contribution. During the quarter, there was a slight decrease in accumulated other comprehensive income, mainly caused by the impact of macroeconomic changes.

<b>Solvency<sup>18</sup></b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Available capital				
Tier 1	2,716.6	2,620.2	3,212.7	3,164.6
Tier 2	1,602.7	1,521.4	1,596.4	1,595.9
Surplus allowance and eligible deposits	4,993.6	4,845.6	4,461.8	4,419.9
Total	9,312.9	8,987.2	9,270.9	9,180.4
Base solvency buffer	7,469.4	7,267.9	6,980.2	6,859.7
Solvency ratio	125%	124%	133%	134%

The Company ended the third quarter of 2020 with a solvency ratio of 125%. The increase of 1 percentage point versus the ratio at June 30, 2020 essentially stems from organic capital generation. The current ratio remains above the Company's target range of 110% to 116%.

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

<b>Financial Leverage</b>				
	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Debt ratio				
Debentures/capital	18.4%	18.8%	14.6%	14.9%
Debentures + preferred shares issued by a subsidiary/capital	25.1%	25.6%	21.9%	22.4%
Coverage ratio <sup>19</sup>	12.0x	12.4x	16.6x	16.8x

<sup>17</sup> In Q4 2019, an adjustment has been made retroactively to January 1, 2018 transferring \$7 from retained earnings to the participating policyholders' accounts.

<sup>18</sup> This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

<sup>19</sup> Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, dividends on preferred shares issued by a subsidiary and redemption premiums on preferred shares issued by a subsidiary (if applicable).

The debt ratios decreased during the third quarter due to the increase in the Company's total capital. The change in the coverage ratio during the quarter reflects a slight increase in financing costs. Its decrease from the previous year reflects both an increase in financing costs and a decrease in profit over the past twelve months, particularly due to the impact of the pandemic in the first quarter of 2020.

<b>Book Value per Common Share and Market Capitalization</b>				
	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Book value per common share	\$54.50	\$53.23	\$51.99	\$50.73
Number of common shares outstanding	107,028,827	107,008,827	106,966,199	106,683,949
Value per share at close	\$46.35	\$45.46	\$71.33	\$60.29
Market capitalization	\$4,960,786,131	\$4,864,621,275	\$7,629,898,975	\$6,431,975,285

Book value per common share was \$54.50 at September 30, 2020, up 2% from June 30, 2020 and 7% over the last twelve months.

The number of common shares outstanding increased by 20,000 during the quarter. This change resulted entirely from the exercise of stock options under the stock option plan for senior managers. The Company did not redeem or cancel any outstanding common shares under its Normal Course Issuer Bid program, as redemptions are currently on hold 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 \$5.0 billion at September 30, 2020, up 2% during the quarter mainly due to the change in the Company's stock price, as the number of common shares increased only slightly.

#### **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, in accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic.

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. iA Insurance did not declare any dividend in the third quarter of 2020. For the fourth quarter of 2020, the Board of Directors of iA Insurance approved a dividend of \$510.0 million to its sole common shareholder, iA Financial Corporation.

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

<b>Declaration of Dividend</b>				
	<b>Amount</b>	<b>Payment date</b>	<b>Closing date</b>	
Common share – iA Financial Corporation	\$0.4850	December 15, 2020	November 20, 2020	
Class A Preferred Share – Series B – iA Insurance	\$0.2875	December 31, 2020	November 27, 2020	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	\$0.2360625	December 31, 2020	November 27, 2020	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	\$0.3000	December 31, 2020	November 27, 2020	Non-cumulative dividend

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 December 15, 2020 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 13, 2020. Enrolment information is provided on iA Financial Group's website at [ia.ca](http://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**

<b>Sensitivity Analysis<sup>20</sup></b>				
	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
S&P/TSX Closing Value	16,121 points	15,515 points	17,063 points	16,659 points
Solvency ratio	125%	124%	133%	134%
<b>Impact of a drop in the stock markets (S&amp;P/TSX Index)<sup>21</sup></b>				
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(21%)	(20%)	(24%)	(25%)
Index trigger threshold	12,700 points	12,500 points	13,000 points	12,500 points
Net income impact due to provision strengthening for each 1% S&P/TSX additional decrease below this level	(\$21M)	(\$20M)	N/A	N/A
Decrease in index that reduces the solvency ratio to 110%	(66%)	(61%)	(91%)	(93%)
Index trigger threshold	5,400 points	6,000 points	1,500 points	1,200 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	(\$31M)	(\$30M)	(\$31M)	(\$33M)
<b>Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates</b>				
Drop in initial reinvestment rate (IRR)	—	\$3M	\$2M	(\$12M)
Drop in ultimate reinvestment rate (URR)	(\$68M)	(\$69M)	(\$61M)	(\$67M)

**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 actions 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 September 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

<sup>20</sup> The sensitivity analysis is based on non-IFRS measures.

<sup>21</sup> The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.



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 “Management of Risks Associated with Financial Instruments” note to the audited consolidated financial statements for the year ended December 31, 2019, the “Risk Update” section of 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)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Revenues</b>				
<b>Premiums</b>				
Gross premiums	3,492	2,404	8,761	7,131
Premiums ceded	(244)	(215)	(645)	(604)
Net premiums (Note 17)	3,248	2,189	8,116	6,527
<b>Investment income (Note 5)</b>				
Interest and other investment income	356	347	1,107	1,001
Change in fair value of investments	40	763	2,587	3,942
	396	1,110	3,694	4,943
Other revenues	455	416	1,311	1,251
	4,099	3,715	13,121	12,721
<b>Policy benefits and expenses</b>				
Gross benefits and claims on contracts	1,468	1,420	4,301	4,356
Ceded benefits and claims on contracts	(137)	(155)	(408)	(397)
Net transfer to segregated funds	622	262	1,834	682
Increase (decrease) in insurance contract liabilities	950	1,156	4,266	5,056
Increase (decrease) in investment contract liabilities	3	7	25	28
Decrease (increase) in reinsurance assets	(18)	(32)	(112)	(112)
	2,888	2,658	9,906	9,613
Commissions	468	425	1,304	1,220
General expenses	422	347	1,203	1,061
Premium and other taxes	34	31	94	95
Financing charges	19	13	55	42
	3,831	3,474	12,562	12,031
<b>Income before income taxes</b>	268	241	559	690
Income taxes (Note 16)	49	52	99	156
<b>Net income</b>	219	189	460	534
Net income attributed to participating policyholders	(4)	—	4	1
<b>Net income attributed to shareholders</b>	223	189	456	533
Dividends attributed to preferred shares issued by a subsidiary (Note 12)	6	5	17	17
<b>Net income attributed to common shareholders</b>	217	184	439	516
<b>Earnings per common share (in dollars) (Note 18)</b>				
Basic	2.03	1.73	4.11	4.83
Diluted	2.03	1.72	4.10	4.81
<b>Weighted average number of shares outstanding (in millions of units) (Note 18)</b>				
Basic	107	106	107	107
Diluted	107	107	107	107
<b>Dividends per common share (in dollars) (Note 11)</b>	0.49	0.45	1.46	1.32

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

## Consolidated Comprehensive Income Statements

(Unaudited, in millions of dollars)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Net income</b>	<b>219</b>	<b>189</b>	<b>460</b>	<b>534</b>
<b>Other comprehensive income, net of income taxes</b>				
<b>Items that may be reclassified subsequently to net income:</b>				
Available for sale financial assets				
Unrealized gains (losses) on available for sale financial assets	46	(1)	73	89
Reclassification of losses (gains) on available for sale financial assets included in net income	(2)	(4)	(16)	(13)
	44	(5)	57	76
Net investment hedge				
Unrealized gains (losses) on currency translation in foreign operations	(72)	16	—	(35)
Hedges of net investment in foreign operations	23	(13)	(28)	28
	(49)	3	(28)	(7)
Cash flow hedge				
Unrealized gains (losses) on cash flow hedges	(10)	—	21	(2)
<b>Items that will not be reclassified subsequently to net income:</b>				
Remeasurement of post-employment benefits	(15)	(13)	(71)	(70)
Total other comprehensive income	(30)	(15)	(21)	(3)
<b>Comprehensive income</b>	<b>189</b>	<b>174</b>	<b>439</b>	<b>531</b>
Comprehensive income attributed to participating policyholders	(4)	—	4	1
<b>Comprehensive income attributed to shareholders</b>	<b>193</b>	<b>174</b>	<b>435</b>	<b>530</b>

## Income Taxes Included in Other Comprehensive Income

(Unaudited, in millions of dollars)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Income tax recovery (expense) related to:</b>				
<b>Items that may be reclassified subsequently to net income:</b>				
Unrealized losses (gains) on available for sale financial assets	(16)	—	(25)	(31)
Reclassification of gains (losses) on available for sale financial assets included in net income	2	1	6	5
Hedges of net investment in foreign operations	(4)	2	5	(5)
Unrealized losses (gains) on cash flow hedges	—	—	(5)	—
	(18)	3	(19)	(31)
<b>Items that will not be reclassified subsequently to net income:</b>				
Remeasurement of post-employment benefits	5	4	25	24
<b>Total income tax recovery (expense) included in other comprehensive income</b>	<b>(13)</b>	<b>7</b>	<b>6</b>	<b>(7)</b>

