

# PRESENT AND STRONG.

More than ever.



## 2021 First Quarter Report to Shareholders

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

This Discussion and Analysis for iA Financial Corporation Inc. (“iA Financial Corporation” or “Company”) is dated May 6, 2021. iA Financial Corporation is a subsidiary of Industrial Alliance Financial Group Inc. (“iA Financial Group”) as of January 1, 2019, as a result of a plan of arrangement. This Discussion and Analysis should be read in conjunction with the audited financial statements for the three months ended March 31, 2021 and 2020. It should also be read with the Discussion and Analysis and the audited financial statements for the year ended December 31, 2020. Rolling Earnings Financial Review may contain additional data that complements the information in this Management’s Discussion and Analysis.

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

Profitability	First quarter		
	2021	2020	Variation
Adjusted income (in millions)	\$172.9	\$39.1	+133.8
Adjusted income per share of common stock	\$1.61	\$0.36	+1.25
Adjusted income per share of common stock (EPS)	\$1.79	\$1.49	+0.30
Return on common stock (ROE) at March 31, 2021	12.7%	9.3%	+3.4%
Return on common stock (ROE) at December 31, 2020	12.7%	11.3%	+1.4%

Adjusted income was \$172.9 million in the first quarter of 2021, compared with \$39.1 million in the first quarter of 2020. Adjusted income per share of common stock was \$1.61 in the first quarter of 2021, compared with \$0.36 in the first quarter of 2020. Adjusted income per share of common stock (EPS) was \$1.79 in the first quarter of 2021, compared with \$1.49 in the first quarter of 2020.

Return on common stock (ROE) was 12.7% at March 31, 2021, compared with 9.3% at March 31, 2020. ROE is also impacted by the impact of the pandemic.

Adjusted income per share of common stock (EPS) was \$1.79 in the first quarter of 2021, compared with \$1.49 in the first quarter of 2020.

**Business growth** – We ended the first quarter with total assets of \$4.4 billion, an increase of \$1.7 billion from the end of the fourth quarter of 2020. Sales results for the first quarter were good across all lines of business. In Canada, we continue to strengthen our market position in our core markets and expand into new markets. In particular, we saw strong performance in our individual and mutual funds divisions. Total inflows for individual and mutual funds were \$972.3 million and \$377.8 million, respectively, compared with \$500 million and \$300 million in the first quarter of 2020. We also saw strong performance in our U.S. division, driven by the addition of new business and strong growth in our existing business.

**Financial position** – Our debt-to-capitalization ratio was 109% at March 31, 2021, compared with 119% at the end of 2020. Our debt-to-capitalization ratio is primarily driven by the acquisition of iA Financial Holdings. This acquisition is expected to increase our debt-to-capitalization ratio to 110% to 116%. Our debt-to-capitalization ratio is primarily driven by the acquisition of iA Financial Holdings. This acquisition is expected to increase our debt-to-capitalization ratio to 110% to 116%.

**Book value** – Our book value per share of common stock was \$1.40 at March 31, 2021, compared with \$1.10 at the end of the fourth quarter of 2020.

**Dividend** – In accordance with regulators' instructions not to pay dividends on common stock due to COVID-19, the Board of Directors has approved a dividend of \$0.00 for the first quarter of 2021.

<sup>1</sup> This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.  
<sup>2</sup> Considering the unusual market volatility with the onset of the COVID-19 pandemic in Q1 2020, the disclosed Q1 2020 results are presented here for comparison purposes.  
<sup>3</sup> At the Investor Event held on March 11, 2021, the Company presented its business mix under three main categories: Foundation, Support and Expansion. For more information, please refer to the "2021 iA Financial Group Investor Event" paragraph on page 3 and the Company's [Investor Event Presentations/2021 Investor Event](#).

**Litigation** – On March 10, 2021, the Ontario Superior Court of Justice ruled in favour of iA Financial Group in its litigation with Ituna Group Inc. and Ituna Group Inc. (“Ituna”). Ituna sought to unwind its deposits into a mutual fund. The court found that Ituna’s position was in violation of its contract. iA Financial Group has always advised that its position is in compliance with the law.

**Credit rating update** – On March 9, 2021, the rating agency DBRS Morningstar updated its credit ratings for iA Financial Corporation and iA Financial Group. DBRS Morningstar affirmed its ratings for iA Financial Corporation and iA Financial Group as “Baa1” and “Baa1”, respectively, based on its significant efforts undertaken by iA Financial Group in its past year to improve its financial performance, in particular its sensitivity to the economic environment. In addition, S&P Global Ratings affirmed its ratings for iA Financial Corporation and iA Financial Group as “BBB-” and “BBB-”, respectively, based on its significant efforts undertaken by iA Financial Group in its past year to improve its financial performance.

**2021 iA Financial Group Investor Event** – iA Financial Group held a virtual investor event on March 10, 2021. During this public event, iA Financial Group presented its “Guiding to solid growth” strategy, which was based on iA Financial Group’s strategic goals, including the following short and medium-term financial targets:

- Grow core EPS by at least 10% on average per year during the coming year
- Increase the target for core ROE to 13% to 15% by 2023, with the target range for 2021 being 12.5% to 14%

iA Financial Group also presented its growth strategy by continuing its diversification into new markets and Expansion. “Foundation” includes iA Financial Group’s core business in which iA Financial Group is a leader, including Individual Variable Products, Individual Term Products and iA Financial Group (Canada). “Support” includes iA Financial Group’s financial services, including iA Financial Group’s insurance and iA Financial Group’s mutual funds. “Expansion” includes iA Financial Group’s high-growth businesses in which iA Financial Group is a leader.

For more information on iA Financial Group’s strategy, please visit [iA Financial Group’s Investor Events and Presentations/2021 Investor Event X](#).

**2020 Sustainability Report** – On March 30, 2021, iA Financial Group released its 2020 Sustainability Report, which outlines iA Financial Group’s environmental, social and governance (“ESG”) strategy and commitments for 2020. iA Financial Group’s 2020 Sustainability Report is available on its website at [www.iafinancialgroup.com/sustainability](#).

- Commitment to iA Financial Group’s environmental, social and governance (“ESG”) strategy and commitments for 2020 and a commitment to reduce its GHG emissions by 20% by 2025
- Commitment to achieve a greater diversity of senior leadership positions by 2025
- Incorporation of ESG criterion into iA Financial Group’s compensation policy
- Adoption of a revised ESG disclosure framework (Sustainability Accounting Standards Board – SASB)

**iA Wealth launches iA Private Wealth and iA Capital Markets brands** – On January 18, 2021, iA Financial Group announced the launch of iA Wealth’s new brands, iA Private Wealth and iA Capital Markets. iA Private Wealth and iA Capital Markets are part of iA Wealth’s new brand architecture, which is part of iA Wealth’s overall strategy to improve its financial performance. iA Private Wealth and iA Capital Markets will now be known as iA Capital Markets. This change will be reflected in our reports and communications.

**Board of Directors** – iA Financial Group’s annual meeting will be held on Thursday, May 6, 2021. At this meeting, two new directors will be proposed for election by shareholders to replace those not seeking another term.

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

**BUSINESS GROWTH**

iA Financial Group’s growth is driven by growth in sales, new business and investments. iA Financial Group’s ability to provide services and expand its fund business on a global basis during the year, which is part of iA Financial Group’s strategy, is reflected in its financial results. iA Financial Group’s fund business, which is a key part of its business, is expected to continue to grow. iA Financial Group’s financial performance is expected to improve in the future, particularly for iA Financial Group’s funds and investments. An additional analysis of iA Financial Group’s performance is provided in the “Analysis According to the Financial Statements” section of this Management’s Discussion and Analysis.

Net Premiums, Premium Equivalents and Deposits <sup>4,5</sup>			
(In millions of dollars)	First quarter		
	2021	2020	Variation
Individual / v • μ CE v	418.7	397.5	21.2
Individual t o šh D v P u v š	î U547.5	í U771.0	776.5
' CEoup / v • μ CE v	429.7	461.3	(31.6)
' CEoup ^ Á ] v P • and Z š ] CE u v š	686.8	652.0	34.8
US K % CE š ] v •	246.4	178.9	67.5
' v CEal / v • μ CE v	92.5	84.5	8.0
d } š o	ð U421.6	ĩ U545.2	876.4

W CE u ] μ us and posits š } š o o d u } CE than \$4.4 billion in š Z first < μ CE š CE can } } Ār CEar š Zo v t i o ņ š Z contribution of o ost all μ • ] s o ] sy in particular Individual t alth D v P ut and, to a o • r AE ņ, Group Savings and Z š ] CE ņ and US Ope CE š ] } v • X

Assets Under Management and Administration <sup>5</sup>			
(In millions of dollars)	March 31, 2021	December 31, 2020	March 31, 2020
• • š • μ v CE u v P u v š			
' v CEal ( μ v	ñ î U237.8	ñ î U661.5	ð ó U811.4
^ P CE P šed ( μ v •	ĩ ĩ U437.1	ĩ ĩ U804.0	î ñ U460.1
D μ šual ( μ v •	í î U030.7	í í U393.1	ð ó U908.7
K š Z CE	ĩ U913.4	ĩ U797.3	í ĩ U893.1
^ μ š ] š o	í ĩ U619.0	í ĩ U655.9	ð ó U073.3
• • š • μ v CE u ] v ] • š CE š ] } v	ð ð U647.2	ð ñ U830.1	ó ô U653.6
d } š o	î î U266.2	í ð ó U486.0	í ó ñ U726.9

• • ts μ v r u v P u nt and uinistration v d š Z < \$201.3 ] o c, up í ñ ( CE } u š Z % CE v i o u s Ç ar Á Z n • • ts μ v r uinistration Á CE • % o cially ] u % o š d by š Z drop in quity u CE l ts • % o μ CE CE d by š Z % o v uic. During š Z μ v r m v P u nt and administration gre í ě, mainly due to m CE l t growth and net fund e v š CE ] s.

<sup>ð</sup> Wremiums and deposits ] v lude all premiums } o o ted Ç the } u % o v Ç for its ] v • μ CE v e and v v μ ] š Ç tivities (and posted to the general ( μ v • U all amounts segregated funds ~ Á Z ] h are also considered to be % CE u ] μ u • • U deposits from the Group / v • μ CE v U Group Savings and Retirement and US Operations • tors and mutual f % o } • ] š • X

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

<sup>ó</sup> / v ludes iAAH and some minor consolidation adjustments.

Sales Growth by Line of Business <sup>7</sup>			
(In millions of dollars, unless otherwise indicated)	First quarter		
	2021	2020	Variation
<b>Individual / v • μ CE v</b>			
Dinimum % CE u ] μ u •	54.4	43.3	↑ 0 9
AE • • % CE u ] μ u •	3.7	1.9	↑ 0 9
d } š o	58.1	45.2	↑ 0 9
<b>Individual t o š h D v P u v š</b>			
' CE } • • • o •			
' v CE al ( μ v	228.7	205.7	↑ 1 9
^ P CE P š ed ( μ v •	1 377.0	872.3	↑ 0 9
D μ š ual ( μ v •	941.8	693.0	↑ 0 9
d } š o	1 547.5	1 771.0	↓ 0 9
E š • o • ~ ( š CE CE u % š ] } v • and š CE v • ( CE • •			
^ P CE P š ed ( μ v •	972.3	423.8	548.5
D μ š ual ( μ v •	377.8	(99.2)	477.0
<b>' CEoup / v • μ CE v</b>			
Employee W o v •	87.1	57.1	↑ 1 9
o CE ^ CE Å ] •			
CE ] š } CE / v • μ CE v	43.0	58.9	~ ↑ 0 9 •
P&C / v • μ CE v	64.5	62.0	↓ 0 9
CE loan } CE ] P ] v š ] } v •	123.7	103.2	↑ 1 9
Special D CE I š •	46.8	75.8	~ ↓ 0 9 •
' CEoup ^ Å ] v P • and Z š ] CE u v š	693.3	658.9	↑ 1 9
<b>US K % CE š ] } v • ~ " h ^ •</b>			
Individual / v • μ CE v	31.2	29.4	0 9
o CE ^ CE Å ] • - P&C / v • μ CE v	233.0	117.2	↑ 0 9
<b>' v CE al / v • μ CE v</b>			
] H ~ μ š o and home ] v • μ CE v •	84.1	73.9	↑ 0 9

**Individual Insurance in Canada** – First quarter sales of \$58.1 million, continuing strong growth with a significant increase of 26% for the quarter. This increase is due in part to the strength of our distribution network and the effectiveness of our digital tools.

