

**Proven values,
looking to
the future**



Industrial Alliance Insurance and Financial Services Inc.

Interim Condensed Consolidated Financial Statements

For the second quarter of 2024

As at June 30, 2024 and 2023



Interim Condensed Consolidated Financial Statements (unaudited)

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Consolidated Income Statements

(unaudited, in millions of Canadian dollars, unless otherwise indicated)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Insurance service result				
Insurance revenue (Note 9)	\$ 1,550	\$ 1,295	\$ 3,054	\$ 2,578
Insurance service expenses	(1,217)	(1,073)	(2,423)	(2,130)
Net income (expenses) from reinsurance contracts	(66)	16	(114)	(6)
	267	238	517	442
Net investment result				
Net investment income (Note 4)				
Interest and other investment income	536	510	1,092	935
Change in fair value of investments	(324)	121	(1,440)	1,175
	212	631	(348)	2,110
Finance income (expenses) from insurance contracts	(50)	(490)	750	(1,729)
Finance income (expenses) from reinsurance contracts	29	34	28	77
(Increase) decrease in investment contract liabilities and interest on deposits	(59)	(38)	(109)	(67)
	132	137	321	391
Investment income (expenses) from segregated funds net assets	870	830	3,511	2,505
Finance income (expenses) related to segregated funds liabilities	(870)	(830)	(3,511)	(2,505)
	—	—	—	—
	132	137	321	391
Other revenues	393	348	763	683
Other operating expenses	(502)	(445)	(970)	(872)
Other financing charges	(2)	(3)	(3)	(12)
Income before income taxes	288	275	628	632
Income tax (expense) recovery (Note 14)	(53)	(46)	(132)	(127)
Net income	235	229	496	505
Dividends on preferred shares (Note 11)	(2)	(2)	(3)	(5)
Net income attributed to common shareholder	\$ 233	\$ 227	\$ 493	\$ 500
Basic earnings per common share (in dollars) (Note 16)	\$ 2.06	\$ 2.00	\$ 4.34	\$ 4.40

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

Consolidated Comprehensive Income Statements

(unaudited, in millions of Canadian dollars)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income	\$ 235	\$ 229	\$ 496	\$ 505
Other comprehensive income, net of income taxes				
Items that may be reclassified subsequently to net income:				
Net investment hedge				
Unrealized gains (losses) on currency translation in foreign operations	14	(47)	67	(49)
Hedges of net investment in foreign operations	(12)	40	(56)	43
	2	(7)	11	(6)
Cash flow hedge				
Unrealized gains (losses) on cash flow hedges	1	—	4	—
Items that will not be reclassified subsequently to net income:				
Revaluation surplus related to transfers to investment properties	—	—	—	2
Remeasurement of post-employment benefits	16	(4)	62	(9)
Total other comprehensive income	19	(11)	77	(13)
Comprehensive income attributed to shareholders	\$ 254	\$ 218	\$ 573	\$ 492

Income Taxes Included in Other Comprehensive Income

(unaudited, in millions of Canadian dollars)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Income tax recovery (expense) related to:				
Items that may be reclassified subsequently to net income:				
Hedges of net investment in foreign operations	\$ 2	\$ (8)	\$ 10	\$ (7)
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	(6)	2	(23)	3
Total income tax recovery (expense) included in other comprehensive income	\$ (4)	\$ (6)	\$ (13)	\$ (4)

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

Consolidated Statements of Financial Position

	As at June 30 2024	As at December 31 2023
(in millions of Canadian dollars)	(unaudited)	
Assets		
Investments (Note 4)		
Cash and short-term investments	\$ 1,248	\$ 1,016
Bonds	29,246	29,340
Stocks	4,394	3,892
Loans	3,589	3,660
Derivative financial instruments (Note 7)	1,038	1,774
Other invested assets	169	163
Investment properties	1,576	1,611
	41,260	41,456
Other assets	4,699	3,377
Insurance contract assets (Note 9)	145	167
Reinsurance contract assets (Note 9)	2,287	1,994
Fixed assets	306	306
Deferred income tax assets	351	229
Intangible assets	855	802
Goodwill	642	552
General fund assets	50,545	48,883
Segregated funds net assets (Note 8)	46,582	41,837
Total assets	\$ 97,127	\$ 90,720
Liabilities		
Insurance contract liabilities (Note 9)	\$ 32,889	\$ 33,018
Reinsurance contract liabilities (Note 9)	23	8
Investment contract liabilities and deposits	6,376	6,050
Derivative financial instruments (Note 7)	815	787
Other liabilities	3,919	2,608
Deferred income tax liabilities	212	222
Debentures	—	4
General fund liabilities	44,234	42,697
Insurance contract liabilities related to segregated funds (Note 9)	33,685	30,201
Investment contract liabilities related to segregated funds	12,897	11,636
Total liabilities	\$ 90,816	\$ 84,534
Equity		
Share capital	\$ 1,880	\$ 1,880
Retained earnings and accumulated other comprehensive income	4,431	4,306
	6,311	6,186
Total liabilities and equity	\$ 97,127	\$ 90,720