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

## Consolidated Statements of Financial Position

(In millions of dollars)	As at September 30 2020 (unaudited) \$	As at December 31 2019 \$
<b>Assets</b>		
<b>Investments (Note 5)</b>		
Cash and short-term investments	1,768	1,108
Bonds	32,279	27,508
Stocks	3,142	3,024
Mortgages and other loans	2,632	3,870
Derivative financial instruments (Note 8)	1,411	1,003
Policy loans	901	900
Other invested assets	565	429
Investment properties	1,989	2,077
	<b>44,687</b>	<b>39,919</b>
Other assets	3,339	2,193
Reinsurance assets	1,346	1,030
Fixed assets	392	394
Deferred income tax assets	41	28
Intangible assets	1,621	1,110
Goodwill	1,280	606
General fund assets	52,706	45,280
Segregated funds net assets (Note 9)	30,119	27,868
<b>Total assets</b>	<b>82,825</b>	<b>73,148</b>
<b>Liabilities</b>		
Insurance contract liabilities	35,110	30,665
Investment contract liabilities	565	630
Derivative financial instruments (Note 8)	778	455
Other liabilities	7,999	6,063
Deferred income tax liabilities	403	287
Debentures	1,448	1,050
General fund liabilities	46,303	39,150
Liabilities related to segregated funds net assets (Note 9)	30,119	27,868
<b>Total liabilities</b>	<b>76,422</b>	<b>67,018</b>
<b>Equity</b>		
Share capital and contributed surplus	1,692	1,684
Preferred shares issued by a subsidiary (Note 12)	525	525
Retained earnings and accumulated other comprehensive income	4,140	3,879
Participating policyholders' accounts	46	42
	<b>6,403</b>	<b>6,130</b>
<b>Total liabilities and equity</b>	<b>82,825</b>	<b>73,148</b>

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

## Consolidated Equity Statements

(Unaudited, in millions of dollars)

As at September 30, 2020

	Participating policyholders' accounts	Common shares (Note 11)	Preferred shares issued by a subsidiary (Note 12)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (Note 13)	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2018	52	1,655	525	23	3,440	23	5,718
Net income attributed to shareholders	—	—	—	—	709	—	709
Net income attributed to participating policyholders' accounts	(10)	—	—	—	—	—	(10)
Other comprehensive income	—	—	—	—	—	12	12
<b>Comprehensive income for the year</b>	<b>(10)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>709</b>	<b>12</b>	<b>711</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	(21)	21	—
Stock option plan	—	—	—	4	—	—	4
Stock options exercised	—	—	—	(9)	—	—	(9)
Common shares issued	—	54	—	—	—	—	54
Redemption of common shares	—	(43)	—	—	(96)	—	(139)
Dividends on common shares	—	—	—	—	(188)	—	(188)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(22)	—	(22)
Other	—	—	—	—	1	—	1
	—	11	—	(5)	(326)	21	(299)
<b>Balance as at December 31, 2019</b>	<b>42</b>	<b>1,666</b>	<b>525</b>	<b>18</b>	<b>3,823</b>	<b>56</b>	<b>6,130</b>
Net income attributed to shareholders	—	—	—	—	456	—	456
Net income attributed to participating policyholders' accounts	4	—	—	—	—	—	4
Other comprehensive income	—	—	—	—	—	(21)	(21)
<b>Comprehensive income for the period</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>456</b>	<b>(21)</b>	<b>439</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	(71)	71	—
Stock option plan	—	—	—	2	—	—	2
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	8	—	—	—	—	8
Redemption of common shares	—	(1)	—	—	(3)	—	(4)
Dividends on common shares	—	—	—	—	(156)	—	(156)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(17)	—	(17)
Other	—	—	—	—	2	—	2
	—	7	—	1	(245)	71	(166)
<b>Balance as at September 30, 2020</b>	<b>46</b>	<b>1,673</b>	<b>525</b>	<b>19</b>	<b>4,034</b>	<b>106</b>	<b>6,403</b>

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

(Unaudited, in millions of dollars)

As at September 30, 2019

	Participating policyholders' accounts	Common shares (Note 11)	Preferred shares issued by a subsidiary (Note 12)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (Note 13)	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2018	52	1,655	525	23	3,440	23	5,718
Net income attributed to shareholders	—	—	—	—	533	—	533
Net income attributed to participating policyholders' accounts	1	—	—	—	—	—	1
Other comprehensive income	—	—	—	—	—	(3)	(3)
<b>Comprehensive income for the period</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>533</b>	<b>(3)</b>	<b>531</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	(70)	70	—
Stock option plan	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(7)	—	—	(7)
Common shares issued	—	40	—	—	—	—	40
Redemption of common shares	—	(43)	—	—	(96)	—	(139)
Dividends on common shares	—	—	—	—	(140)	—	(140)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(17)	—	(17)
Other	—	—	—	—	1	—	1
	—	(3)	—	(4)	(322)	70	(259)
Balance as at September 30, 2019	53	1,652	525	19	3,651	90	5,990

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

## Consolidated Cash Flows Statements

(Unaudited, in millions of dollars)	Nine months ended September 30	
	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Income before income taxes	559	690
Financing charges	55	42
Income taxes paid, net of refunds	(135)	(201)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	4,390	5,075
Increase (decrease) in investment contract liabilities	(65)	(2)
Decrease (increase) in reinsurance assets	(176)	(97)
Unrealized losses (gains) on investments	(2,583)	(3,936)
Provisions for losses	45	28
Amortization of premiums and discounts	14	11
Other depreciation	274	154
Goodwill impairment (Note 15)	24	22
Gain on a contingent consideration settlement	—	(14)
Gain on disposal of business (Note 4)	(16)	—
Other items not affecting cash	(470)	39
Operating activities affecting cash:		
Sales, maturities and repayments on investments	12,078	10,786
Purchases of investments	(12,415)	(12,110)
Realized losses (gains) on investments	(41)	(26)
Other items affecting cash	42	(235)
Net cash from (used in) operating activities	1,580	226
<b>Cash flows from investing activities</b>		
Acquisition of businesses, net of cash	(1,044)	(3)
Disposal of business, net of cash	79	—
Sales (purchases) of fixed and intangible assets <sup>1</sup>	(121)	(106)
Net cash from (used in) investing activities	(1,086)	(109)
<b>Cash flows from financing activities</b>		
Issuance of common shares (Note 11)	6	33
Redemption of common shares (Note 11)	(4)	(139)
Issuance of debentures (Note 10)	398	398
Redemption of debentures (Note 10)	—	(250)
Reimbursement of lease liabilities <sup>1</sup>	(22)	(11)
Dividends paid on common shares	(156)	(140)
Dividends paid on preferred shares issued by a subsidiary	(17)	(17)
Interest paid on debentures	(37)	(23)
Interest paid on lease liabilities	(4)	(3)
Net cash from (used in) financing activities	164	(152)
Foreign currency gains (losses) on cash	2	(1)
<b>Increase (decrease) in cash and short-term investments</b>	<b>660</b>	<b>(36)</b>
<b>Cash and short-term investments at beginning</b>	<b>1,108</b>	<b>1,046</b>
<b>Cash and short-term investments at end</b>	<b>1,768</b>	<b>1,010</b>
<b>Supplementary information:</b>		
Cash	1,293	702
Short-term investments	475	308
Total cash and short-term investments	1,768	1,010

<sup>1</sup> For the nine months ended September 30, 2020, fixed assets and lease liabilities presented in the Consolidated Statements of Financial Position include an amount of \$20 (\$8 for the nine months ended September 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

Nine months ended September 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 November 4, 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 nine months ended September 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.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 4 <i>Insurance Contracts</i>	<p><i>Description:</i> On September 12, 2016, the IASB published an amendment to IFRS 4 <i>Insurance Contracts</i>. This amendment, <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>, provides two options to entities applying IFRS 4:</p> <ul style="list-style-type: none"> <li>the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4;</li> <li>the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities.</li> </ul> <p>On June 25, 2020, the IASB published an amendment to IFRS 4 <i>Insurance Contracts</i> to extend the deferral approach until January 1, 2023.</p> <p><i>Status:</i> The Company met all criteria and chose the deferral approach, as described below. The Company will apply IFRS 9 only to financial statements beginning on or after January 1, 2023.</p>
<i>Conceptual Framework for Financial Reporting</i>	<p><i>Description:</i> On March 29, 2018, the IASB published a revised version of the <i>Conceptual Framework for Financial Reporting</i>. The IASB decided to revise the <i>Conceptual Framework for Financial Reporting</i> because important issues were not addressed and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. This revised version applies prospectively.</p> <p><i>Impact:</i> No impact on the Company's financial statements.</p>
IFRS 3 <i>Business Combinations</i>	<p><i>Description:</i> On October 22, 2018, the IASB published an amendment to the standard IFRS 3 <i>Business Combinations</i>. The amendment <i>Definition of a Business</i> clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment applies prospectively.</p> <p><i>Impact:</i> No impact on the Company's financial statements.</p>
IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p><i>Description:</i> On October 31, 2018, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendment <i>Definition of Material</i> clarifies the definition of material in IAS 1 along with the explanation accompanying that definition and aligns the definitions used across IFRS standards. This amendment applies prospectively.</p> <p><i>Impact:</i> No impact on the Company's financial statements.</p>