**Individual Wealth Management** (Personal Financial Fund) – Sales for the quarter were \$228.7 million, up from \$205.7 million in 2020. This increase is primarily due to strong performance of our distribution network and digital tools. Starting with Personal Financial Funds, gross sales were up 26% for the quarter at \$1,377.0 million, and total sales were up 29% at \$972.3 million. This is up from \$872.3 million in 2020. For mutual funds, gross sales were up 10% for the quarter at \$941.8 million, and total sales were up 10% at \$693.0 million. This is up from \$693.0 million in 2020. For special markets, sales were up 10% for the quarter at \$46.8 million, and total sales were up 10% at \$46.8 million. This is up from \$75.8 million in 2020. For group insurance, sales were up 10% for the quarter at \$87.1 million, and total sales were up 10% at \$87.1 million. This is up from \$57.1 million in 2020.

**Group Insurance – Employee Plans** – Total sales of \$87.1 million, up from \$57.1 million in 2020. This increase is primarily due to the implementation of several new groups during the quarter.

**Group Insurance – Dealer Services** – Total sales of \$231.2 million, up from \$224.1 million in 2020. This increase is primarily due to strong performance of our distribution network and digital tools. Starting with Personal Financial Funds, gross sales were up 10% for the quarter at \$64.5 million, and total sales were up 10% at \$64.5 million. This is up from \$62.0 million in 2020. For mutual funds, gross sales were up 10% for the quarter at \$123.7 million, and total sales were up 10% at \$123.7 million. This is up from \$103.2 million in 2020. For special markets, sales were up 10% for the quarter at \$46.8 million, and total sales were up 10% at \$46.8 million. This is up from \$75.8 million in 2020. For group insurance, sales were up 10% for the quarter at \$87.1 million, and total sales were up 10% at \$87.1 million. This is up from \$57.1 million in 2020.

**Group Insurance – Special Markets** – First quarter sales of \$75.8 million, up from \$46.8 million in 2020. This increase is primarily due to the implementation of several new groups during the quarter.

<sup>6</sup> Sales are not an IFRS measure.  
<sup>7</sup> WCE % CE š Ç and c • μ o š Ç insuranc X

**Group Savings and Retirement** – First quarter 2021 sales increased to \$693.3 million, up from \$661.9 million in the same period last year. This increase was primarily due to annuity product sales with the signing of several groups with sizable assets.

**US Operations** – Total revenue for the first quarter 2021 was \$31.2 million, up from \$233.0 million in the same period last year. This growth is also due to the addition of several new direct groups.

**General Insurance (IAAH)** – First quarter 2021 net income was \$84.1 million, surpassing the first quarter 2020 net income of \$78.1 million.

**ANALYSIS ACCORDING TO SOURCES OF EARNINGS**

This section contains information that is not required under IFRS. The “Non-IFRS Financial Information” at the end of this report provides information and an explanation of the adjustments applied in the Company’s core earnings calculation.

**Core earnings<sup>6</sup>**

Core earnings is a non-IFRS measure that represents the Company’s capacity to produce earnings. For the first quarter 2021, core earnings was \$192.2 million, a decrease from \$192.2 million in the same period last year. Core earnings calculation for the first quarter 2021 includes adjustments for the Company’s reinsurance and core earnings.

(in millions of dollars after tax unless otherwise indicated)	First quarter			
	Earnings	EPS (diluted basis)		
		2021	2021	2020
<b>Reported earnings</b>	172.9	\$1.01	\$1.00	\$0.01
<b>Core earnings remove from reported earnings the impacts of the following items:</b>				
• Dividend income	(4.4)	\$0.02	\$0.02	\$0.00
• Interest income	—	—	—	—
• Zonal reserve	3.5	\$0.02	—	\$0.02
• Other	13.5	\$0.07	\$0.06	\$0.01
• Expense	6.7	\$0.03	\$0.03	\$0.00
• Other	—	—	\$0.01	—
<b>Core earnings</b>	192.2	\$1.06	\$1.06	\$0.00

<sup>6</sup> For the definition of core earnings, refer to the “Non-IFRS Financial Information” section on page 11. This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition.

**Results According to Sources of Earnings on a Reported and Core Basis**

Results according to the sources of earnings reflect variations in the company's operations for the month ended March 31, 2021. This data represents the company's financial results for the first quarter of 2021 and 2020. The company's financial results are presented in two tables below: the results according to sources of earnings on both a reported and core basis.

(In millions of dollars)	First quarter		
	2021	2020	Variation
Operating income			
Operating income	216.5	194.0	
Operating expense	1.3	(26.7)	
Operating income before taxes	(4.7)	(10.5)	
Income tax expense	—	—	
Operating income	213.1	156.8	
Operating income	51.8	45.4	
Operating income	264.9	202.2	31.9
Operating income	(67.0)	(34.6)	
Operating income	197.9	167.6	
Operating income	5.7	5.6	
Operating income	192.2	162.0	19.9

(In millions of dollars)	First quarter		
	2021	2020	Variation
Operating income			
Operating income	204.7	186.2	
Operating expense	6.2	(142.9)	
Operating income before taxes	(4.7)	(10.5)	
Income tax expense	—	(24.0)	
Operating income	206.2	8.8	
Operating income	33.4	34.3	
Operating income	239.6	43.1	456.9
Operating income	(61.0)	1.6	
Operating income	178.6	44.7	
Operating income	5.7	5.6	
Operating income	172.9	39.1	342.9

**Analysis According to Sources of Earnings on a Reported Basis**

The company's operating income for the first quarter of 2021 was \$213.1 million, compared to \$156.8 million for the first quarter of 2020. This increase of \$56.3 million, or 36%, is primarily due to the following factors:

**Expected profit on in-force** – The company's expected profit on in-force policies for the first quarter of 2021 was \$213.1 million, compared to \$156.8 million for the first quarter of 2020. This increase of \$56.3 million, or 36%, is primarily due to the following factors:

For the first quarter of 2021, the company's expected profit on in-force policies was \$213.1 million, compared to \$156.8 million for the first quarter of 2020. This increase of \$56.3 million, or 36%, is primarily due to the following factors:

**Experience gains (losses) versus expected profit** – The company's experience gains (losses) versus expected profit for the first quarter of 2021 was \$51.8 million, compared to \$45.4 million for the first quarter of 2020. This increase of \$6.4 million, or 14%, is primarily due to the following factors:

<sup>11</sup> Q1 2021: P W I goodwill impairment.



In the first quarter of 2021, the Company reported a net earnings gain of \$6.2 million, or \$0.04 EPS. The following results are worthy of note:

- Additional protections in reserves for pandemic uncertainty** – Additional mortality arising from COVID-19 was higher than expected during the first quarter. Additional mortality was offset by additional provisions for COVID-19 for the first quarter and the amount of this provision for COVID-19 in the first quarter was similar to the amount of this provision for COVID-19 in the second quarter. In addition, the additional protection remains intact as no adverse events occurred during the quarter.
- Expenses** – Expenses were \$0.06 million. This is primarily due to the impact of COVID-19 on the four Canadian business lines as well as other expenses.
- Individual Insurance** – This division was a net loss of \$2.9 million (-\$0.02 EPS) in the first quarter. This loss was primarily due to the impact of COVID-19 on the business, which was offset by a provision for COVID-19 of \$0.03 million. In addition, there was a net gain of \$0.03 million from the sale of investments and a net loss of \$0.01 million from the sale of real estate.
- Individual Wealth Management** – This division was a net gain of \$2.5 million (+\$0.02 EPS). This gain was primarily due to the impact of COVID-19 on the business, which was offset by a provision for COVID-19 of \$0.04 million. In addition, there was a net gain of \$0.01 million from the sale of investments and a net loss of \$0.01 million from the sale of real estate.
- Group Insurance** – This division was a net loss of \$1.2 million (-\$0.01 EPS). This loss was primarily due to the impact of COVID-19 on the business, which was offset by a provision for COVID-19 of \$0.03 million. In addition, there was a net gain of \$0.02 million from the sale of investments and a net loss of \$0.01 million from the sale of real estate.
- Group Savings and Retirement** – This division was a net gain of \$1.3 million (+\$0.01 EPS). This gain was primarily due to the impact of COVID-19 on the business, which was offset by a provision for COVID-19 of \$0.01 million. In addition, there was a net gain of \$0.01 million from the sale of investments and a net loss of \$0.01 million from the sale of real estate.
- US Operations** – This division was a net gain of \$5.2 million (+\$0.04 EPS). This gain was primarily due to the impact of COVID-19 on the business, which was offset by a provision for COVID-19 of \$0.04 million. In addition, there was a net gain of \$0.05 million from the sale of investments and a net loss of \$0.01 million from the sale of real estate.

**Impact of new business (strain) in Individual Insurance and US Operations** – Strain for the two divisions was \$4.8 million, or \$0.04 EPS, for the first quarter. This strain is within the 5% to 10% range but is slightly higher than the sales mix was slightly different than the previous quarter.

**Income on capital** – Earnings on the company's surplus funds, which were invested in equities, was \$33.4 million, or \$0.04 EPS, for the first quarter. This is primarily due to the impact of COVID-19 on the business, which was offset by a provision for COVID-19 of \$0.08 million. In addition, there was a net gain of \$0.01 million from the sale of investments and a net loss of \$0.01 million from the sale of real estate.

**Income taxes** – The company's income tax expense was \$61.0 million, or \$0.04 EPS, for the first quarter. This is primarily due to the impact of COVID-19 on the business, which was offset by a provision for COVID-19 of \$0.09 million. This is mainly due to the company's status as a multinational corporation and, to a lesser extent, the impact of the company's status as a multinational corporation.

**ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS**

The following analysis should be read in conjunction with the "Management Discussion and Analysis" in the Company's 2020 consolidated financial statements.

Consolidated Income Statements			
(In millions of dollars)	First quarter		
	2021	2020	Variation
Net premium income	\$375.0	\$755.1	619.9
Operating expenses	(\$550.2)	(857.0)	(\$693.2)
Net operating income	506.2	440.1	66.1
Other income	331.0	\$338.2	(\$7.2)
Policy acquisition costs	98.5	\$294.1	(\$195.6)
Income before income tax	232.5	44.1	188.4
Income tax expense	58.6	(1.9)	60.5
Net income	173.9	46.0	127.9
Net income attributable to common shareholders	178.6	44.7	133.9
Net income attributable to common shareholders, excluding net income from equity investments	172.9	39.1	133.8

**Revenues**

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

Revenues by Line of Business							
(In millions of dollars)	First quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premium income	418.7	\$605.7	399.5	659.8	198.8	92.5	\$375.0
Variation vs. 2020	21.2	527.7	(24.4)	26.8	60.6	8.0	619.9
Operating expenses	(\$555.9)	(184.8)	(17.5)	(208.0)	(118.9)	34.9	(\$693.2)
Variation vs. 2020	(1,809.4)	(511.8)	(33.7)	(159.8)	(172.9)	(5.6)	(2,693.2)
Net operating income	29.2	414.1	17.0	30.2	67.1	(51.4)	506.2
Variation vs. 2020	(0.2)	38.3	(3.5)	3.4	34.9	(6.8)	66.1
Other income	(\$608.0)	\$835.0	399.0	482.0	147.0	76.0	331.0
Variation vs. 2020	(1,788.4)	54.2	(61.6)	(129.6)	(77.4)	(4.4)	(2,007.2)

**Net premiums** – The \$619.9 million increase over the first quarter of 2020 is mainly due to:

- Growth in Individual Wealth Management
- To a lesser extent, increases in US Operations, Group Insurance, and Group Savings and Retirement

Factors that can cause revenue to fluctuate from one quarter to another are generally as follows:

- Volatility of interest rates in fixed income investments and savings products during the first 60 days of the quarter
- Net fluctuations and the signing of new agreements with large groups in the group business line

That net income attributable to common shareholders is not necessarily indicative of the performance of the mutual funds.

Investment income – decreased \$2,693.2 million in the first quarter of 2021 compared to first quarter of 2020, primarily due to a decrease in the fair value of bond investments, mainly caused by variations in interest rate.

That decrease was mostly due to variations in the fair value of investments, particularly for bonds, equities and derivatives, particularly for bonds, equities and derivatives, particularly for bonds, equities and derivatives.

On an accounting standpoint, the majority of the gains and losses on the sale of investments through profit or loss and the provisions for the fair value of investments in insurance contract liabilities.

Other revenues – increased \$66.1 million in the first quarter of 2021 versus first quarter of 2020, primarily due to business growth in Individual Wealth Management and US Operations from the IAS acquisition.

**Policy Benefits and Expenses**

Policy benefits and expenses decreased by \$2,195.6 million in the first quarter of 2021 compared to the same period last year. This decrease was primarily due to:

- a decrease in the net transfers to separate accounts in the Group Savings and Retirement sector.
- a decrease in the net transfers to separate accounts in the Group Savings and Retirement sector.

The decrease in policy benefits and expenses was primarily due to:

- a decrease in the net transfers to separate accounts in the Group Savings and Retirement sector. The net transfers include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- a decrease in the net transfers to separate accounts in the Group Savings and Retirement sector. The net transfers include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- To a lesser extent, an increase in common equity net pre-emptive growth.

**Income Taxes**

For the first quarter of 2021, the company's effective tax rate of 58.6% was compared to an effective tax rate of 51.9% in the first quarter of 2020. The amounts represent the company's tax rate net of adjustments for prior years, if applicable.

**Net Income Attributed to Common Shareholders**

For the first quarter of 2021, net income attributable to common shareholders was \$72.9 million, compared to \$39.1 million for the first quarter of 2020. In addition to the increase in net income, the increase in net income attributable to common shareholders for the first quarter of 2021 was primarily due to the impact of COVID-19 and the resulting increase in pre-emptive growth.

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)	2021	2020				2019			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income	331.0	\$151.7	\$149.5	\$168.1	\$138.2	\$154.9	\$171.5	\$107.7	\$127.0
Net income attributable to common shareholders	172.9	171.9	217.5	182.7	39.1	171.2	183.7	181.4	151.1
Operating margin	\$1.61	\$1.61	\$2.03	\$1.71	\$0.37	\$1.60	\$1.73	\$1.70	\$1.41
Operating margin	\$1.61	\$1.60	\$2.03	\$1.71	\$0.36	\$1.59	\$1.72	\$1.69	\$1.40

**Related Party Transactions**

The Company does not report related party transactions outside the normal course of business to report for the first quarter of 2021.

**Liquidity**

To honour its obligations, the Company maintains a level of liquidity by holding a proportion of the Company's assets in cash and cash equivalents.

The volatility of the financial markets, the Company's obligations to the Company's liquidity providers and various factors, some of which can be outside the Company's control, and the quality of its investment portfolio, the Company believes its current level of liquidity is not an issue.

For information on liquidity and how this is relevant to the Company's financial position, see the Company's 2020 Annual Report.

The Company also has certain obligations as well as a number of commitments. Its obligations include various contractual obligations, such as financial and contractual loan commitments, joint ventures, and other obligations which are not reflected in the financial statements and may not be fulfilled.

For information on the Company's obligations, see the Company's 2020 Annual Report.

**Accounting Policies and Main Accounting Estimates**

The Company's first quarter financial results were prepared using the same accounting policies and estimates as those used in the Company's 2020 Annual Report.

The Company's financial results are prepared using the same accounting policies and estimates as those used in the Company's 2020 Annual Report. The Company's financial results are prepared using the same accounting policies and estimates as those used in the Company's 2020 Annual Report.

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**INVESTMENTS**

Investment Mix			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Total value of investments	1,000,000	950,000	950,000
Composition of investments by:			
Cash	100,000	100,000	100,000
Equities	100,000	100,000	100,000
Debt securities	100,000	100,000	100,000
Real estate	100,000	100,000	100,000
Private equity	100,000	100,000	100,000
Other	100,000	100,000	100,000
Total	1,000,000	950,000	950,000

total amount of \$42.5 billion at March 31, 2021, down from \$42.5 billion at December 31, 2020. The decrease is primarily due to the impact of rising interest rates on the fair value of the Company's investment portfolio. The Company's investment portfolio consists of various types of securities, including government securities, corporate securities, and structured securities. The Company's investment portfolio is diversified across various sectors and geographies. The Company's investment portfolio is subject to various risks, including interest rate risk, credit risk, and liquidity risk. The Company's investment portfolio is managed in accordance with the Company's investment strategy and risk management policies.

Quality of Investments			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Weighted average duration	23.1	45.2	5.5
Weighted average maturity	5.6	14.1	2.8
Effective yield	17.5	31.1	2.7
Weighted average credit rating	BBB	BBB	BBB
Weighted average loss ratio	0.09	0.09	0.09
Weighted average delinquency rate	0.09	0.09	0.09
Weighted average occupancy rate	0.09	0.09	0.09
Weighted average loss ratio	0.09	0.09	0.09

Indicators in this table show the quality of the Company's investment portfolio. The weighted average duration, maturity, and yield are key indicators of the portfolio's risk and return characteristics. The weighted average credit rating and loss ratio are key indicators of the portfolio's credit quality and performance. The weighted average delinquency rate and occupancy rate are key indicators of the portfolio's liquidity and risk management. The weighted average loss ratio is a key indicator of the portfolio's overall performance.

Derivative Financial Instruments			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Notional amount	30.8	32.3	31.8
Weighted average maturity	1.19	1.19	1.19
Weighted average yield	—	—	—
Weighted average duration	841.0	651.8	911.9
Weighted average maturity	967.8	569.1	755.9

The Company's derivative financial instruments are used to manage various risks, including interest rate risk, credit risk, and liquidity risk. The Company's derivative financial instruments are subject to various risks, including interest rate risk, credit risk, and liquidity risk. The Company's derivative financial instruments are managed in accordance with the Company's risk management policies.

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For information on the Company's derivative financial instruments, see the notes to the financial statements.

<sup>11</sup> A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.  
<sup>12</sup> Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.

**FINANCIAL POSITION**

<b>Capitalization</b>			
(In millions of dollars)	March 31, 2021	December 31, 2020	March 31, 2020
Common stock	\$689.5	\$674.5	\$671.9
Warrant (redeemable common stock) issued by a subsidiary	525.0	525.0	525.0
Preferred stock	17.5	18.8	17.2
Retained earnings	\$405.5	\$170.5	\$878.4
Accumulated other comprehensive income	(1.5)	82.5	27.5
Total	\$1,636.0	\$1,471.3	\$1,220.0
Preferred stock	\$449.3	\$448.7	\$447.9
Warrant (redeemable common stock) issued by a subsidiary	36.0	40.7	43.3
Total	\$1,211.3	\$960.7	\$611.2

The Company's capital increased to over \$1.6 billion at March 31, 2021, up \$160.6 million from December 31, 2020. The increase was primarily due to net income of \$160.6 million, partially offset by a \$100 million dividend payment. During the quarter, the Company's preferred stock was a net liability of \$100 million, mainly caused by the redemption of \$100 million of preferred stock.

<b>Solvency<sup>13</sup></b>			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Available cash	\$755.3	\$767.4	\$136.3
Accounts receivable	\$711.3	\$600.6	\$954.0
Other assets	\$703.5	\$054.6	\$432.9
Total	\$1,170.1	\$1,422.6	\$1,523.2
Debt	\$189.5	\$267.3	\$972.1
Solvency ratio	116.9	119	109

The Company's first quarter solvency ratio of 116.9% is an improvement from 119% at December 31, 2020, primarily due to the impact of organic capital generation. The current ratio remains above the Company's target range of 110% to 116%.

In the first quarter, the Company organically generated approximately \$90 million in additional capital.

<b>Financial Leverage</b>			
	March 31, 2021	December 31, 2020	March 31, 2020
Debt to capitalization	10.9%	11.9%	10.9%
Debt to equity	10.9%	10.9%	10.9%
Debt to total assets	10.9%	10.9%	10.9%

<sup>13</sup> This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.  
<sup>10</sup> Calculated as dividing earnings for the past twelve months (before interest and taxes) by the sum of preferred stock dividends on preferred shares issued and redemption premiums on preferred shares issued by a subsidiary (if applicable).

During the first quarter of 2021, the Company's total capitalization decreased by 24% from \$7.3 billion to \$5.6 billion. This decrease was primarily due to the impact of the COVID-19 pandemic, which resulted in a significant decrease in the Company's stock price. The Company's earnings per share for the first quarter of 2021 was \$0.15, compared to \$0.18 for the first quarter of 2020. The Company's dividend yield for the first quarter of 2021 was 2.5%, compared to 3.5% for the first quarter of 2020.

Book Value per Common Share and Market Capitalization			
	March 31, 2021	December 31, 2020	March 31, 2020
Book value per common share	\$56.95	\$55.52	\$52.29
Market capitalization	\$5.6 billion	\$7.3 billion	\$7.3 billion
Value of common shares owned by the Company	\$68.33	\$55.18	\$44.24
Dividend yield	2.5%	3.5%	3.5%

The Company's book value per common share at March 31, 2021, increased by 2.3% from \$55.52 at December 31, 2020, and by 6.2% from \$52.29 at March 31, 2020.

The Company's market capitalization at March 31, 2021, decreased by 24% from \$7.3 billion at December 31, 2020, and by 24% from \$7.3 billion at March 31, 2020. This decrease was primarily due to the impact of the COVID-19 pandemic, which resulted in a significant decrease in the Company's stock price. The Company's earnings per share for the first quarter of 2021 was \$0.15, compared to \$0.18 for the first quarter of 2020. The Company's dividend yield for the first quarter of 2021 was 2.5%, compared to 3.5% for the first quarter of 2020.

The Company's market capitalization at March 31, 2021, decreased by 24% from \$7.3 billion at December 31, 2020, and by 24% from \$7.3 billion at March 31, 2020. This decrease was primarily due to the impact of the COVID-19 pandemic, which resulted in a significant decrease in the Company's stock price. The Company's earnings per share for the first quarter of 2021 was \$0.15, compared to \$0.18 for the first quarter of 2020. The Company's dividend yield for the first quarter of 2021 was 2.5%, compared to 3.5% for the first quarter of 2020.

**DECLARATION OF DIVIDEND**

The Board of Directors of iA Financial Corporation has declared a dividend of \$0.15 per share on the outstanding common shares of the Company as of March 31, 2021. The dividend will be paid on May 14, 2021, to shareholders of record as of May 1, 2021. The dividend is subject to the approval of the relevant regulatory authorities.

The Board of Directors of iA Financial Corporation has declared a dividend of \$0.15 per share on the outstanding common shares of the Company as of March 31, 2021. The dividend will be paid on May 14, 2021, to shareholders of record as of May 1, 2021. The dividend is subject to the approval of the relevant regulatory authorities.

Following the declaration and payment of the dividend, the Company's market capitalization at March 31, 2021, decreased by 24% from \$7.3 billion at December 31, 2020, and by 24% from \$7.3 billion at March 31, 2020. This decrease was primarily due to the impact of the COVID-19 pandemic, which resulted in a significant decrease in the Company's stock price. The Company's earnings per share for the first quarter of 2021 was \$0.15, compared to \$0.18 for the first quarter of 2020. The Company's dividend yield for the first quarter of 2021 was 2.5%, compared to 3.5% for the first quarter of 2020.

Declaration of Dividend			
	Amount	Payment date	Closing date
Common shares of iA Financial Corporation	\$0.15	June 1, 2021	May 1, 2021
Warrant shares of iA Financial Corporation	\$0.15	June 1, 2021	May 1, 2021
Options of iA Financial Corporation	\$0.15	June 1, 2021	May 1, 2021

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 for the dividend tax credit.

**Reinvestment of Dividends**

Shareholders wishing to enroll in the Company's Dividend Reinvestment Plan (DRIP) should contact the Company's Investor Relations department at 1-800-387-2262. The DRIP allows shareholders to reinvest their dividends in additional shares of the Company's common stock. The DRIP is subject to the approval of the relevant regulatory authorities.