## Future Changes in Accounting Policies

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

Standards or amendments	Description of the standards or amendments
IFRS 9 <i>Financial Instruments</i>	<p>The Company adopted the amendment to IFRS 4 <i>Insurance Contracts</i> described in the section “New Accounting Policies Applied”. Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17.</p> <p><i>Description:</i> On July 24, 2014, the IASB published the standard IFRS 9 <i>Financial Instruments</i> which replaces the provisions of the standard IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard IFRS 9:</p> <ul style="list-style-type: none"> <li>• requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets;</li> <li>• changes the accounting for financial liabilities measured using the fair value option;</li> <li>• proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date;</li> <li>• modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities.</li> </ul> <p>The provisions of the new standard IFRS 9 will apply retrospectively or on a modified retrospective basis.</p> <p>On October 12, 2017, the IASB published an amendment to IFRS 9 <i>Financial Instruments</i>. The amendment <i>Prepayment Features with Negative Compensation</i> enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this standard on its financial statements.</p>
IFRS 17 <i>Insurance Contracts</i>	<p><i>Description:</i> On May 18, 2017, the IASB published the standard IFRS 17 <i>Insurance Contracts</i> which replaces the provisions of the standard IFRS 4 <i>Insurance Contracts</i>. The standard IFRS 17:</p> <ul style="list-style-type: none"> <li>• has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement;</li> <li>• establishes the principles for recognition, measurement, presentation and disclosure;</li> <li>• defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities;</li> <li>• defines a specific model for contracts of one year or less.</li> </ul> <p>The provisions of the new standard IFRS 17 will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2021. Early adoption is permitted if IFRS 9 <i>Financial Instruments</i> and IFRS 15 <i>Revenue from Contracts with Customers</i> are previously applied.</p> <p>On June 25, 2020, the IASB published an amendment to IFRS 17 <i>Insurance Contracts</i> that clarifies different subjects and that postpones the effective date to financial statements beginning on or after January 1, 2023.</p> <p><i>Status:</i> The Company is currently evaluating the impact on presentation, disclosure and measurement of the insurance contract liabilities that this standard will have on its financial statements.</p>
IAS 1 <i>Presentation of Financial Statements</i>	<p><i>Description:</i> On January 23, 2020, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i>. The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.</p> <p>On July 15, 2020, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i> that postpones the effective date to financial statements beginning on or after January 1, 2023.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>
IAS 16 <i>Property, Plant and Equipment</i>	<p><i>Description:</i> On May 14, 2020, the IASB published an amendment to IAS 16 <i>Property, Plant and Equipment</i>. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>
IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	<p><i>Description:</i> On May 14, 2020, the IASB published an amendment to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2022. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>

IFRS 3 <i>Business Combinations</i>	<p><i>Description:</i> On May 14, 2020, the IASB published an amendment to IFRS 3 <i>Business Combinations</i>. The amendment updates the reference to the Conceptual Framework and adds an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>
Annual Improvements to IFRSs 2018-2020 Cycle	<p><i>Description:</i> On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify situations specific to four standards:</p> <ul style="list-style-type: none"> <li>• IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> related to the fact that a subsidiary that becomes a first-time adopter later than its parent, is allowed to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs;</li> <li>• IFRS 9 <i>Financial Instruments</i> related to the fact that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included when the entity applies the "10 per cent" test in assessing whether to derecognize a financial liability;</li> <li>• IFRS 16 <i>Leases</i> related to Illustrative Example 13 accompanying IFRS 16 that removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion;</li> <li>• IAS 41 <i>Agriculture</i> related to the fact that an entity no longer excludes taxation cash flows when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in IFRS 13 <i>Fair Value Measurement</i>.</li> </ul> <p>The provisions of IFRS 1, IFRS 9, and IAS 41 will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The Annual Improvement to IFRS 16 only regards an illustrative example, so this is applicable immediately.</p> <p><i>Status:</i> The Company is currently evaluating the impact of these improvements on its financial statements.</p>
IFRS 16 <i>Leases</i>	<p><i>Description:</i> On May 28, 2020, the IASB published an amendment to IFRS 16 <i>Leases</i>. The amendment <i>COVID-19 Related Rent Concessions</i> exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before June 30, 2021. The provisions of this amendment will apply retrospectively to financial statements beginning on or after June 1, 2020. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>
IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7 <i>Financial Instruments: Disclosures</i> , IFRS 4 <i>Insurance Contract</i> and IFRS 16 <i>Leases</i>	<p><i>Description:</i> On August 27, 2020, the IASB published an amendment to IFRS 9 <i>Financial Instruments</i>, IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, IFRS 7 <i>Financial Instruments: Disclosures</i>, IFRS 4 <i>Insurance Contract</i> and IFRS 16 <i>Leases</i>. The amendment, <i>Interest Rate Benchmark Reform – Phase 2</i>, clarifies the requirements related to financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements of financial instruments when an existing interest rate benchmark is actually replaced. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2021. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>

#### Information on the Deferral of the Application of IFRS 9 *Financial Instruments*

The Company applies IFRS 4 *Insurance Contracts* in its operations. This standard was amended in 2016 to allow entities that apply IFRS 4 to defer the application of IFRS 9 *Financial Instruments* if total liabilities for insurance activities represent more than 90% of the entity's total liabilities. This calculation is made as of the closing date preceding April 1, 2016, the calculation date identified in the standard.

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

The Company has decided to defer the application of IFRS 9 until IFRS 17 *Insurance Contracts* is adopted. IFRS 17 includes the measurement principles of these policies. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables, held to maturity or available for sale as at September 30, 2020, an amount of \$918 (\$756 as at December 31, 2019) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

## 4 › Acquisition and Disposal of Businesses

### Acquisition of Businesses

#### Group Insurance

On January 10, 2020, the Company announced that it acquired 100% of the shares of three Canadian companies specializing in vehicle warranties: WGI Service Plan Division Inc. and WGI Manufacturing Inc. (collectively "WGI") as well as Lubrico Warranty Inc. for a total amount of \$107. WGI wholesale manufactures and administrates chemical protection products for the automobile industry through independent dealers across Canada. As for Lubrico Warranty Inc., it sells car warranties through used vehicle dealerships across Canada (except in the province of Quebec). With these acquisitions, the Company is pursuing its growth strategy in order to become a major player in the Canadian automotive environment.

#### 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 \$974. 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. This acquisition greatly complements the Company's current US warranty business in terms of product line, distribution channels and geographic reach.

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

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

	As at September 30, 2020	
	Group Insurance	US Operations
	\$	\$
Fair value of identifiable assets and liabilities acquired		
Investments	9	133
Other assets and liabilities	(19)	(223)
	(10)	(90)
Fair value of intangible assets	72	489
Fair value of deferred income tax liabilities on intangible assets	(19)	(122)
Fair value of net identifiable assets acquired	43	277
Goodwill	64	697
	107	974
<b>Acquisition price:</b>		
Cash	107	974

The goodwill reflects the Company's intention to pursue its growth strategy as well as the synergies expected from the integration of these companies. Goodwill is not deductible for tax purposes.

As at September 30, 2020, revenues and net income from WGI and Lubrico did not have a significant impact on the Company's financial results. Regarding IAS, revenues and net income have had an impact of \$100 and \$19 respectively on the Company's books since the acquisition. If the acquisition of IAS had been completed on January 1, 2020, the impact on revenues and net income of the Company's books for the nine months ended September 30, 2020 would have been \$214 and \$40 respectively. As part of these acquisitions, integration expenses and acquisition costs of \$12 are included in *General expenses*.

### Disposal of Business

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

## 5 › Invested Assets and Investment Income

## a) Carrying Value and Fair Value

As at September 30, 2020

	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
	\$	\$	\$	\$	\$	\$	\$
<b>Cash and short-term investments</b>	775	—	—	993	—	1,768	1,768
<b>Bonds</b>							
Governments	12,897	1,755	537	114	—	15,303	
Municipalities	1,297	187	—	40	—	1,524	
Corporate and other	11,016	2,000	—	2,436	—	15,452	
	25,210	3,942	537	2,590	—	32,279	32,664
<b>Stocks</b>							
Common	1,704	42	—	—	—	1,746	
Preferred	190	364	—	—	—	554	
Stock indexes	222	20	—	—	—	242	
Investment fund units	572	28	—	—	—	600	
	2,688	454	—	—	—	3,142	3,142
<b>Mortgages and other loans</b>							
Insured mortgages							
Multi-residential	—	—	—	1,289	—	1,289	
Non-residential	—	—	—	5	—	5	
	—	—	—	1,294	—	1,294	
Conventional mortgages							
Multi-residential	63	—	—	187	—	250	
Non-residential	29	—	—	181	—	210	
	92	—	—	368	—	460	
Other loans	—	—	—	878	—	878	
	92	—	—	2,540	—	2,632	2,755
<b>Derivative financial instruments</b>	1,411	—	—	—	—	1,411	1,411
<b>Policy loans</b>	—	—	—	901	—	901	901
<b>Other invested assets</b>	—	130	—	4	431	565	565
<b>Investment properties</b>	—	—	—	—	1,989	1,989	2,015
<b>Total investments</b>	30,176	4,526	537	7,028	2,420	44,687	45,221