**SENSITIVITY ANALYSIS**

Sensitivity Analysis <sup>15</sup>			
	March 31, 2021	December 31, 2020	March 31, 2020
WITSX	10701 %}	10433 %}	10379 %}
Solvency ratio	109	109	109
Impact of a drop in the stock markets (S&P/TSX Index) <sup>16</sup>			
Index	100 %}	10800 %}	10700 %}
Income	10800 %}	10800 %}	10800 %}
Solvency ratio	109	109	109
Income	10800 %}	10800 %}	10800 %}
Solvency ratio	109	109	109
Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates			
Net income	10800 %}	10800 %}	10800 %}
Solvency ratio	109	109	109

**Caution related to sensitivities**

The sensitivity analysis is based on non-IFRS measures. The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.

Capital sensitivities to equity market – Equity market variation impacts net income and solvency ratio. Equity market variation can significantly impact the value of assets such as equities. Factors such as interest rates, inflation, and economic conditions can impact the value of assets. The sensitivity analysis is based on the assumption that the value of assets is directly proportional to the market value of the assets.

**NOTICE AND GENERAL INFORMATION**

**Internal Control Over Financial Reporting**

No changes in internal control over financial reporting during the quarter ended March 31, 2021. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

**Non-IFRS Financial Information**

The Company reports its financial results and financial ratios in accordance with International Financial Reporting Standards (IFRS). It also reports certain financial measures that are not based on IFRS (non-IFRS). The Company's financial ratios are calculated in accordance with the Company's accounting policies. The Company's financial ratios are not intended to be used as a primary measure of the Company's performance. The Company's financial ratios are subject to change and should not be used as a basis for investment decisions.

<sup>15</sup> The sensitivity analysis is based on non-IFRS measures.

<sup>16</sup> The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.



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**Forward-Looking Statements**

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## Consolidated Income Statements

(unaudited, in millions of dollars, unless otherwise indicated)	Three months ended March 31	
	2021	2020
<b>Revenues</b>		
<b>Premiums</b>		
Gross premiums	\$ 3,619	\$ 2,950
Premiums ceded	(244)	(195)
Net premiums (Note 17)	3,375	2,755
<b>Investment income (Note 5)</b>		
Interest and other investment income	350	443
Change in fair value of investments	(3,900)	(1,300)
	(3,550)	(857)
Other revenues	506	440
	331	2,338
<b>Policy benefits and expenses</b>		
Gross benefits and claims on contracts	2,624	1,613
Ceded benefits and claims on contracts	(175)	(134)
Net transfer to segregated funds	411	688
Increase (decrease) in insurance contract liabilities	(3,820)	(702)
Increase (decrease) in investment contract liabilities	(14)	1
Decrease (increase) in reinsurance assets	54	(75)
	(920)	1,391
Commissions	529	441
General expenses	438	412
Premium and other taxes	33	33
Financing charges	18	17
	98	2,294
<b>Income before income taxes</b>	233	44
Income taxes (Note 16)	59	(2)
<b>Net income</b>	\$ 174	\$ 46
Net income attributed to participating policyholders	(5)	1
<b>Net income attributed to shareholders</b>	\$ 179	\$ 45
Dividends attributed to preferred shares issued by a subsidiary (Note 12)	6	6
<b>Net income attributed to common shareholders</b>	\$ 173	\$ 39
<b>Earnings per common share (in dollars) (Note 18)</b>		
Basic	\$ 1.61	\$ 0.37
Diluted	1.61	0.36
<b>Weighted average number of shares outstanding (in millions of units) (Note 18)</b>		
Basic	107	107
Diluted	107	107
<b>Dividends per common share (in dollars) (Note 11)</b>	0.49	0.49

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

## Consolidated Comprehensive Income Statements

(unaudited, in millions of dollars)	Three months ended March 31	
	2021	2020
<b>Net income</b>	\$ 174	\$ 46
<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	(64)	(118)
Reclassification of losses (gains) on available for sale financial assets included in net income	(6)	(8)
	(70)	(126)
Net investment hedge		
Unrealized gains (losses) on currency translation in foreign operations	(31)	128
Hedges of net investment in foreign operations	17	(110)
	(14)	18
Cash flow hedge		
Unrealized gains (losses) on cash flow hedges	—	80
<b>Items that will not be reclassified subsequently to net income:</b>		
Remeasurement of post-employment benefits	114	69
Total other comprehensive income	30	41
<b>Comprehensive income</b>	\$ 204	\$ 87
Comprehensive income attributed to participating policyholders	(5)	1
<b>Comprehensive income attributed to shareholders</b>	\$ 209	\$ 86

## Income Taxes Included in Other Comprehensive Income

(unaudited, in millions of dollars)	Three months ended March 31	
	2021	2020
<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	\$ 21	\$ 42
Reclassification of gains (losses) on available for sale financial assets included in net income	3	3
Hedges of net investment in foreign operations	(3)	19
Unrealized losses (gains) on cash flow hedges	—	(12)
	21	52
<b>Items that will not be reclassified subsequently to net income:</b>		
Remeasurement of post-employment benefits	(41)	(24)
<b>Total income tax recovery (expense) included in other comprehensive income</b>	\$ (20)	\$ 28

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

## Consolidated Statements of Financial Position

	As at March 31 2021	As at December 31 2020
(in millions of dollars)	(unaudited)	
<b>Assets</b>		
<b>Investments (Note 5)</b>		
Cash and short-term investments	\$ 1,343	\$ 1,949
Bonds	30,542	32,099
Stocks	3,472	3,286
Mortgages and other loans	2,901	2,801
Derivative financial instruments (Note 8)	841	1,652
Policy loans	953	881
Other invested assets	562	563
Investment properties	1,885	1,916
	42,499	45,147
Other assets	4,532	3,261
Reinsurance assets	1,957	1,981
Fixed assets	380	390
Deferred income tax assets	41	38
Intangible assets	1,628	1,621
Goodwill	1,201	1,224
General fund assets	52,238	53,662
Segregated funds net assets (Note 9)	33,437	32,804
<b>Total assets</b>	<b>\$ 85,675</b>	<b>\$ 86,466</b>
<b>Liabilities</b>		
Insurance contract liabilities	\$ 32,705	\$ 36,527
Investment contract liabilities	552	575
Derivative financial instruments (Note 8)	968	569
Other liabilities	9,492	7,647
Deferred income tax liabilities	400	382
Debentures	1,449	1,449
General fund liabilities	45,566	47,149
Liabilities related to segregated funds net assets (Note 9)	33,437	32,804
<b>Total liabilities</b>	<b>\$ 79,003</b>	<b>\$ 79,953</b>
<b>Equity</b>		
Share capital and contributed surplus	\$ 1,707	\$ 1,694
Preferred shares issued by a subsidiary (Note 12)	525	525
Retained earnings and accumulated other comprehensive income	4,404	4,253
Participating policyholders' accounts	36	41
	6,672	6,513
<b>Total liabilities and equity</b>	<b>\$ 85,675</b>	<b>\$ 86,466</b>

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

## Consolidated Equity Statements

	As at March 31, 2021						
	Participating policyholders' accounts	Common shares (Note 11)	Preferred shares issued by a subsidiary (Note 12)	Contrib- uted surplus	Retained earnings	Accumulated other comprehensive income (Note 13)	Total
(unaudited, in millions of dollars)							
Balance as at December 31, 2019	\$ 42	\$ 1,666	\$ 525	\$ 18	\$ 3,823	\$ 56	\$ 6,130
Net income attributed to shareholders	—	—	—	—	633	—	633
Net income attributed to participating policyholders' accounts	(1)	—	—	—	—	—	(1)
Other comprehensive income	—	—	—	—	—	(27)	(27)
<b>Comprehensive income for the year</b>	<b>(1)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>633</b>	<b>(27)</b>	<b>605</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	(54)	54	—
Stock option plan	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	9	—	—	—	—	9
Redemption of common shares	—	(1)	—	—	(3)	—	(4)
Dividends on common shares	—	—	—	—	(208)	—	(208)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(22)	—	(22)
Other	—	—	—	—	1	—	1
	—	8	—	2	(286)	54	(222)
<b>Balance as at December 31, 2020</b>	<b>41</b>	<b>1,674</b>	<b>525</b>	<b>20</b>	<b>4,170</b>	<b>83</b>	<b>6,513</b>
Net income attributed to shareholders	—	—	—	—	179	—	179
Net income attributed to participating policyholders' accounts	(5)	—	—	—	—	—	(5)
Other comprehensive income	—	—	—	—	—	30	30
<b>Comprehensive income for the period</b>	<b>(5)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>179</b>	<b>30</b>	<b>204</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	114	(114)	—
Stock option plan	—	—	—	1	—	—	1
Stock options exercised	—	—	—	(3)	—	—	(3)
Common shares issued	—	15	—	—	—	—	15
Dividends on common shares	—	—	—	—	(52)	—	(52)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(6)	—	(6)
	—	15	—	(2)	56	(114)	(45)
<b>Balance as at March 31, 2021</b>	<b>\$ 36</b>	<b>\$ 1,689</b>	<b>\$ 525</b>	<b>\$ 18</b>	<b>\$ 4,405</b>	<b>\$ (1)</b>	<b>\$ 6,672</b>

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

	As at March 31, 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
(unaudited, in millions of dollars)							
Balance as at December 31, 2019	\$ 42	\$ 1,666	\$ 525	\$ 18	\$ 3,823	\$ 56	\$ 6,130
Net income attributed to shareholders	—	—	—	—	45	—	45
Net income attributed to participating policyholders' accounts	1	—	—	—	—	—	1
Other comprehensive income	—	—	—	—	—	41	41
<b>Comprehensive income for the period</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>45</b>	<b>41</b>	<b>87</b>
<b>Equity transactions</b>							
Transfer of post-employment benefits	—	—	—	—	69	(69)	—
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	7	—	—	—	—	7
Redemption of common shares	—	(1)	—	—	(3)	—	(4)
Dividends on common shares	—	—	—	—	(52)	—	(52)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(6)	—	(6)
Other	—	—	—	—	2	—	2
	—	6	—	(1)	10	(69)	(54)
Balance as at March 31, 2020	\$ 43	\$ 1,672	\$ 525	\$ 17	\$ 3,878	\$ 28	\$ 6,163

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

## Consolidated Cash Flows Statements

(unaudited, in millions of dollars)	Three months ended March 31	
	2021	2020
<b>Cash flows from operating activities</b>		
Income before income taxes	\$ 233	\$ 44
Financing charges	18	17
Income taxes paid, net of refunds	(76)	(51)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	(3,798)	(663)
Increase (decrease) in investment contract liabilities	(23)	2
Decrease (increase) in reinsurance assets	15	(93)
Unrealized losses (gains) on investments	3,900	1,302
Provisions for losses	10	20
Amortization of premiums and discounts	9	4
Other depreciation	145	54
Goodwill impairment (Note 15)	—	24
Other items not affecting cash	(143)	19
Operating activities affecting cash:		
Sales, maturities and repayments on investments	4,014	4,026
Purchases of investments	(5,478)	(3,788)
Realized losses (gains) on investments	(6)	(14)
Other items affecting cash	694	805
Net cash from (used in) operating activities	(486)	1,708
<b>Cash flows from investing activities</b>		
Acquisition of businesses, net of cash	—	(104)
Sales (purchases) of fixed and intangible assets	(45)	(38)
Net cash from (used in) investing activities	(45)	(142)
<b>Cash flows from financing activities</b>		
Issuance of common shares	12	6
Redemption of common shares (Note 11)	—	(4)
Issuance of debentures (Note 10)	—	398
Reimbursement of lease liabilities <sup>1</sup>	(6)	(13)
Dividends paid on common shares	(52)	(52)
Dividends paid on preferred shares issued by a subsidiary	(6)	(6)
Interest paid on debentures	(21)	(16)
Interest paid on lease liabilities	(1)	(1)
Net cash from (used in) financing activities	(74)	312
Foreign currency gains (losses) on cash	(1)	6
<b>Increase (decrease) in cash and short-term investments</b>	<b>(606)</b>	<b>1,884</b>
<b>Cash and short-term investments at beginning</b>	<b>1,949</b>	<b>1,108</b>
<b>Cash and short-term investments at end</b>	<b>\$ 1,343</b>	<b>\$ 2,992</b>
<b>Supplementary information:</b>		
Cash	\$ 1,172	\$ 2,625
Short-term investments	171	367
Total cash and short-term investments	\$ 1,343	\$ 2,992

<sup>1</sup> For the three months ended March 31, 2021, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of \$1 (\$18 for the three months ended March 31, 2020) of non-affecting cash items, mostly attributable to new liabilities.

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.



## Notes to Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2021 and 2020 (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, mortgages, auto and home insurance, creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services 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.

The Company's Interim Condensed Consolidated Financial Statements (the "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 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, 2020, which are included in the 2020 Annual Report. The significant accounting policies used to prepare these Financial Statements are consistent with those found in the 2020 Annual Report, except for items mentioned in Note 3.

Publication of these Financial Statements was authorized for issue by the Company's Board of Directors on May 6, 2021.

### 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 caused turbulence in the financial markets, resulted in economic uncertainty and disrupted the activities of the business community and citizens. The COVID-19 pandemic has forced governments to implement exceptional measures to slow the progression of this crisis. Governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions. The risk management program established by the Company made it possible, since the beginning of the pandemic, to mitigate the negative effects of this crisis on its results. The initiatives deployed by the Company help to ensure the continuity of all of its activities, while protecting the health and the safety of its employees. More detailed information regarding the pandemic's impact on the valuation of the Company's assets and liabilities as at December 31, 2020, is provided in the Financial Statements as at that date, which are included in the 2020 Annual Report, in Note 2, section b) "Important Estimates, Assumptions, Judgments and Impacts of COVID-19 Pandemic".

At this time, it is impossible to reliably assess the duration and extent of the impacts that the pandemic could have on the Company's future financial results, due to uncertainties still prevailing as at March 31, 2021. The significant estimates, assumptions and judgments made by management in the preparation of these Financial Statements take into account these uncertainties.

As at December 31, 2020, during the annual assumption review, the Company increased the *Insurance contract liabilities* to take into account the temporary rise in mortality and the lapse assumptions for certain policies, both caused by the COVID-19 pandemic. As at March 31, 2021, the Company paid benefits that were related to the pandemic and has consequently reduced the *Insurance contract liabilities*.

The effect of the pandemic on the results for the three months ended March 31, 2021, are not significant.

Actual results could differ from best estimates, as mentioned in Note 2, section b) "Important Estimates, Assumptions, Judgments and Impacts of COVID-19 Pandemic" of the Financial Statements for the year ended December 31, 2020, which are included in the Company's 2020 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, 2021.

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 in the section "Information on the Deferral of the Application of IFRS 9 <i>Financial Instruments</i>". The Company will apply IFRS 9 only to financial statements beginning on or after January 1, 2023.</p>

IFRS 16 Leases	<p><i>Description:</i> On May 28, 2020, the IASB published an amendment to IFRS 16 Leases. 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. This amendment applies retrospectively.</p> <p>On March 31, 2021, the IASB published an amendment to IFRS 16 Leases. The amendment <i>COVID-19-Related Rent Concessions beyond 30 June 2021</i> extends the practical relief regarding COVID-19-related rent concessions until June 30, 2022.</p> <p><i>Impact:</i> No impact on the Company's financial statements.</p>
IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases	<p><i>Description:</i> On August 27, 2020, the IASB published an amendment to IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. 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 replaced. This amendment applies on a modified retrospective basis.</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 Financial Instruments	<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>On August 27, 2020, the IASB published an amendment to IFRS 9 <i>Financial Instruments</i>. The amendment, <i>Interest Rate Benchmark Reform – Phase 2</i>, clarifies among other things the requirements related to financial assets, financial liabilities and specific hedge accounting requirements when an existing interest rate benchmark is replaced.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this standard on its financial statements.</p>
IFRS 17 Insurance Contracts	<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>
IAS 1 <i>Presentation of Financial Statements</i>	<p><i>Description:</i> On February 12, 2021, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i>. The amendment <i>Disclosure of Accounting Policies</i> requires entities to disclose their material accounting policy information rather than their significant accounting policies. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. 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 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p><i>Description:</i> On February 12, 2021, the IASB published an amendment to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendment <i>Definition of Accounting Estimates</i> introduces the definition of accounting estimates and clarifies the distinction between a change in accounting estimate and a change in accounting policy. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. 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 March 31, 2021, an amount of \$972 (\$948 as at December 31, 2020) 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

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. 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).

As at December 31, 2020, the allocation of the acquisition price process was completed for these acquisitions.

On May 22, 2020, the Company acquired 100% of the shares of IAS Parent Holdings, Inc. and its subsidiaries (collectively "IAS"). 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.

As at March 31, 2021, the allocation of the acquisition price process was completed for this acquisition, and the adjustments made in the final allocation did not have a significant impact on the Company's financial statements.

##### Disposal of Business

On June 1, 2020, the Company sold a subsidiary, iA Investment Counsel Inc., to CWB Financial Group. 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 March 31, 2021							
(in millions of dollars)	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>	\$ 375	\$ —	\$ —	\$ 968	\$ —	\$ 1,343	\$ 1,343		
<b>Bonds</b>									
Governments	12,008	1,911	446	113	—	14,478			
Municipalities	1,164	274	—	40	—	1,478			
Corporate and other	10,031	2,082	—	2,473	—	14,586			
	23,203	4,267	446	2,626	—	30,542	30,770		
<b>Stocks</b>									
Common	1,863	54	—	—	—	1,917			
Preferred	241	550	—	—	—	791			
Stock indexes	64	8	—	—	—	72			
Investment fund units	651	41	—	—	—	692			
	2,819	653	—	—	—	3,472	3,472		
<b>Mortgages and other loans</b>									
Insured mortgages									
Multi-residential	—	—	—	1,421	—	1,421			
Non-residential	—	—	—	5	—	5			
	—	—	—	1,426	—	1,426			
Conventional mortgages									
Multi-residential	42	—	—	205	—	247			
Non-residential	33	—	—	247	—	280			
	75	—	—	452	—	527			
Other loans	—	—	—	948	—	948			
	75	—	—	2,826	—	2,901	2,965		
<b>Derivative financial instruments</b>	841	—	—	—	—	841	841		
<b>Policy loans</b>	—	—	—	953	—	953	953		
<b>Other invested assets</b>	—	120	—	4	438	562	562		
<b>Investment properties</b>	—	—	—	—	1,885	1,885	1,913		
<b>Total investments</b>	\$ 27,313	\$ 5,040	\$ 446	\$ 7,377	\$ 2,323	\$ 42,499	\$ 42,819		

As at December 31, 2020

(in millions of dollars)	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>	\$ 831	\$ —	—\$	\$ 1,118	\$ —	\$ 1,949	\$ 1,949
<b>Bonds</b>							
Governments	12,729	1,855	494	117	—	15,195	
Municipalities	1,306	205	—	40	—	1,551	
Corporate and other	10,923	1,952	—	2,478	—	15,353	
	24,958	4,012	494	2,635	—	32,099	32,501
<b>Stocks</b>							
Common	1,774	50	—	—	—	1,824	
Preferred	233	506	—	—	—	739	
Stock indexes	61	7	—	—	—	68	
Investment fund units	623	32	—	—	—	655	
	2,691	595	—	—	—	3,286	3,286
<b>Mortgages and other loans</b>							
Insured mortgages							
Multi-residential	—	—	—	1,379	—	1,379	
Non-residential	—	—	—	5	—	5	
	—	—	—	1,384	—	1,384	
Conventional mortgages							
Multi-residential	48	—	—	200	—	248	
Non-residential	33	—	—	226	—	259	
	81	—	—	426	—	507	
Other loans	—	—	—	910	—	910	
	81	—	—	2,720	—	2,801	2,935
<b>Derivative financial instruments</b>	1,652	—	—	—	—	1,652	1,652
<b>Policy loans</b>	—	—	—	881	—	881	881
<b>Other invested assets</b>	—	123	—	4	436	563	563
<b>Investment properties</b>	—	—	—	—	1,916	1,916	1,943
<b>Total investments</b>	\$ 30,213	\$ 4,730	494\$	\$ 7,358	\$ 2,352	\$ 45,147	\$ 45,710

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

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

The Company holds interests ranging from 25% to 50% as at March 31, 2021 and as at December 31, 2020. The carrying value of these investments as at March 31, 2021 is \$438 (\$436 as at December 31, 2020). The share of net income and comprehensive income for the three months ended March 31, 2021 amounts to \$6 (\$2 for the three months ended March 31, 2020).

**c) Investment Income**

(in millions of dollars)	Three months ended March 31	
	2021	2020
<b>Interest and other investment income</b>		
Interest	\$ 253	\$ 319
Dividends	46	59
Derivative financial instruments	3	(3)
Rental income	49	59
Gains (losses) realized	6	14
Variation in provisions for losses	(10)	(20)
Other	3	15
	<b>350</b>	<b>443</b>
<b>Change in fair value of investments</b>		
Cash and short-term investments	—	2
Bonds	(2,797)	(109)
Stocks	85	(199)
Mortgages and other loans	(2)	11
Derivative financial instruments	(1,184)	(972)
Investment properties	(2)	(33)
	<b>(3,900)</b>	<b>(1,300)</b>
<b>Total investment income</b>	<b>\$ (3,550)</b>	<b>\$ (857)</b>

**6 › Fair Value of Financial Instruments and Investment Properties****a) Methods and Assumptions Used to Estimate Fair Values**

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

**Financial Assets**

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

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

Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable 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 physical use that is legally admissible, financially feasible and 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 \$76 (\$76 as at December 31, 2020). It is secured by an investment property with a carrying value of \$174 (\$174 as at December 31, 2020), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is less than \$1 (less than \$1 for the three months ended March 31, 2020).

*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**

(in millions of dollars)	As at March 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
<b>Cash and short-term investments</b>				
Held for trading	\$ —	\$ 375	\$ —	\$ 375
<b>Bonds</b>				
Designated at fair value through profit or loss				
Governments	1,082	10,926	—	12,008
Municipalities	—	1,164	—	1,164
Corporate and other	—	9,873	158	10,031
	1,082	21,963	158	23,203
Available for sale				
Governments	210	1,701	—	1,911
Municipalities	—	274	—	274
Corporate and other	—	2,082	—	2,082
	210	4,057	—	4,267
	1,292	26,020	158	27,470
<b>Stocks</b>				
Designated at fair value through profit or loss	1,316	—	1,503	2,819
Available for sale	226	380	47	653
	1,542	380	1,550	3,472
<b>Mortgages and other loans</b>				
Designated at fair value through profit or loss	—	75	—	75
<b>Derivative financial instruments</b>				
Held for trading	393	445	3	841
<b>Other investments</b>				
Available for sale	71	49	—	120
<b>Investment properties</b>				
	—	—	1,885	1,885
<b>General fund investments recognized at fair value</b>	<b>3,298</b>	<b>27,344</b>	<b>3,596</b>	<b>34,238</b>
<b>Segregated funds financial instruments and investment properties</b>	<b>25,921</b>	<b>7,078</b>	<b>283</b>	<b>33,282</b>
<b>Total financial assets at fair value</b>	<b>\$ 29,219</b>	<b>\$ 34,422</b>	<b>\$ 3,879</b>	<b>\$ 67,520</b>

	As at December 31, 2020			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
<b>Cash and short-term investments</b>				
Held for trading	\$ —	\$ 831	\$ —	\$ 831
<b>Bonds</b>				
Designated at fair value through profit or loss				
Governments	420	12,309	—	12,729
Municipalities	—	1,306	—	1,306
Corporate and other	—	10,783	140	10,923
	420	24,398	140	24,958
Available for sale				
Governments	248	1,607	—	1,855
Municipalities	—	205	—	205
Corporate and other	—	1,952	—	1,952
	248	3,764	—	4,012
	668	28,162	140	28,970
<b>Stocks</b>				
Designated at fair value through profit or loss	1,247	—	1,444	2,691
Available for sale	187	365	43	595
	1,434	365	1,487	3,286
<b>Mortgages and other loans</b>				
Designated at fair value through profit or loss	—	81	—	81
<b>Derivative financial instruments</b>				
Held for trading	433	1,216	3	1,652
<b>Other investments</b>				
Available for sale	76	47	—	123
<b>Investment properties</b>				
	—	—	1,916	1,916
<b>General fund investments recognized at fair value</b>	2,611	30,702	3,546	36,859
<b>Segregated funds financial instruments and investment properties</b>	25,065	7,365	264	32,694
<b>Total financial assets at fair value</b>	\$ 27,676	\$ 38,067	\$ 3,810	\$ 69,553

There were no transfers from Level 1 to Level 2 during the three months ended March 31, 2021 (\$564 for the year ended December 31, 2020). Transfers for the year ended December 31, 2020 were related to segregated funds financial instruments and resulted from the application of a fair value adjustment for events that took place after the market close but before the valuation date.