	As at December 31, 2019					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	\$	\$	\$	\$	\$	\$
<b>Cash and short-term investments</b>	489	—	619	—	1,108	1,108
<b>Bonds</b>						
Governments	11,714	1,870	111	—	13,695	
Municipalities	1,106	166	40	—	1,312	
Corporate and other	8,601	1,721	2,179	—	12,501	
	21,421	3,757	2,330	—	27,508	27,750
<b>Stocks</b>						
Common	1,621	34	—	—	1,655	
Preferred	186	374	—	—	560	
Stock indexes	215	98	—	—	313	
Investment fund units	489	7	—	—	496	
	2,511	513	—	—	3,024	3,024
<b>Mortgages and other loans</b>						
Insured mortgages						
Residential	—	—	846	—	846	
Multi-residential	—	—	1,419	—	1,419	
Non-residential	—	—	6	—	6	
	—	—	2,271	—	2,271	
Conventional mortgages						
Residential	—	—	293	—	293	
Multi-residential	66	—	193	—	259	
Non-residential	28	—	225	—	253	
	94	—	711	—	805	
Other loans	—	—	794	—	794	
	94	—	3,776	—	3,870	3,917
<b>Derivative financial instruments</b>	1,003	—	—	—	1,003	1,003
<b>Policy loans</b>	—	—	900	—	900	900
<b>Other invested assets</b>	—	—	5	424	429	429
<b>Investment properties</b>	—	—	—	2,077	2,077	2,099
<b>Total investments</b>	25,518	4,270	7,630	2,501	39,919	40,230

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

#### Sale of Residential Mortgage Portfolio

On September 1, 2020, the Company assigned to a third party, by way of a sales agreement, its residential mortgage portfolio held through iA Insurance as well as its rights and obligations toward the Canada Mortgage and Housing Corporation (CMHC) regarding residential mortgages included under the mortgage-backed securities program issued under the *National Housing Act*. This sale reflects management's decision to exit the residential mortgage market. The Company transferred the risks and rewards related to this portfolio and, consequently, derecognized the residential mortgages. Under this transaction, the Company received monetary consideration and recognized government bonds under its assets.

#### Impacts of Sale of Residential Mortgage Portfolio

The gain related to this transaction is presented in *Investment income* in the Income Statement.

Government bonds recognized as a result of the transaction are quoted in an active market and are classified as assets held to maturity. They are carried at amortized cost using the effective interest method. The interest calculated according to this method and the realized gains or losses on disposal of these securities are accounted for in *Interest and other investment income* in the Income Statement. At each reporting date, bonds classified as held to maturity are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation if it represents objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is an impairment, a provision for losses is recorded, which corresponds to the spread between the carrying value of the asset and the recoverable amount valued according to the estimated future cash flows discounted at the initial effective interest rate. This provision is immediately recorded in the Income Statement. When the effects of the cause of the impairment begin to fade and future payments are reasonably assured, the provision is reduced or reversed and the changes related to provisions for losses are recorded in the Income Statement.

The securitization liability related to the portfolio was not derecognized because the Company is party to a total return swap agreement and remains responsible for the related liabilities.

### b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at September 30, 2020 and as at December 31, 2019. The carrying value of these investments as at September 30, 2020 is \$431 (\$422 as at December 31, 2019). The share of net income and comprehensive income for the nine months ended September 30, 2020 amounts to \$13 (\$14 for the nine months ended September 30, 2019).

### c) Investment Income

	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Interest and other investment income</b>				
Interest	260	261	823	739
Dividends	25	27	108	87
Derivative financial instruments	1	5	(2)	13
Rental income	56	49	162	145
Gains (losses) realized	19	7	41	26
Variation in provisions for losses	(8)	(9)	(45)	(28)
Other	3	7	20	19
	356	347	1,107	1,001
<b>Change in fair value of investments</b>				
Cash and short-term investments	1	2	4	6
Bonds	(127)	642	2,048	2,732
Stocks	88	46	(50)	176
Mortgages and other loans	(2)	1	4	(1)
Derivative financial instruments	81	61	657	1,034
Investment properties	(4)	11	(75)	1
Other	3	—	(1)	(6)
	40	763	2,587	3,942
<b>Total investment income</b>	<b>396</b>	<b>1,110</b>	<b>3,694</b>	<b>4,943</b>

## 6 › Fair Value of Financial Instruments and Investment Properties

### a) Methods and Assumptions Used to Estimate Fair Values

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

#### Financial Assets

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



**Bonds** – Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have a similar risk profile and comparable terms. The significant data used in these models include, but are not limited to, yield curves, credit risks, issuer spreads, volatility and liquidity valuation and other reference data published by the markets. 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. The significant data used in these models include, but are not limited to, yield curves, credit risks, issuer spreads, volatility and liquidity valuation 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 \$77 (\$76 as at December 31, 2019). It is secured by an investment property with a carrying value of \$177 (\$181 as at December 31, 2019), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is \$2.

*Debentures* – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments.

#### **b) Hierarchy of the Fair Value**

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

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.

Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.

Level 3 – Valuation model based on valuation techniques that use largely unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

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

**Assets**

	As at September 30, 2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Cash and short-term investments</b>				
Held for trading	—	775	—	775
<b>Bonds</b>				
Designated at fair value through profit or loss				
Governments	446	12,451	—	12,897
Municipalities	—	1,297	—	1,297
Corporate and other	—	10,869	147	11,016
	446	24,617	147	25,210
Available for sale				
Governments	174	1,581	—	1,755
Municipalities	—	187	—	187
Corporate and other	—	2,000	—	2,000
	174	3,768	—	3,942
	620	28,385	147	29,152
<b>Stocks</b>				
Designated at fair value through profit or loss	1,315	—	1,373	2,688
Available for sale	54	364	36	454
	1,369	364	1,409	3,142
<b>Mortgages and other loans</b>				
Designated at fair value through profit or loss	—	92	—	92
<b>Derivative financial instruments</b>				
Held for trading	346	1,063	2	1,411
<b>Other investments</b>				
Available for sale	84	46	—	130
<b>Investment properties</b>				
	—	—	1,989	1,989
<b>General fund investments recognized at fair value</b>	2,419	30,725	3,547	36,691
<b>Segregated funds financial instruments and investment properties</b>	22,271	7,395	261	29,927
<b>Total financial assets at fair value</b>	24,690	38,120	3,808	66,618

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Cash and short-term investments</b>				
Held for trading	—	489	—	489
<b>Bonds</b>				
Designated at fair value through profit or loss				
Governments	850	10,864	—	11,714
Municipalities	—	1,106	—	1,106
Corporate and other	—	8,472	129	8,601
	850	20,442	129	21,421
Available for sale				
Governments	76	1,794	—	1,870
Municipalities	—	166	—	166
Corporate and other	—	1,710	11	1,721
	76	3,670	11	3,757
	926	24,112	140	25,178
<b>Stocks</b>				
Designated at fair value through profit or loss	1,220	—	1,291	2,511
Available for sale	108	374	31	513
	1,328	374	1,322	3,024
<b>Mortgages and other loans</b>				
Designated at fair value through profit or loss	—	94	—	94
<b>Derivative financial instruments</b>				
Held for trading	229	774	—	1,003
<b>Investment properties</b>				
	—	—	2,077	2,077
<b>General fund investments recognized at fair value</b>				
	2,483	25,843	3,539	31,865
<b>Segregated funds financial instruments and investment properties</b>				
	21,343	6,373	90	27,806
<b>Total financial assets at fair value</b>				
	23,826	32,216	3,629	59,671

Transfers from Level 1 to Level 2 during the nine months ended September 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 nine months ended September 30, 2020 amount to \$564 (none for the year ended December 31, 2019). This adjustment, made in the three months ended March 31, 2020, was not required for the three months ended June 30, 2020 and September 30, 2020. These transfers are related to segregated fund financial instruments and investment properties.

Transfers from Level 2 to Level 3 during the nine months ended September 30, 2020 amount to \$10 (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 2.70% as at September 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 September 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 the location and reflects the expected rate of return to be realized on investments 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:

Nine months ended September 30, 2020								
	Balance as at December 31, 2019	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers in (out of) Level 3	Balance as at September 30, 2020	Total unrealized gains (losses) included in net income on investments still held
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Bonds</b>								
Designated at fair value through profit or loss	129	10	—	26	(28)	10	147	11
Available for sale	11	—	—	—	(11)	—	—	—
<b>Stocks</b>								
Designated at fair value through profit or loss	1,291	(23)	—	172	(67)	—	1,373	(23)
Available for sale	31	—	2	4	(1)	—	36	—
<b>Derivative financial instruments</b>								
Held for trading	—	2	—	—	—	—	2	1
<b>Investment properties</b>								
	2,077	(75)	—	18	(31)	—	1,989	(75)
<b>General fund investments recognized at fair value</b>								
	3,539	(86)	2	220	(138)	10	3,547	(86)
<b>Segregated funds financial instruments and investment properties</b>								
	90	6	—	174	(9)	—	261	6
<b>Total</b>	<b>3,629</b>	<b>(80)</b>	<b>2</b>	<b>394</b>	<b>(147)</b>	<b>10</b>	<b>3,808</b>	<b>(80)</b>

## Year ended December 31, 2019

	Balance as at December 31, 2018	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers in (out of) Level 3	Balance as at December 31, 2019	Total unrealized gains (losses) included in net income on investments still held
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Bonds</b>								
Designated at fair value through profit or loss	140	7	—	—	(18)	—	129	7
Available for sale	16	—	—	—	(5)	—	11	—
<b>Stocks</b>								
Designated at fair value through profit or loss	1,134	5	—	198	(46)	—	1,291	5
Available for sale	29	—	(1)	3	—	—	31	—
<b>Derivative financial instruments</b>								
Held for trading	1	—	—	—	(1)	—	—	—
<b>Investment properties</b>								
	1,720	44	—	318	(5)	—	2,077	44
<b>General fund investments recognized at fair value</b>								
	3,040	56	(1)	519	(75)	—	3,539	56
<b>Segregated funds financial instruments and investment properties</b>								
	47	1	—	44	(2)	—	90	2
<b>Total</b>	<b>3,087</b>	<b>57</b>	<b>(1)</b>	<b>563</b>	<b>(77)</b>	<b>—</b>	<b>3,629</b>	<b>58</b>

For the nine months ended September 30, 2020, an amount of \$18 (\$55 for the year ended December 31, 2019) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets (\$2 for the year ended December 31, 2019).

*Realized and unrealized gains (losses) included in net income* and *Total unrealized gains (losses) included in net income on financial instruments still held* are presented in the *Investment income* in the Income Statement, except the value of segregated funds assets, which is not presented in the Income Statement, but is included in the change in segregated funds net assets in Note 9 "Segregated Funds Net Assets". *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 13 "Accumulated Other Comprehensive Income" in *Unrealized gains (losses)*.

**Fair Value Disclosed in the Notes**

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

	As at September 30, 2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Classified as held to maturity</b>				
<b>Bonds</b>				
Governments	—	538	—	538
<b>Total of assets classified as held to maturity</b>	<b>—</b>	<b>538</b>	<b>—</b>	<b>538</b>
<b>Classified as loans and receivables</b>				
<b>Bonds</b>				
Governments	—	8	143	151
Municipalities	—	55	—	55
Corporate and other	—	233	2,535	2,768
	—	296	2,678	2,974
<b>Mortgages and other loans</b>	<b>—</b>	<b>2,663</b>	<b>—</b>	<b>2,663</b>
<b>Total of assets classified as loans and receivables</b>	<b>—</b>	<b>2,959</b>	<b>2,678</b>	<b>5,637</b>
<b>Total of assets whose fair value is disclosed in the notes</b>	<b>—</b>	<b>3,497</b>	<b>2,678</b>	<b>6,175</b>

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Classified as loans and receivables</b>				
<b>Bonds</b>				
Governments	—	8	132	140
Municipalities	—	51	—	51
Corporate and other	—	243	2,138	2,381
	—	302	2,270	2,572
<b>Mortgages and other loans</b>	—	3,823	—	3,823
<b>Total of assets classified as loans and receivables</b>	—	4,125	2,270	6,395

**Financial Liabilities**

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

	As at September 30, 2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Other liabilities</b>				
Held for trading	64	232	—	296
<b>Derivative financial instruments</b>				
Held for trading	165	576	37	778
<b>Total of liabilities classified as held for trading</b>	<b>229</b>	<b>808</b>	<b>37</b>	<b>1,074</b>

**Classified at amortized cost**

<b>Other liabilities</b>				
Securitization liabilities	—	1,127	—	1,127
Mortgage debt	—	77	—	77
<b>Debentures</b>	—	<b>1,517</b>	—	<b>1,517</b>
<b>Total of liabilities classified at amortized cost</b>	—	<b>2,721</b>	—	<b>2,721</b>

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

**Classified at amortized cost**

<b>Other liabilities</b>				
Securitization liabilities	—	1,183	—	1,183
Mortgage debt	—	76	—	76
<b>Debentures</b>	—	<b>1,063</b>	—	<b>1,063</b>
<b>Total of liabilities classified at amortized cost</b>	—	<b>2,322</b>	—	<b>2,322</b>

## 7 > Management of Risks Associated with Financial Instruments

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

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

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

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

	As at September 30, 2020			As at December 31, 2019		
	Fair value	Unrealized losses	Unrealized gains	Fair value	Unrealized losses	Unrealized gains
	\$	\$	\$	\$	\$	\$
<b>Bonds</b>						
Governments	1,755	—	84	1,870	(1)	57
Municipalities	187	—	10	166	—	3
Corporate and other	2,000	(3)	88	1,721	(2)	40
	3,942	(3)	182	3,757	(3)	100
<b>Stocks</b>	454	(25)	9	513	(21)	10
<b>Other investments</b>	130	(1)	5	—	—	—
<b>Total</b>	<b>4,526</b>	<b>(29)</b>	<b>196</b>	<b>4,270</b>	<b>(24)</b>	<b>110</b>

### b) Credit Risk

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

#### b) i) Credit Quality Indicators

##### Bonds by Investment Grade

	As at September 30, 2020	As at December 31, 2019
	\$	\$
AAA	1,970	1,866
AA	15,197	13,101
A	9,447	7,960
BBB	5,417	4,343
BB and lower	248	238
<b>Total</b>	<b>32,279</b>	<b>27,508</b>

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of \$2,154 as at September 30, 2020 (\$2,054 as at December 31, 2019).

##### Mortgages and Other Loans

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Insured mortgages	1,294	2,271
Conventional mortgages	460	805
Other loans	878	794
<b>Total</b>	<b>2,632</b>	<b>3,870</b>

The credit quality of mortgages and other loans is assessed internally, on a regular basis, when the review of the portfolio is made.



**b) ii) Past Due or Impaired Financial Assets****Past Due Bonds, Mortgages and Other Loans**

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

As at September 30, 2020					
	Bonds classified as held to maturity	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$	\$
<b>Gross values</b>					
Not past due and not impaired	537	2,553	1,662	870	5,622
Past due and not impaired					
30 – 89 days in arrears	—	—	—	29	29
90 – 119 days in arrears	—	—	—	4	4
120 days or more in arrears	—	—	—	2	2
Impaired	—	45	—	—	45
<b>Total of gross values</b>	<b>537</b>	<b>2,598</b>	<b>1,662</b>	<b>905</b>	<b>5,702</b>
Specific provisions for losses	—	8	—	—	8
	537	2,590	1,662	905	5,694
Collective provisions	—	—	—	27	27
<b>Total of net values</b>	<b>537</b>	<b>2,590</b>	<b>1,662</b>	<b>878</b>	<b>5,667</b>

As at December 31, 2019				
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$
<b>Gross values</b>				
Not past due and not impaired	2,319	2,978	760	6,057
Past due and not impaired				
30 – 89 days in arrears	—	2	36	38
90 – 119 days in arrears	—	2	5	7
120 days or more in arrears	—	—	2	2
Impaired	21	—	1	22
<b>Total of gross values</b>	<b>2,340</b>	<b>2,982</b>	<b>804</b>	<b>6,126</b>
Specific provisions for losses	10	—	—	10
	2,330	2,982	804	6,116
Collective provisions	—	—	10	10
<b>Total of net values</b>	<b>2,330</b>	<b>2,982</b>	<b>794</b>	<b>6,106</b>

**Foreclosed Properties**

During the nine months ended September 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 September 30, 2020			
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Total
	\$	\$	\$
Balance at beginning	10	—	10
Variation in specific provisions for losses	(2)	—	(2)
<b>Balance at end</b>	<b>8</b>	<b>—</b>	<b>8</b>

As at December 31, 2019			
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Total
	\$	\$	\$
Balance at beginning	8	1	9
Variation in specific provisions for losses	2	(1)	1
<b>Balance at end</b>	<b>10</b>	<b>—</b>	<b>10</b>

During the nine months ended September 30, 2020, the specific provisions for losses did not vary for other loans (neither for the year ended December 31, 2019) and for bonds classified as held to maturity.