There were no transfers from Level 2 to Level 1 during the three months ended March 31, 2021 (\$564 for the year ended December 31, 2020). Transfers for the year ended December 31, 2020 were related to segregated funds financial instruments.

Transfers from Level 2 to Level 3 during the three months ended March 31, 2021 amount to \$28 (\$10 for the year ended December 31, 2020). These transfers are from bonds designated at fair value through profit or loss. For some of these bonds the fair value was 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 the Company's internal policy, results in a transfer. For the remaining bonds, the fair value is now measured using unobservable inputs.

There were no transfers from Level 3 to Level 2 during the three months ended March 31, 2021 (\$7 for the year ended December 31, 2020). Transfers for the year ended December 31, 2020 were from bonds designated at fair value through profit or loss. The fair value of these bonds was measured at the quoted market price obtained through brokers who estimated the fair value of these financial instruments. As at December 31, 2020, the value of these bonds was based on a price obtained less than 30 days prior.

There were no transfers from Level 3 to Level 1 during the three months ended March 31, 2021 (\$7 for the year ended December 31, 2020). Transfers for the year ended December 31, 2020 were related to segregated funds financial instruments. The fair value of the transferred financial instruments was previously determined using internal valuation models that required the use of assumptions, including one main assumption that was not observable in the market.

The 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 1.00% to 2.49% as at March 31, 2021 (1.30% to 2.43% as at December 31, 2020). 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 March 31, 2021 are the discount rate, which is between 5.25% and 8.00% (5.25% and 8.00% as at December 31, 2020) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.25% as at December 31, 2020). 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 Canadian Asset Liability Method (CALM). Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

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

**Three months ended March 31, 2021**

(in millions of dollars)	Balance as at December 31, 2020	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at March 31, 2021	Total unrealized gains (losses) included in net income on investments still held
<b>Bonds</b>								
Designated at fair value through profit or loss	\$ 140	\$ (9)	\$ —	\$ —	\$ (1)	\$ 28	\$ 158	\$ (10)
<b>Stocks</b>								
Designated at fair value through profit or loss	1,444	(3)	—	96	(34)	—	1,503	14
Available for sale	43	—	(1)	5	—	—	47	—
<b>Derivative financial instruments</b>								
Held for trading	3	1	—	—	(1)	—	3	1
<b>Investment properties</b>	<b>1,916</b>	<b>(2)</b>	<b>—</b>	<b>3</b>	<b>(32)</b>	<b>—</b>	<b>1,885</b>	<b>(2)</b>
<b>General fund investments recognized at fair value</b>	<b>3,546</b>	<b>(13)</b>	<b>(1)</b>	<b>104</b>	<b>(68)</b>	<b>28</b>	<b>3,596</b>	<b>3</b>
<b>Segregated funds financial instruments and investment properties</b>	<b>264</b>	<b>(1)</b>	<b>—</b>	<b>22</b>	<b>(2)</b>	<b>—</b>	<b>283</b>	<b>(1)</b>
<b>Total</b>	<b>\$ 3,810</b>	<b>\$ (14)</b>	<b>\$ (1)</b>	<b>\$ 126</b>	<b>\$ (70)</b>	<b>\$ 28</b>	<b>\$ 3,879</b>	<b>\$ 2</b>

## Year ended December 31, 2020

(in millions of dollars)	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 into (out of) Level 3	Balance as at December 31, 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	\$ 11	\$ —	\$ 26	\$ (29)	\$ 3	\$ 140	\$ 11
Available for sale	11	—	—	—	(11)	—	—	—
<b>Stocks</b>								
Designated at fair value through profit or loss	1,291	48	—	199	(94)	—	1,444	49
Available for sale	31	—	2	11	(1)	—	43	—
<b>Derivative financial instruments</b>								
Held for trading	—	3	—	—	—	—	3	3
<b>Investment properties</b>								
	2,077	(129)	—	28	(60)	—	1,916	(129)
<b>General fund investments recognized at fair value</b>								
	3,539	(67)	2	264	(195)	3	3,546	(66)
<b>Segregated funds financial instruments and investment properties</b>								
	90	10	—	181	(10)	(7)	264	10
<b>Total</b>	<b>\$ 3,629</b>	<b>\$ (57)</b>	<b>\$ 2</b>	<b>\$ 445</b>	<b>\$ (205)</b>	<b>\$ (4)</b>	<b>\$ 3,810</b>	<b>\$ (56)</b>

For the three months ended March 31, 2021, an amount of \$3 (\$28 for the year ended December 31, 2020) 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 (none for the year ended December 31, 2020).

*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:

(in millions of dollars)	As at March 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Classified as held to maturity</b>				
<b>Bonds</b>				
Governments	\$ —	\$ 447	\$ —	\$ 447
<b>Total of assets classified as held to maturity</b>	<b>—</b>	<b>447</b>	<b>—</b>	<b>447</b>
<b>Classified as loans and receivables</b>				
<b>Bonds</b>				
Governments	—	7	137	144
Municipalities	—	50	—	50
Corporate and other	—	188	2,471	2,659
	—	245	2,608	2,853
<b>Mortgages and other loans</b>	<b>—</b>	<b>2,890</b>	<b>—</b>	<b>2,890</b>
<b>Total of assets classified as loans and receivables</b>	<b>—</b>	<b>3,135</b>	<b>2,608</b>	<b>5,743</b>
<b>Total of assets whose fair value is disclosed in the notes</b>	<b>\$ —</b>	<b>\$ 3,582</b>	<b>\$ 2,608</b>	<b>\$ 6,190</b>

As at December 31, 2020				
(in millions of dollars)	Level 1	Level 2	Level 3	Total
<b>Classified as held to maturity</b>				
<b>Bonds</b>				
Governments	\$ —	\$ 497	\$ —	\$ 497
<b>Total of assets classified as held to maturity</b>	<b>—</b>	<b>497</b>	<b>—</b>	<b>497</b>
<b>Classified as loans and receivables</b>				
<b>Bonds</b>				
Governments	—	8	148	156
Municipalities	—	54	—	54
Corporate and other	—	187	2,637	2,824
	—	249	2,785	3,034
<b>Mortgages and other loans</b>	<b>—</b>	<b>2,854</b>	<b>—</b>	<b>2,854</b>
<b>Total of assets classified as loans and receivables</b>	<b>—</b>	<b>3,103</b>	<b>2,785</b>	<b>5,888</b>
<b>Total of assets whose fair value is disclosed in the notes</b>	<b>\$ —</b>	<b>\$ 3,600</b>	<b>\$ 2,785</b>	<b>\$ 6,385</b>

**Financial Liabilities**

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

As at March 31, 2021				
(in millions of dollars)	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
<b>Other liabilities</b>				
Held for trading	\$ 591	\$ 184	\$ —	\$ 775
<b>Derivative financial instruments</b>				
Held for trading	174	755	39	968
<b>Total of liabilities classified as held for trading</b>	<b>765</b>	<b>939</b>	<b>39</b>	<b>1,743</b>
<b>Classified at amortized cost</b>				
<b>Other liabilities</b>				
Securitization liabilities	—	1,000	—	1,000
Mortgage debt	—	76	—	76
<b>Debentures</b>	<b>—</b>	<b>1,509</b>	<b>—</b>	<b>1,509</b>
<b>Total of liabilities classified at amortized cost</b>	<b>\$ —</b>	<b>\$ 2,585</b>	<b>\$ —</b>	<b>\$ 2,585</b>

As at December 31, 2020				
(in millions of dollars)	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
<b>Other liabilities</b>				
Held for trading	\$ 65	\$ 208	\$ —	\$ 273
<b>Derivative financial instruments</b>				
Held for trading	220	310	39	569
<b>Total of liabilities classified as held for trading</b>	<b>285</b>	<b>518</b>	<b>39</b>	<b>842</b>
<b>Classified at amortized cost</b>				
<b>Other liabilities</b>				
Securitization liabilities	—	1,009	—	1,009
Mortgage debt	—	76	—	76
<b>Debentures</b>	<b>—</b>	<b>1,528</b>	<b>—</b>	<b>1,528</b>
<b>Total of liabilities classified at amortized cost</b>	<b>\$ —</b>	<b>\$ 2,613</b>	<b>\$ —</b>	<b>\$ 2,613</b>

## 7 > Management of Risks Associated with Financial Instruments

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

During the three months ended March 31, 2021 and the year ended December 31, 2020, 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:

(in millions of dollars)	As at March 31, 2021			As at December 31, 2020		
	Fair value	Unrealized losses	Unrealized gains	Fair value	Unrealized losses	Unrealized gains
<b>Bonds</b>						
Governments	\$ 1,911	\$ (27)	\$ 56	\$ 1,855	\$ (1)	\$ 81
Municipalities	274	(1)	8	205	—	10
Corporate and other	2,082	(20)	56	1,952	—	88
	4,267	(48)	120	4,012	(1)	179
<b>Stocks</b>	653	(4)	24	595	(10)	18
<b>Other investments</b>	120	(1)	2	123	—	4
<b>Total</b>	\$ 5,040	\$ (53)	\$ 146	\$ 4,730	\$ (11)	\$ 201

### b) Credit Risk

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

#### b) i) Credit Quality Indicators

##### Bonds by Investment Grade

(in millions of dollars)	As at March 31, 2021	As at December 31, 2020
AAA	\$ 2,363	\$ 1,916
AA	13,764	15,176
A	8,837	9,459
BBB	5,269	5,231
BB and lower	309	317
<b>Total</b>	\$ 30,542	\$ 32,099

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 \$2,125 as at March 31, 2021 (\$2,116 as at December 31, 2020).

##### Mortgages and Other Loans

(in millions of dollars)	As at March 31, 2021	As at December 31, 2020
Insured mortgages	\$ 1,426	\$ 1,384
Conventional mortgages	527	507
Other loans	948	910
<b>Total</b>	\$ 2,901	\$ 2,801

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 March 31, 2021					
(in millions of dollars)	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	\$ 446	\$ 2,609	\$ 1,878	\$ 943	\$ 5,876
Past due and not impaired					
30 – 89 days in arrears	—	—	—	27	27
90 – 119 days in arrears	—	—	—	3	3
120 days or more in arrears	—	—	—	1	1
Impaired	—	23	—	—	23
<b>Total of gross values</b>	<b>\$ 446</b>	<b>\$ 2,632</b>	<b>\$ 1,878</b>	<b>\$ 974</b>	<b>\$ 5,930</b>
Specific provisions for losses	—	6	—	—	6
	446	2,626	1,878	974	5,924
Collective provisions	—	—	—	26	26
<b>Total of net values</b>	<b>\$ 446</b>	<b>\$ 2,626</b>	<b>\$ 1,878</b>	<b>\$ 948</b>	<b>\$ 5,898</b>

As at December 31, 2020					
(in millions of dollars)	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	\$ 494	\$ 2,604	\$ 1,786	\$ 903	\$ 5,787
Past due and not impaired					
30 – 89 days in arrears	—	—	24	29	53
90 – 119 days in arrears	—	—	—	4	4
120 days or more in arrears	—	—	—	1	1
Impaired	—	45	—	—	45
<b>Total of gross values</b>	<b>\$ 494</b>	<b>\$ 2,649</b>	<b>\$ 1,810</b>	<b>\$ 937</b>	<b>\$ 5,890</b>
Specific provisions for losses	—	14	—	—	14
	494	2,635	1,810	937	5,876
Collective provisions	—	—	—	27	27
<b>Total of net values</b>	<b>\$ 494</b>	<b>\$ 2,635</b>	<b>\$ 1,810</b>	<b>\$ 910</b>	<b>\$ 5,849</b>

**Foreclosed Properties**

During the three months ended March 31, 2021, the Company did not take possession of any properties it held as collateral on mortgages (less than \$1 for the year ended December 31, 2020). 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**

(in millions of dollars)	As at March 31, 2021	As at December 31, 2020
	Bonds classified as loans and receivables	Bonds classified as loans and receivables
Balance at beginning	\$ 14	\$ 10
Variation in specific provisions for losses	(8)	4
<b>Balance at end</b>	<b>\$ 6</b>	<b>\$ 14</b>

During the three months ended March 31, 2021, the specific provisions for losses did not vary for bonds classified as held to maturity, mortgages classified as loans and receivables and other loans (nor for the year ended December 31, 2020).

## 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 March 31, 2021 is \$836 (\$1,648 as at December 31, 2020). 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 a derivative financial instrument.

As at March 31, 2021						
(in millions of dollars)	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
<b>Equity contracts</b>						
Swap contracts	\$ 948	\$ 239	\$ 75	\$ 1,262	\$ 10	\$ (28)
Futures contracts	762	—	—	762	2	(1)
Options	7,410	—	—	7,410	403	(178)
<b>Currency contracts</b>						
Swap contracts	493	376	3,603	4,472	71	(179)
Forward contracts	4,209	483	—	4,692	86	(15)
<b>Interest rate contracts</b>						
Swap contracts	1,142	3,122	4,184	8,448	203	(320)
Forward contracts	1,616	1,756	—	3,372	63	(208)
Options	17	—	—	17	—	—
<b>Other derivative contracts</b>	3	6	343	352	3	(39)
<b>Total</b>	<b>\$ 16,600</b>	<b>\$ 5,982</b>	<b>\$ 8,205</b>	<b>\$ 30,787</b>	<b>\$ 841</b>	<b>\$ (968)</b>

As at December 31, 2020						
(in millions of dollars)	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
<b>Equity contracts</b>						
Swap contracts	\$ 735	\$ 460	\$ 87	\$ 1,282	\$ 35	\$ (3)
Futures contracts	660	—	—	660	1	(8)
Options	7,632	—	—	7,632	439	(215)
<b>Currency contracts</b>						
Swap contracts	510	367	3,345	4,222	136	(137)
Forward contracts	4,476	536	—	5,012	129	(18)
<b>Interest rate contracts</b>						
Swap contracts	1,093	3,169	4,845	9,107	538	(148)
Forward contracts	1,597	2,456	—	4,053	371	(1)
<b>Credit risk contracts</b>						
Swap contracts	—	2	—	2	—	—
<b>Other derivative contracts</b>	3	5	340	348	3	(39)
<b>Total</b>	<b>\$ 16,706</b>	<b>\$ 6,995</b>	<b>\$ 8,617</b>	<b>\$ 32,318</b>	<b>\$ 1,652</b>	<b>\$ (569)</b>



(in millions of dollars)	As at March 31, 2021		
	Notional amount	Fair value	
		Positive	Negative
Derivative financial instruments not designated as hedge accounting	\$ 28,241	\$ 799	\$ (957)
Net investment hedge	1,533	28	—
Fair value hedges			
Interest risk	855	9	(10)
Currency risk	35	1	—
Cash flow hedges			
Currency risk	123	4	(1)
<b>Total of derivative financial instruments</b>	<b>\$ 30,787</b>	<b>\$ 841</b>	<b>\$ (968)</b>

(in millions of dollars)	As at December 31, 2020		
	Notional amount	Fair value	
		Positive	Negative
Derivative financial instruments not designated as hedge accounting	\$ 29,733	\$ 1,580	\$ (540)
Net investment hedge	1,555	56	—
Fair value hedges			
Interest risk	860	10	(28)
Currency risk	30	1	—
Cash flow hedges			
Currency risk	140	5	(1)
<b>Total of derivative financial instruments</b>	<b>\$ 32,318</b>	<b>\$ 1,652</b>	<b>\$ (569)</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 March 31, 2021 (less than 1 year as at December 31, 2020). 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 three months ended March 31, 2021 and 2020, 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 less than 1 year to 14 years as at March 31, 2021 (from 1 year to 14 years as at December 31, 2020).

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 7 years as at March 31, 2021 (less than 1 year to 8 years as at December 31, 2020).

For the three months ended March 31, 2021, the Company has recognized a gain of \$17 on the hedging instruments (loss of \$27 for the three months ended March 31, 2020) and a loss of \$18 on the hedged items (gain of \$29 for the three months ended March 31, 2020). For the three months ended March 31, 2021, the Company has recognized an ineffectiveness of \$1 (\$2 for the three months ended March 31, 2020).

##### *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 1 year as at March 31, 2021 (less than 2 years as at December 31, 2020).

For the three months ended March 31, 2021 and 2020, 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 less than 1 year to 9 years as at March 31, 2021 (from 2 years to 9 years as at December 31, 2020). For the three months ended March 31, 2021 and 2020, the Company did not recognize any ineffectiveness.

As at March 31, 2020, the Company was in a 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. For the three months ended March 31, 2020, the Company did not recognize any ineffectiveness. The company ended the hedging relationship during the year ended December 2020.

## 9 › Segregated Funds Net Assets

(in millions of dollars)	As at March 31, 2021	As at December 31, 2020
<b>Assets</b>		
Cash and short-term investments	\$ 1,401	\$ 1,077
Bonds	6,023	6,481
Stocks and investment funds	25,996	25,207
Mortgages	30	27
Investment properties	16	16
Derivative financial instruments	—	26
Other assets	594	155
	<b>34,060</b>	<b>32,989</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	583	185
Derivative financial instruments	40	—
	<b>623</b>	<b>185</b>
<b>Net assets</b>	<b>\$ 33,437</b>	<b>\$ 32,804</b>

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

(in millions of dollars)	Three months ended March 31	
	2021	2020
Balance at beginning	\$ 32,804	\$ 27,868
Add:		
Amounts received from policyholders	2,113	1,778
Interest and dividends	107	124
Net realized gains	377	76
Net increase (decrease) in fair value	(60)	(3,174)
	<b>35,341</b>	<b>26,672</b>
Less:		
Amounts withdrawn by policyholders	1,754	1,086
Operating expenses	150	126
	<b>1,904</b>	<b>1,212</b>
<b>Balance at end</b>	<b>\$ 33,437</b>	<b>\$ 25,460</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.

**11 › Share Capital**

The share capital issued by the Company is as follows:

(in millions of dollars, unless otherwise indicated)	As at March 31, 2021		As at December 31, 2020	
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
<b>Common shares</b>				
Balance at beginning	107,064	\$ 1,674	106,966	\$ 1,666
Shares issued on exercise of stock options	280	15	185	9
Shares redeemed	—	—	(87)	(1)
<b>Balance at end</b>	<b>107,344</b>	<b>\$ 1,689</b>	107,064	\$ 1,674

**Stock Option Plan**

As at March 31, 2021, the number of outstanding stock options (in thousands) was 1,975 (1,965 as at December 31, 2020). For the three months ended March 31, 2021, the Company granted (in thousands) 290 stock options exercisable at \$57.87 (285 stock options exercisable at \$73.93 for the year ended December 31, 2020).

**Normal Course Issuer Bid Redemption**

During the year ended December 31, 2019, with the approval of the Toronto Stock Exchange, the Board of Directors renewed the Normal Course Issuer Bid redemption of 2018 and 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, representing approximately 5% of its 106,707,949 common shares issued and outstanding as at November 1, 2019. For the three months ended March 31, 2020, a total of 86,872 common shares were purchased and cancelled for a net cash amount of \$4, of which \$1 was recorded against share capital and \$3 against retained earnings. On March 13, 2020, redemptions were suspended in accordance with instructions from regulatory authorities. As at March 31, 2021, no Normal Course Issuer Bid redemption was in effect.

**Dividends**

(in millions of dollars, unless otherwise indicated)	Three months ended March 31			
	2021		2020	
	Total	Per share (in dollars)	Total	Per share (in dollars)
<b>Common shares</b>	\$ 52	\$ 0.49	\$ 52	\$ 0.49

**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 May 6, 2021. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid on June 15, 2021 to the shareholders of record as of May 21, 2021, 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:

(in millions of dollars, unless otherwise indicated)	As at March 31, 2021		As at December 31, 2020	
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
<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**

(in millions of dollars, unless otherwise indicated)	Three months ended March 31			
	2021		2020	
	Total	Per share (in dollars)	Total	Per share (in dollars)
<b>Preferred shares, issued by iA Insurance</b>				
Class A – Series B	\$ 2	\$ 0.29	\$ 2	\$ 0.29
Class A – Series G	2	0.24	2	0.24
Class A – Series I	2	0.30	2	0.30
<b>Total</b>	<b>\$ 6</b>		\$ 6	

**13 › Accumulated Other Comprehensive Income**

(in millions of dollars)	Bonds	Stocks	Other invested assets	Currency translation	Hedging	Total
<b>Balance as at December 31, 2020</b>	<b>\$ 136</b>	<b>\$ 6</b>	<b>\$ —</b>	<b>\$ (30)</b>	<b>\$ (29)</b>	<b>\$ 83</b>
Unrealized gains (losses)	(95)	13	(3)	—	—	(85)
Income taxes on unrealized gains (losses)	24	(3)	—	—	—	21
Other	—	—	—	(31)	20	(11)
Income taxes on other	—	—	—	—	(3)	(3)
	(71)	10	(3)	(31)	17	(78)
Realized losses (gains)	(9)	—	—	—	—	(9)
Income taxes on realized losses (gains)	3	—	—	—	—	3
	(6)	—	—	—	—	(6)
<b>Balance as at March 31, 2021</b>	<b>59</b>	<b>16</b>	<b>(3)</b>	<b>(61)</b>	<b>(12)</b>	<b>(1)</b>
Balance as at December 31, 2019	73	(8)	—	73	(82)	56
Unrealized gains (losses)	118	15	—	—	—	133
Income taxes on unrealized gains (losses)	(31)	(3)	—	—	—	(34)
Other	—	—	—	(103)	63	(40)
Income taxes on other	—	—	—	—	(10)	(10)
	87	12	—	(103)	53	49
Realized losses (gains)	(32)	2	—	—	—	(30)
Income taxes on realized losses (gains)	8	—	—	—	—	8
	(24)	2	—	—	—	(22)
Balance as at December 31, 2020	136	6	—	(30)	(29)	83
Balance as at December 31, 2019	73	(8)	—	73	(82)	56
Unrealized gains (losses)	(62)	(98)	—	—	—	(160)
Income taxes on unrealized gains (losses)	16	26	—	—	—	42
Other	—	—	—	128	(37)	91
Income taxes on other	—	—	—	—	7	7
	(46)	(72)	—	128	(30)	(20)
Realized losses (gains)	(9)	(2)	—	—	—	(11)
Income taxes on realized losses (gains)	2	1	—	—	—	3
	(7)	(1)	—	—	—	(8)
<b>Balance as at March 31, 2020</b>	<b>\$ 20</b>	<b>\$ (81)</b>	<b>\$ —</b>	<b>\$ 201</b>	<b>\$ (112)</b>	<b>\$ 28</b>

**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, between-risk diversification and adjustable products) multiplied by a scalar of 1.05.

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

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

The Company manages its capital on a consolidated basis. As at March 31, 2021, the Company maintains a ratio that satisfies the regulatory requirements.

(in millions of dollars, unless otherwise indicated)	March 31, 2021
Available Capital	
Tier 1 Capital	\$ 2,755
Tier 2 Capital	1,711
Surplus allowance and eligible deposits	4,704
<b>Total</b>	<b>\$ 9,170</b>
<b>Base solvency buffer</b>	<b>\$ 7,190</b>
<b>Total ratio</b>	<b>128%</b>

As at December 31, 2020, the solvency ratio was 130% and the Company maintained a ratio that satisfied the regulatory requirements.