**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 September 30, 2020 is \$1,399 (\$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 September 30, 2020						
	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
	\$	\$	\$	\$	\$	\$
<b>Equity contracts</b>						
Swap contracts	839	454	91	1,384	8	(18)
Futures contracts	841	—	—	841	10	(1)
Options	6,658	—	—	6,658	346	(167)
<b>Currency contracts</b>						
Forward contracts	4,072	550	—	4,622	22	(34)
Swap contracts	54	837	2,898	3,789	20	(329)
<b>Interest rate contracts</b>						
Swap contracts	963	3,555	5,011	9,529	592	(190)
Forward contracts	1,397	2,656	—	4,053	411	(2)
<b>Other derivative contracts</b>	<b>2</b>	<b>4</b>	<b>352</b>	<b>358</b>	<b>2</b>	<b>(37)</b>
<b>Total</b>	<b>14,826</b>	<b>8,056</b>	<b>8,352</b>	<b>31,234</b>	<b>1,411</b>	<b>(778)</b>

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

	As at September 30, 2020		
	Notional amount	Fair value	
		Positive	Negative
	\$	\$	\$
Derivative financial instruments not designated as hedge accounting	28,637	1,392	(740)
Net investment hedge	1,462	8	(6)
Fair value hedges			
Interest risk	988	11	(30)
Currency risk	23	—	—
Cash flow hedges			
Currency risk	124	—	(2)
<b>Total of derivative financial instruments</b>	<b>31,234</b>	<b>1,411</b>	<b>(778)</b>

	As at December 31, 2019		
	Notional amount	Fair value	
		Positive	Negative
	\$	\$	\$
Derivative financial instruments not designated as hedge accounting	26,568	964	(425)
Net investment hedge	1,284	23	—
Fair value hedges			
Interest risk	1,002	14	(5)
Currency risk	17	1	—
Cash flow hedges			
Currency risk	1,034	1	(25)
<b>Total of derivative financial instruments</b>	<b>29,905</b>	<b>1,003</b>	<b>(455)</b>

#### 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, 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 1 year as at September 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 nine months ended September 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 14 years as at September 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 September 30, 2020 (less than 1 year to 9 years as at December 31, 2019).

For the nine months ended September 30, 2020, the Company has recognized a loss of \$23 on the hedging instruments (loss of \$17 for the nine months ended September 30, 2019) and a gain of \$22 on the hedged items (gain of \$16 for the nine months ended September 30, 2019). For the nine months ended September 30, 2020, the Company has recognized an ineffectiveness of \$1 (\$1 for the nine months ended September 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 with maturities of less than 2 years as at September 30, 2020 (less than 2 years as at December 31, 2019).

For the nine months ended September 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 3 years to 9 years as at September 30, 2020 (from 4 years to 10 years as at December 31, 2019). For the nine months ended September 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

During the nine months ended September 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 nine months ended September 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

**9 Segregated Funds Net Assets**

	As at September 30, 2020	As at December 31, 2019
	\$	\$
<b>Assets</b>		
Cash and short-term investments	1,267	992
Bonds	6,313	5,509
Stocks	22,433	21,362
Mortgages	24	21
Investment properties	16	17
Derivative financial instruments	9	20
Other assets	639	285
<b>Total assets</b>	<b>30,701</b>	<b>28,206</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	582	338
<b>Net assets</b>	<b>30,119</b>	<b>27,868</b>

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

	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Balance at beginning	28,505	26,389	27,868	23,781
Add:				
Amounts received from policyholders	1,166	1,048	3,990	3,071
Interest and dividends	73	113	352	393
Net realized gains	373	166	586	413
Net increase (decrease) in fair value	700	168	(104)	2,087
	30,817	27,884	32,692	29,745
Less:				
Amounts withdrawn by policyholders	564	785	2,189	2,409
Operating expenses	134	123	384	360
	698	908	2,573	2,769
<b>Balance at end</b>	<b>30,119</b>	<b>26,976</b>	<b>30,119</b>	<b>26,976</b>

## 10 › Debentures

On February 21, 2020, the Company issued subordinated debentures in the amount of \$400 maturing February 21, 2030, bearing interest of 2.40%, payable semi-annually from August 21, 2020 to February 21, 2025, and variable interest equal to the three-month Canadian Dollar 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 transaction costs and an issuance discount which are amortized for a total of \$2.

On September 24, 2019, the Company issued subordinated debentures in the amount of \$400 due September 24, 2031, bearing interest of 3.072%, payable semi-annually from March 24, 2020 to September 24, 2026, and variable interest equal to the 3-month bankers' acceptance rate CDOR, increased by 1.31%, payable quarterly, starting December 24, 2026 and ending on September 24, 2031. These subordinated debentures are redeemable by the Company, in whole or in part, from September 24, 2026, subject to prior approval by the AMF. The carrying amount of these debentures includes transaction costs and an issuance discount for a total of \$2.

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

## 11 › Share Capital

As a result of the change in company structure (Note 1), the Company's authorized share capital consists of the following:

### Common Shares

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

### Class A Preferred Shares

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

The share capital issued by the Company is as follows:

	As at September 30, 2020		As at December 31, 2019	
	Number of shares (in thousands)	Amount \$	Number of shares (in thousands)	Amount \$
<b>Common shares</b>				
Balance at beginning	106,966	1,666	108,575	1,655
Shares issued on exercise of stock options	149	8	1,206	54
Shares redeemed	(87)	(1)	(2,815)	(43)
<b>Balance at end</b>	<b>107,028</b>	<b>1,673</b>	<b>106,966</b>	<b>1,666</b>

**Stock Option Plan**

Following the change in company structure (Note 1), the stock option plan of iA Insurance was replaced by an identical plan offered by the Company. Consequently, all shares issued under the plan are issued by the Company. As at September 30, 2020, the number of outstanding stock options (in thousands) was 2,000 (1,965 as at December 31, 2019). For the nine months ended September 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 nine months ended September 30, 2020, a total of 86,872 common shares (2,815,373 as at December 31, 2019) were purchased and cancelled for a net cash amount of \$4 (\$139 as at December 31, 2019), of which \$1 was recorded against share capital (\$43 as at December 31, 2019) and \$3 against retained earnings (\$96 in 2019). Redemptions are currently suspended, in accordance with instructions from regulatory authorities.

**Dividends**

	Quarters ended September 30				Nine months ended September 30			
	2020		2019		2020		2019	
	Total	Per share	Total	Per share	Total	Per share	Total	Per share
	\$ (in dollars)		\$ (in dollars)		\$ (in dollars)		\$ (in dollars)	
<b>Common shares</b>	<b>52</b>	<b>0.49</b>	48	0.45	<b>156</b>	<b>1.46</b>	140	1.32

**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 November 4, 2020. This dividend was not recorded as a liability in these interim financial statements. This dividend will be paid on December 15, 2020 to the shareholders of record as of November 20, 2020, date on which it will be recognized in the equity of the Company.

**Dividend Reinvestment and Share Purchase Plan**

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

**12 Preferred Shares Issued by a Subsidiary**

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

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

**Dividends**

	Quarters ended September 30				Nine months ended September 30			
	2020		2019		2020		2019	
	Total	Per share	Total	Per share	Total	Per share	Total	Per share
	\$ (in dollars)		\$ (in dollars)		\$ (in dollars)		\$ (in dollars)	
<b>Preferred shares, issued by iA Insurance</b>								
Class A – Series B	1	0.29	1	0.29	4	0.86	4	0.86
Class A – Series G	2	0.24	2	0.24	7	0.71	7	0.71
Class A – Series I	3	0.30	2	0.30	6	0.90	6	0.90
<b>Total</b>	<b>6</b>		5		<b>17</b>		17	

**13 › Accumulated Other Comprehensive Income**

	Bonds	Stocks	Currency translation	Hedging	Total
	\$	\$	\$	\$	\$
Balance as at December 31, 2019	73	(8)	73	(82)	56
Unrealized gains (losses)	102	(4)	—	—	98
Income taxes on unrealized gains (losses)	(26)	1	—	—	(25)
Other	—	—	—	(7)	(7)
	76	(3)	—	(7)	66
Realized losses (gains)	(21)	(1)	—	—	(22)
Income taxes on realized losses (gains)	6	—	—	—	6
	(15)	(1)	—	—	(16)
<b>Balance as at September 30, 2020</b>	<b>134</b>	<b>(12)</b>	<b>73</b>	<b>(89)</b>	<b>106</b>
Balance as at December 31, 2018	6	(10)	135	(108)	23
Unrealized gains (losses)	110	1	—	—	111
Income taxes on unrealized gains (losses)	(28)	—	—	—	(28)
Other	—	—	(62)	31	(31)
Income taxes on other	—	—	—	(5)	(5)
	82	1	(62)	26	47
Realized losses (gains)	(20)	1	—	—	(19)
Income taxes on realized losses (gains)	5	—	—	—	5
	(15)	1	—	—	(14)
Balance as at December 31, 2019	73	(8)	73	(82)	56
Balance as at December 31, 2018	6	(10)	135	(108)	23
Unrealized gains (losses)	126	(6)	—	—	120
Income taxes on unrealized gains (losses)	(33)	2	—	—	(31)
Other	—	—	(35)	31	(4)
Income taxes on other	—	—	—	(5)	(5)
	93	(4)	(35)	26	80
Realized losses (gains)	(18)	—	—	—	(18)
Income taxes on realized losses (gains)	5	—	—	—	5
	(13)	—	—	—	(13)
Balance as at September 30, 2019	86	(14)	100	(82)	90

**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 September 30, 2020, the Company maintains a ratio that satisfies the regulatory requirements.

	<b>September 30, 2020</b>
	<b>\$</b>
Available Capital	
Tier 1 Capital	<b>XXX</b>
Tier 2 Capital	<b>XXX</b>
Surplus allowance and eligible deposits	<b>XXX</b>
<b>Total</b>	<b>—</b>
<b>Base solvency buffer</b>	<b>88,888</b>
<b>Total ratio</b>	<b>0%</b>

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

## 15 › General Expenses

### Impairment of Goodwill

As at March 31, 2020, following the effects of the COVID-19 pandemic described in Note 2, the Company reviewed the financial projections of PPI Management Inc. Further to this review, an impairment test was performed with respect to PPI Management Inc. operations included in the Individual Insurance CGU. This led the Company to recognize an impairment of goodwill of \$24 (\$22 for the nine months ended September 30, 2019). This amount was recognized in the Income Statement in *General Expenses*. To determine the recoverable amount of the CGU, the value in use was determined using cash flow projections before tax covering a five-year period.



## 16 › Income Taxes

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

	Quarters ended September 30				Nine months ended September 30			
	2020		2019		2020		2019	
	\$	%	\$	%	\$	%	\$	%
Income before income taxes	268		241		559		690	
Income tax expense at Canadian statutory tax rate	70	27	65	27	148	27	185	27
Increase (decrease) in income taxes due to:								
Differences in tax rates on income not subject to tax in Canada	(1)	—	(1)	—	(2)	—	(3)	—
Tax-exempt investment income	(21)	(9)	(14)	(6)	(50)	(9)	(24)	(4)
Non-deductible (non-taxable) portion of the change in fair value of investment properties	—	—	(1)	—	7	1	(2)	—
Adjustments of previous years	—	—	—	—	(11)	(2)	(1)	—
Variation in tax rates	—	—	—	—	(1)	—	(4)	(1)
Other	1	—	3	1	8	1	5	1
<b>Income tax expense (recovery) and effective income tax rate</b>	<b>49</b>	<b>18</b>	<b>52</b>	<b>22</b>	<b>99</b>	<b>18</b>	<b>156</b>	<b>23</b>

## 17 › Segmented Information

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

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

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

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

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

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

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

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

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

## Segmented Income Statements

	Quarter ended September 30, 2020							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
	\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>								
Net premiums	412	933	414	1,168	230	91	3,248	
Investment income	257	(32)	42	71	16	42	396	
Other revenues	27	370	24	26	61	(53)	455	
	696	1,271	480	1,265	307	80	4,099	
<b>Operating expenses</b>								
Gross benefits and claims on contracts	178	480	289	341	171	9	1,468	
Ceded benefits and claims on contracts	(51)	—	(17)	(7)	(94)	32	(137)	
Net transfer to segregated funds	—	381	—	241	—	—	622	
Increase (decrease) in insurance contract liabilities	269	15	17	652	1	(4)	950	
Increase (decrease) in investment contract liabilities	—	—	3	—	—	—	3	
Decrease (increase) in reinsurance assets	(37)	—	3	1	11	4	(18)	
Commissions, general and other expenses	221	325	149	28	187	14	924	
Financing charges	3	1	8	—	1	6	19	
	583	1,202	452	1,256	277	61	3,831	
Income before income taxes and allocation of other activities	113	69	28	9	30	19	268	
Allocation of other activities	17	5	1	1	(5)	(19)	—	
Income before income taxes	130	74	29	10	25	—	268	
Income taxes	24	1	14	6	4	—	49	
<b>Net income</b>	106	73	15	4	21	—	219	
Net income attributed to participating policyholders	(4)	—	—	—	—	—	(4)	
<b>Net income attributed to shareholders</b>	110	73	15	4	21	—	223	

## Quarter ended September 30, 2019

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>							
Net premiums	398	738	418	428	127	80	2,189
Investment income	861	47	38	64	66	34	1,110
Other revenues	30	368	13	24	19	(38)	416
	1,289	1,153	469	516	212	76	3,715
<b>Operating expenses</b>							
Gross benefits and claims on contracts	206	487	271	306	153	(3)	1,420
Ceded benefits and claims on contracts	(73)	—	(14)	(8)	(105)	45	(155)
Net transfer to segregated funds	—	172	—	90	—	—	262
Increase (decrease) in insurance contract liabilities	855	105	27	92	81	(4)	1,156
Increase (decrease) in investment contract liabilities	—	—	7	—	—	—	7
Decrease (increase) in reinsurance assets	(11)	—	(1)	1	(25)	4	(32)
Commissions, general and other expenses	216	320	152	25	97	(7)	803
Financing charges	5	—	6	—	1	1	13
	1,198	1,084	448	506	202	36	3,474
Income before income taxes and allocation of other activities	91	69	21	10	10	40	241
Allocation of other activities	29	3	3	—	5	(40)	—
Income before income taxes	120	72	24	10	15	—	241
Income taxes	21	20	6	2	3	—	52
<b>Net income attributed to shareholders</b>	<b>99</b>	<b>52</b>	<b>18</b>	<b>8</b>	<b>12</b>	<b>—</b>	<b>189</b>

	Nine months ended September 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Net premiums	1,203	2,785	1,204	2,155	518	251	8,116
Investment income	2,738	223	149	300	162	122	3,694
Other revenues	84	1,116	54	78	128	(149)	1,311
	4,025	4,124	1,407	2,533	808	224	13,121
<b>Operating expenses</b>							
Gross benefits and claims on contracts	605	1,376	863	999	428	30	4,301
Ceded benefits and claims on contracts	(178)	—	(48)	(20)	(245)	83	(408)
Net transfer to segregated funds	—	1,229	—	605	—	—	1,834
Increase (decrease) in insurance contract liabilities	2,766	419	49	838	197	(3)	4,266
Increase (decrease) in investment contract liabilities	—	—	25	—	—	—	25
Decrease (increase) in reinsurance assets	(76)	—	7	3	(49)	3	(112)
Commissions, general and other expenses	669	996	421	82	429	4	2,601
Financing charges	11	2	24	—	1	17	55
	3,797	4,022	1,341	2,507	761	134	12,562
Income before income taxes and allocation of other activities	228	102	66	26	47	90	559
Allocation of other activities	69	11	2	3	5	(90)	—
Income before income taxes	297	113	68	29	52	—	559
Income taxes	43	26	15	5	10	—	99
<b>Net income</b>	254	87	53	24	42	—	460
Net income attributed to participating policyholders	4	—	—	—	—	—	4
<b>Net income attributed to shareholders</b>	250	87	53	24	42	—	456

## Nine months ended September 30, 2019

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Net premiums	1,177	2,101	1,228	1,427	362	232	6,527
Investment income	4,043	138	152	325	172	113	4,943
Other revenues	91	1,087	42	73	56	(98)	1,251
	5,311	3,326	1,422	1,825	590	247	12,721
<b>Operating expenses</b>							
Gross benefits and claims on contracts	624	1,521	855	926	351	79	4,356
Ceded benefits and claims on contracts	(181)	—	(43)	(21)	(216)	64	(397)
Net transfer to segregated funds	—	429	—	253	—	—	682
Increase (decrease) in insurance contract liabilities	3,997	232	40	557	243	(13)	5,056
Increase (decrease) in investment contract liabilities	—	—	28	—	—	—	28
Decrease (increase) in reinsurance assets	(40)	—	—	4	(89)	13	(112)
Commissions, general and other expenses	618	966	450	77	262	3	2,376
Financing charges	16	1	18	—	1	6	42
	5,034	3,149	1,348	1,796	552	152	12,031
Income before income taxes and allocation of other activities	277	177	74	29	38	95	690
Allocation of other activities	73	2	5	2	13	(95)	—
Income before income taxes	350	179	79	31	51	—	690
Income taxes	69	47	21	8	11	—	156
<b>Net income</b>	281	132	58	23	40	—	534
Net income attributed to participating policyholders	1	—	—	—	—	—	1
<b>Net income attributed to shareholders</b>	280	132	58	23	40	—	533

## Segmented Premiums

## Quarter ended September 30, 2020

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	514	209	447	666	396	28	2,260
Invested in segregated funds	—	724	—	508	—	—	1,232
	514	933	447	1,174	396	28	3,492
<b>Premiums ceded</b>							
Invested in general fund	(102)	—	(33)	(6)	(166)	63	(244)
<b>Net premiums</b>	412	933	414	1,168	230	91	3,248

## Quarter ended September 30, 2019

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	499	162	453	111	293	(15)	1,503
Invested in segregated funds	—	576	—	325	—	—	901
	499	738	453	436	293	(15)	2,404
<b>Premiums ceded</b>							
Invested in general fund	(101)	—	(35)	(8)	(166)	95	(215)
<b>Net premiums</b>	398	738	418	428	127	80	2,189

## Nine months ended September 30, 2020

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	1,494	589	1,303	786	933	71	5,176
Invested in segregated funds	—	2,196	—	1,389	—	—	3,585
	1,494	2,785	1,303	2,175	933	71	8,761
<b>Premiums ceded</b>							
Invested in general fund	(291)	—	(99)	(20)	(415)	180	(645)
<b>Net premiums</b>	1,203	2,785	1,204	2,155	518	251	8,116

## Nine months ended September 30, 2019

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
<b>Gross premiums</b>							
Invested in general fund	1,468	369	1,334	470	699	81	4,421
Invested in segregated funds	—	1,732	—	978	—	—	2,710
	1,468	2,101	1,334	1,448	699	81	7,131
<b>Premiums ceded</b>							
Invested in general fund	(291)	—	(106)	(21)	(337)	151	(604)
<b>Net premiums</b>	1,177	2,101	1,228	1,427	362	232	6,527