## 15 › General Expenses

### Impairment of Goodwill

As at March 31, 2020, as a result 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.'s operations included in the Individual Insurance sector cash-generating units (CGU). This led the Company to recognize an impairment of goodwill of \$24. This amount was recognized in the Income Statement in *General expenses*. The recoverable amount of the CGU is determined by the higher of value in use and fair value less costs of sale which, as of March 31, 2020, was the value in use, determined using cash flow projections before tax based on future financial projections approved by management 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:

(in millions of dollars, unless otherwise indicated)	Three months ended March 31			
	2021		2020	
Income before income taxes	\$ 233		\$ 44	
Income tax expense at Canadian statutory tax rate	61	26%	12	27%
Increase (decrease) in income taxes due to:				
Differences in tax rates on income not subject to tax in Canada	(1)	(1)%	(1)	(2)%
Tax-exempt investment income	(7)	(3)%	(21)	(48)%
Non-deductible (non-taxable) portion of the change in fair value of investment properties	2	1%	4	8%
Adjustments of previous years	—	—%	(1)	(2)%
Variation in tax rates	2	1%	(1)	(2)%
Other	2	1%	6	15%
<b>Income tax expense (recovery) and effective income tax rate</b>	<b>\$ 59</b>	<b>25%</b>	<b>\$ (2)</b>	<b>(4)%</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 makes judgments 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 makes judgments and uses assumptions 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

	Three months ended March 31, 2021						
	Individual		Group				Total
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 419	\$ 1,606	\$ 399	\$ 660	\$ 199	\$ 92	\$ 3,375
Investment income	(3,056)	(185)	(17)	(208)	(119)	35	(3,550)
Other revenues	29	414	17	30	67	(51)	506
	(2,608)	1,835	399	482	147	76	331
<b>Operating expenses</b>							
Gross benefits and claims on contracts	244	627	303	1,288	151	11	2,624
Ceded benefits and claims on contracts	(88)	—	(11)	(6)	(97)	27	(175)
Net transfer to segregated funds	—	975	—	(564)	—	—	411
Increase (decrease) in insurance contract liabilities	(3,065)	(229)	(43)	(284)	(200)	1	(3,820)
Increase (decrease) in investment contract liabilities	—	—	(14)	—	—	—	(14)
Decrease (increase) in reinsurance assets	(23)	—	1	3	74	(1)	54
Commissions, general and other expenses	234	400	140	35	188	3	1,000
Financing charges	1	—	8	—	1	8	18
	(2,697)	1,773	384	472	117	49	98
Income before income taxes and allocation of other activities	89	62	15	10	30	27	233
Allocation of other activities	21	7	2	1	(4)	(27)	—
Income before income taxes	110	69	17	11	26	—	233
Income taxes	30	17	3	3	6	—	59
<b>Net income</b>	80	52	14	8	20	—	174
Net income attributed to participating policyholders	(5)	—	—	—	—	—	(5)
<b>Net income attributed to shareholders</b>	\$ 85	\$ 52	\$ 14	\$ 8	\$ 20	\$ —	\$ 179

(in millions of dollars)	Three months ended March 31, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 397	\$ 1,078	\$ 424	\$ 633	\$ 138	\$ 85	\$ 2,755
Investment income	(1,246)	327	16	(48)	54	40	(857)
Other revenues	29	376	21	27	32	(45)	440
	(820)	1,781	461	612	224	80	2,338
<b>Operating expenses</b>							
Gross benefits and claims on contracts	229	557	295	386	125	21	1,613
Ceded benefits and claims on contracts	(63)	—	(13)	(6)	(74)	22	(134)
Net transfer to segregated funds	—	425	—	263	—	—	688
Increase (decrease) in insurance contract liabilities	(1,235)	476	10	(68)	115	—	(702)
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	(12)	—	3	1	(67)	—	(75)
Commissions, general and other expenses	244	351	151	28	113	(1)	886
Financing charges	5	—	8	—	—	4	17
	(832)	1,809	455	604	212	46	2,294
Income before income taxes and allocation of other activities	12	(28)	6	8	12	34	44
Allocation of other activities	25	2	1	1	5	(34)	—
Income before income taxes	37	(26)	7	9	17	—	44
Income taxes	(3)	(3)	(1)	1	4	—	(2)
<b>Net income</b>	40	(23)	8	8	13	—	46
Net income attributed to participating policyholders	1	—	—	—	—	—	1
<b>Net income attributed to shareholders</b>	\$ 39	\$ (23)	\$ 8	\$ 8	\$ 13	\$ —	\$ 45

**Segmented Premiums**

(in millions of dollars)	Three months ended March 31, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 518	\$ 229	\$ 425	\$ 39	\$ 369	\$ 35	\$ 1,615
Invested in segregated funds	—	1,377	—	627	—	—	2,004
	518	1,606	425	666	369	35	3,619
<b>Premiums ceded</b>							
Invested in general fund	(99)	—	(26)	(6)	(170)	57	(244)
<b>Net premiums</b>	\$ 419	\$ 1,606	\$ 399	\$ 660	\$ 199	\$ 92	\$ 3,375

## Three months ended March 31, 2020

(in millions of dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 487	\$ 206	\$ 459	\$ 48	\$ 257	\$ 29	\$ 1,486
Invested in segregated funds	—	872	—	592	—	—	1,464
	487	1,078	459	640	257	29	2,950
<b>Premiums ceded</b>							
Invested in general fund	(90)	—	(35)	(7)	(119)	56	(195)
<b>Net premiums</b>	\$ 397	\$ 1,078	\$ 424	\$ 633	\$ 138	\$ 85	\$ 2,755

## Segmented Assets and Liabilities

## As at March 31, 2021

(in millions of dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Assets</b>							
Invested assets	\$ 23,921	\$ 2,007	\$ 1,960	\$ 4,684	\$ 1,268	\$ 8,659	\$ 42,499
Segregated funds net assets	—	20,423	—	13,014	—	—	33,437
Reinsurance assets	(13)	—	223	127	1,766	(146)	1,957
Other	111	1,205	—	—	90	6,376	7,782
<b>Total assets</b>	\$ 24,019	\$ 23,635	\$ 2,183	\$ 17,825	\$ 3,124	\$ 14,889	\$ 85,675
<b>Liabilities</b>							
Insurance contract liabilities and investment contract liabilities	\$ 22,583	\$ 2,032	\$ 2,225	\$ 4,746	\$ 1,779	\$ (108)	\$ 33,257
Liabilities related to segregated funds net assets	—	20,423	—	13,014	—	—	33,437
Other	845	60	3	10	—	11,391	12,309
<b>Total liabilities</b>	\$ 23,428	\$ 22,515	\$ 2,228	\$ 17,770	\$ 1,779	\$ 11,283	\$ 79,003

## As at December 31, 2020

(in millions of dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Assets</b>							
Invested assets	\$ 25,922	\$ 2,145	\$ 1,969	\$ 4,949	\$ 1,347	\$ 8,815	\$ 45,147
Segregated funds net assets	—	19,240	—	13,564	—	—	32,804
Reinsurance assets	(36)	—	222	130	1,805	(140)	1,981
Other	109	1,096	—	—	74	5,255	6,534
<b>Total assets</b>	\$ 25,995	\$ 22,481	\$ 2,191	\$ 18,643	\$ 3,226	\$ 13,930	\$ 86,466
<b>Liabilities</b>							
Insurance contract liabilities and investment contract liabilities	\$ 25,661	\$ 2,246	\$ 2,272	\$ 5,030	\$ 2,003	\$ (110)	\$ 37,102
Liabilities related to segregated funds net assets	—	19,240	—	13,564	—	—	32,804
Other	441	47	3	8	—	9,548	10,047
<b>Total liabilities</b>	\$ 26,102	\$ 21,533	\$ 2,275	\$ 18,602	\$ 2,003	\$ 9,438	\$ 79,953



## 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.

(in millions of dollars, unless otherwise indicated)	Three months ended March 31	
	2021	2020
Net income attributed to common shareholders	\$ 173	\$ 39
Weighted average number of outstanding shares (in millions of units)	107	107
Basic earnings per share (in dollars)	\$ 1.61	\$ 0.37

### 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 three months ended March 31, 2021, an average of 87,939 antidilutive stock options (109,221 for the three months ended March 31, 2020) were excluded from the calculation.

(in millions of dollars, unless otherwise indicated)	Three months ended March 31	
	2021	2020
Net income attributed to common shareholders	\$ 173	\$ 39
Weighted average number of outstanding shares (in millions of units)	107	107
Weighted average number of outstanding shares on a diluted basis (in millions of units)	107	107
Diluted earnings per share (in dollars)	\$ 1.61	\$ 0.36

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 a funded defined benefit plan and a number of unfunded 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

(in millions of dollars)	Three months ended March 31			
	2021		2020	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	\$ 17	\$ 1	\$ 15	\$ 1
Net interest	2	—	2	—
Components of the cost of defined benefits recognized in the net income	19	1	17	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)	106	—	162	—
Actuarial losses (gains) on financial assumption changes	(259)	(2)	(253)	(2)
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	(153)	(2)	(91)	(2)
<b>Total of defined benefit cost components</b>	<b>\$ (134)</b>	<b>\$ (1)</b>	<b>\$ (74)</b>	<b>\$ (1)</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**

(in millions of dollars)	Three months ended March 31			
	2021		2020	
	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	\$ (153)	\$ (2)	\$ (91)	\$ (2)
Income taxes on remeasurement of post-employment benefits	40	1	23	1
<b>Total of other comprehensive income</b>	<b>\$ (113)</b>	<b>\$ (1)</b>	<b>\$ (68)</b>	<b>\$ (1)</b>

**20 › Commitments****Investment Commitments**

In the normal course of the Company's business, various outstanding contractual commitments related to offers for commercial loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. There were \$722 (\$773 as at December 31, 2020) of outstanding commitments as at March 31, 2021, of which the estimated disbursements will be \$68 (\$72 as at December 31, 2020) in 30 days, \$306 (\$308 as at December 31, 2020) in 31 to 365 days and \$348 (\$393 as at December 31, 2020) 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 March 31, 2021, the balance of these letters is \$7 (\$7 as at December 31, 2020).

**Lines of Credit**

As at March 31, 2021, the Company had operating lines of credit totalling \$56 (\$56 as at December 31, 2020). As at March 31, 2021 and 2020, 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.

**Conference Call**

Industrial Alliance will host its quarterly earnings call on Thursday, May 6, at 11:30 a.m. (ET). You can also listen to a 90-day recorded version of the call on the company's website at [About iA](#), in the *Investor Relations/Financial Reports* section.

**About iA Financial Group**

iA Financial Group is a group of companies and financial services groups in Canada, with operations in the United States and the United Kingdom. Since its founding in 1892, it is one of Canada's oldest public companies and is listed on the Toronto Stock Exchange under the 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:

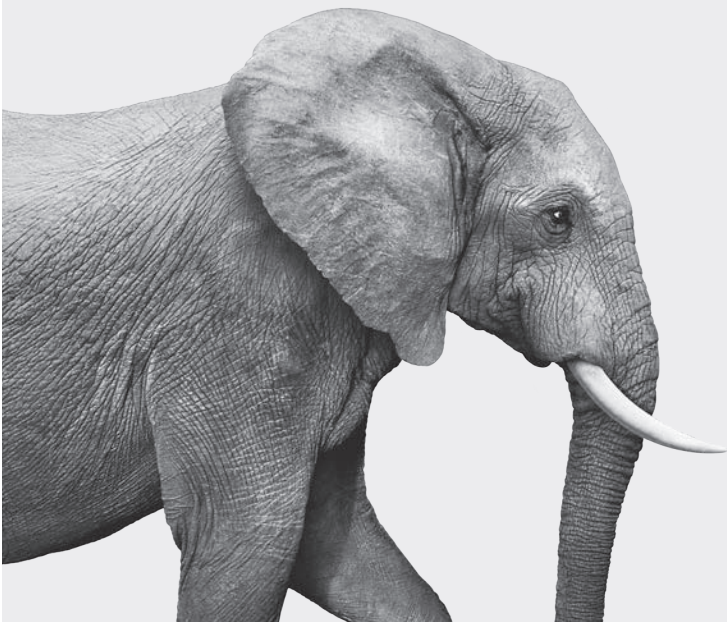
For questions regarding your shares and the Dividend Reinvestment and Share Purchase Plan, please contact Investor Services Inc.  
 Telephone: 514 982-7555  
 1 877 684-5000 (toll free)  
 Email: [iowia@com.mu.ca](mailto:iowia@com.mu.ca)

To obtain financial information about Industrial Alliance, contact the Investor Relations Department.  
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 Industrial Alliance Insurance and Financial Services Inc.  
 Telephone: 418 684-5000, extension 105862  
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 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:  
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