## Segmented Assets and Liabilities

	As at September 30, 2020							Total \$
	Individual		Group				Other \$	
	Insurance \$	Wealth Management \$	Insurance \$	Savings and Retirement \$	US Operations \$			
<b>Assets</b>								
Invested assets	25,880	2,426	1,977	4,834	1,387	8,183	44,687	
Segregated funds net assets	—	17,738	—	12,381	—	—	30,119	
Reinsurance assets	(626)	—	224	129	1,775	(156)	1,346	
Other	113	1,166	—	—	80	5,314	6,673	
<b>Total assets</b>	<b>25,367</b>	<b>21,330</b>	<b>2,201</b>	<b>17,344</b>	<b>3,242</b>	<b>13,341</b>	<b>82,825</b>	
<b>Liabilities</b>								
Insurance contract liabilities and investment contract liabilities	24,241	2,274	2,265	4,979	2,015	(99)	35,675	
Liabilities related to segregated funds net assets	—	17,738	—	12,381	—	—	30,119	
Other	624	53	7	14	—	9,930	10,628	
<b>Total liabilities</b>	<b>24,865</b>	<b>20,065</b>	<b>2,272</b>	<b>17,374</b>	<b>2,015</b>	<b>9,831</b>	<b>76,422</b>	
	As at December 31, 2019							
	Individual		Group					
	Insurance \$	Wealth Management \$	Insurance \$	Savings and Retirement \$	US Operations \$	Other \$	Total \$	
<b>Assets</b>								
Invested assets	23,113	1,880	1,881	3,998	1,058	7,989	39,919	
Segregated funds net assets	—	16,392	—	11,476	—	—	27,868	
Reinsurance assets	(702)	—	233	132	1,491	(124)	1,030	
Other	121	866	—	—	38	3,306	4,331	
<b>Total assets</b>	<b>22,532</b>	<b>19,138</b>	<b>2,114</b>	<b>15,606</b>	<b>2,587</b>	<b>11,171</b>	<b>73,148</b>	
<b>Liabilities</b>								
Insurance contract liabilities and investment contract liabilities	21,470	1,839	2,199	4,142	1,744	(99)	31,295	
Liabilities related to segregated funds net assets	—	16,392	—	11,476	—	—	27,868	
Other	342	37	5	5	—	7,466	7,855	
<b>Total liabilities</b>	<b>21,812</b>	<b>18,268</b>	<b>2,204</b>	<b>15,623</b>	<b>1,744</b>	<b>7,367</b>	<b>67,018</b>	

## 18 › Earnings Per Common Share

## Basic Earnings Per Share

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

	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net income attributed to common shareholders	217	184	439	516
Weighted average number of outstanding shares (in millions of units)	107	106	107	107
Basic earnings per share (in dollars)	2.03	1.73	4.11	4.83

## 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 nine months ended September 30, 2020, an average of 393,159 and 295,876 antidilutive stock options respectively (51,460 for the quarter and 130,910 for the nine months ended September 30, 2019) were excluded from the calculation.

	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net income attributed to common shareholders	217	184	439	516
Weighted average number of outstanding shares (in millions of units)	107	106	107	107
Add: dilutive effect of stock options granted and outstanding (in millions of units)	—	1	—	—
Weighted average number of outstanding shares on a diluted basis (in millions of units)	107	107	107	107
Diluted earnings per share (in dollars)	2.03	1.72	4.10	4.81

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

### 19 › Post-Employment Benefits

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

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

#### Amounts Recognized in Net Income and Other Comprehensive Income

	Quarters ended September 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Current service cost	16	1	11	1
Net interest	2	—	2	—
Components of the cost of defined benefits recognized in the net income	18	1	13	1
Remeasurement of net liabilities (assets) as defined benefits <sup>1</sup>				
Rate of return on assets (excluding amounts included in the net interest above)	(18)	—	(19)	—
Actuarial losses on financial assumption changes	36	2	34	2
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	18	2	15	2
<b>Total of defined benefit cost components</b>	<b>36</b>	<b>3</b>	<b>28</b>	<b>3</b>

<sup>1</sup> Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.



	Nine months ended September 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Current service cost	46	3	33	2
Net interest	6	1	6	1
Administrative expense	1	—	1	—
Components of the cost of defined benefits recognized in the net income	53	4	40	3
Remeasurement of net liabilities (assets) as defined benefits <sup>1</sup>				
Rate of return on assets (excluding amounts included in the net interest above)	(37)	—	(153)	—
Actuarial losses (gains) on financial assumption changes	130	3	242	5
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	93	3	89	5
<b>Total of defined benefit cost components</b>	<b>146</b>	<b>7</b>	<b>129</b>	<b>8</b>

<sup>1</sup> Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based 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 September 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
<b>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</b>				
Remeasurement of post-employment benefits	18	2	15	2
Income taxes on remeasurement of post-employment benefits	(4)	(1)	(3)	(1)
<b>Total of other comprehensive income</b>	<b>14</b>	<b>1</b>	<b>12</b>	<b>1</b>

	Nine months ended September 30			
	2020		2019	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
<b>Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income</b>				
Remeasurement of post-employment benefits	93	3	89	5
Income taxes on remeasurement of post-employment benefits	(24)	(1)	(23)	(1)
<b>Total of other comprehensive income</b>	<b>69</b>	<b>2</b>	<b>66</b>	<b>4</b>

## 20 > Commitments

### Investment Commitments

In the normal course of the Company's business, various outstanding contractual commitments related to offers for commercial and residential loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. As at September 30, 2020, there were \$783 (\$803 as at December 31, 2019) of outstanding commitments, of which the estimated disbursements will be \$60 (\$65 as at December 31, 2019) in 30 days, \$342 (\$314 as at December 31, 2019) in 31 to 365 days and \$381 (\$424 as at December 31, 2019) in more than one year.

### Letters of Credit

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

**Lines of Credit**

As at September 30, 2020, the Company had operating lines of credit totalling \$56 (\$56 as at December 31, 2019). As at September 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 › Event After the Reporting Period**

On October 1, 2020, the Company entered into a new reinsurance agreement which will have an impact on the Company's fourth quarter financial results. However, at this time, it is impossible to accurately assess the impact considering that this operation is part of an expanded risk management strategy. The impacts of the strategy will be disclosed in the financial statements of the Company as at December 31, 2020.

**22 › 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 Wednesday, November 4, 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](http://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 three ways to reach us, depending on the type of information you want to obtain:

For questions regarding your shares and the Dividend Reinvestment and Share Purchase Plan:

Computershare Investor Services Inc.

Telephone: 514 982-7555

1 877 684-5000 (toll free)

Email: [ia@computershare.com](mailto: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](mailto:investors@ia.ca)

Website: [www.ia.ca](http://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

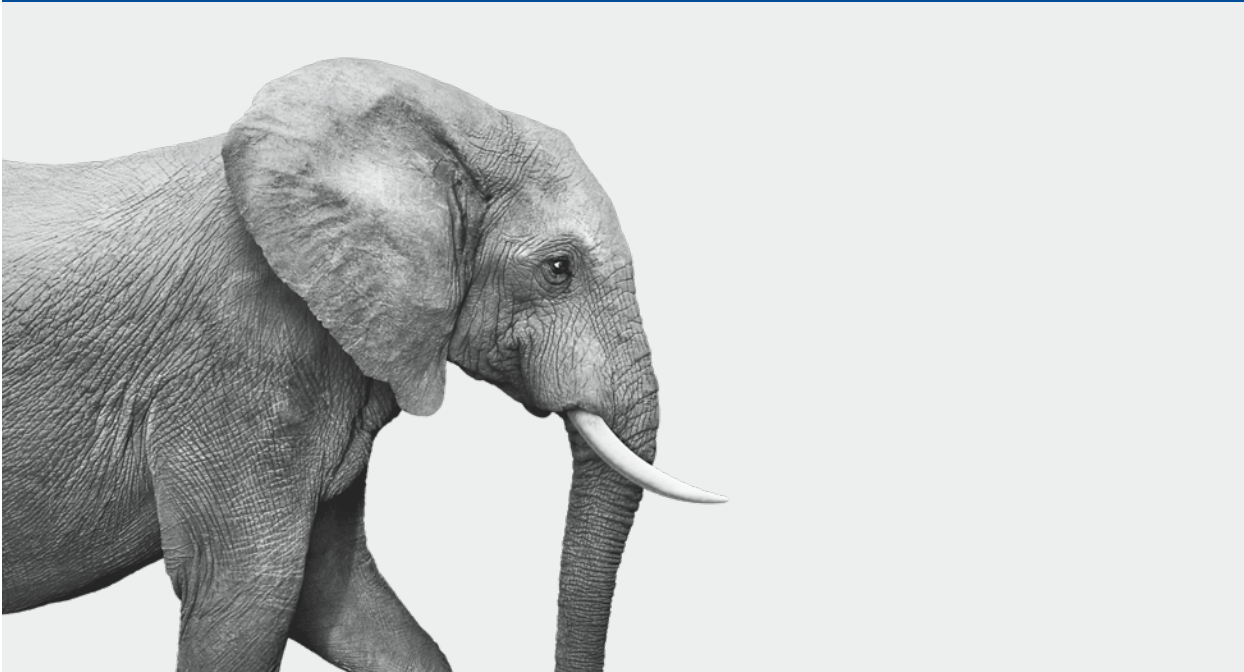
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