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

Consolidated Equity Statements

	As at June 30, 2024				
	Common shares	Preferred shares	Retained earnings	Accumulated other comprehensive income	Total
(unaudited, in millions of Canadian dollars)	(Note 11)	(Note 11)		(Note 12)	
Balance as at December 31, 2022	\$ 1,755	\$ 275	\$ 3,864	\$ 56	\$ 5,950
Impact of adopting IFRS 9	—	—	7	—	7
Balance as at January 1, 2023	1,755	275	3,871	56	5,957
Net income	—	—	855	—	855
Other comprehensive income	—	—	—	58	58
Comprehensive income for the year	—	—	855	58	913
Equity transactions					
Transfer of post-employment benefits	—	—	76	(76)	—
Redemption of preferred shares	—	(150)	—	—	(150)
Dividends on common shares	—	—	(525)	—	(525)
Dividends on preferred shares	—	—	(8)	—	(8)
Other	—	—	(1)	—	(1)
	—	(150)	(458)	(76)	(684)
Balance as at December 31, 2023	1,755	125	4,268	38	6,186
Net income	—	—	496	—	496
Other comprehensive income	—	—	—	77	77
Comprehensive income for the period	—	—	496	77	573
Equity transactions					
Transfer of post-employment benefits	—	—	62	(62)	—
Dividends on common shares	—	—	(450)	—	(450)
Dividends on preferred shares	—	—	(3)	—	(3)
Other	—	—	5	—	5
	—	—	(386)	(62)	(448)
Balance as at June 30, 2024	\$ 1,755	\$ 125	\$ 4,378	\$ 53	\$ 6,311

	As at June 30, 2023				
	Common shares	Preferred shares	Retained earnings	Accumulated other comprehensive income	Total
(unaudited, in millions of Canadian dollars)	(Note 11)	(Note 11)		(Note 12)	
Balance as at December 31, 2022	\$ 1,755	\$ 275	\$ 3,864	\$ 56	\$ 5,950
Impact of adopting IFRS 9	—	—	7	—	7
Balance as at January 1, 2023	1,755	275	3,871	56	5,957
Net income	—	—	505	—	505
Other comprehensive income	—	—	—	(13)	(13)
Comprehensive income for the period	—	—	505	(13)	492
Equity transactions					
Transfer of post-employment benefits	—	—	(9)	9	—
Redemption of preferred shares	—	(150)	—	—	(150)
Dividends on common shares	—	—	(200)	—	(200)
Dividends on preferred shares	—	—	(5)	—	(5)
Other	—	—	2	—	2
	—	(150)	(212)	9	(353)
Balance as at June 30, 2023	\$ 1,755	\$ 125	\$ 4,164	\$ 52	\$ 6,096

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

Consolidated Cash Flows Statements

(unaudited, in millions of Canadian dollars)	Six months ended June 30	
	2024	2023
Cash flows from operating activities		
Income before income taxes	\$ 628	\$ 632
Other financing charges	3	12
Income taxes paid, net of refunds	(277)	(105)
Operating activities not affecting cash:		
Expenses (income) from insurance contracts	(1,381)	1,281
Expenses (income) from reinsurance contracts	86	(71)
Expenses (income) from investment contracts and interest on deposits	109	67
Unrealized losses (gains) on investments	1,445	(1,167)
Provision for credit losses	43	27
Other depreciation	83	97
Other items not affecting cash	54	(2)
Operating activities affecting cash:		
Sales, maturities and repayments on investments	20,331	14,044
Purchases of investments	(20,237)	(15,903)
Change in assets/liabilities related to insurance contracts	693	946
Change in assets/liabilities related to reinsurance contracts	(142)	(173)
Change in liabilities related to investment contracts and deposits	132	702
Other items affecting cash	(596)	(162)
Net cash from (used in) operating activities	974	225
Cash flows from investing activities		
Acquisition of businesses, net of cash	(213)	—
Sales (purchases) of fixed and intangible assets	(53)	(46)
Net cash from (used in) investing activities	(266)	(46)
Cash flows from financing activities		
Redemption of preferred shares (Note 11)	—	(150)
Redemption of debentures (Note 10)	(4)	—
Reimbursement of lease liabilities ¹	(9)	(8)
Dividends paid on common shares	(466)	(200)
Dividends paid on preferred shares	(3)	(5)
Interest paid on debentures	—	(7)
Interest paid on lease liabilities	(2)	(2)
Net cash from (used in) financing activities	(484)	(372)
Foreign currency gains (losses) on cash	8	(3)
Increase (decrease) in cash and short-term investments	232	(196)
Cash and short-term investments at beginning	1,016	1,221
Cash and short-term investments at end	\$ 1,248	\$ 1,025
Supplementary information:		
Cash	\$ 784	\$ 546
Short-term investments including cash equivalents	464	479
Total cash and short-term investments	\$ 1,248	\$ 1,025

¹ For the six months ended June 30, 2024, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of \$5 (\$8 for the six months ended June 30, 2023) of items not affecting cash, 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

Six months ended June 30, 2024 and 2023 (unaudited) (in millions of Canadian dollars, unless otherwise indicated)

1 › General Information

Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company incorporated under the *Business Corporations Act* (Quebec), governed by the *Insurers Act* and regulated by the Autorité des marchés financiers (AMF). Industrial Alliance Insurance and Financial Services Inc. and its subsidiaries (iA Insurance or the "Company"), a wholly owned subsidiary of iA Financial Corporation Inc. (iA Financial Corporation), offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, loans, 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, 2023. The material accounting policies used to prepare these Financial Statements are consistent with those found in the Consolidated Financial Statements for the year ended December 31, 2023, except for items mentioned in Note 2.

Publication of these Financial Statements was authorized for issue by the Company's Board of Directors on August 6, 2024.

2 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2024.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
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 <i>Classification of Liabilities as Current or Non-current</i> 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. On October 31, 2022, the IASB published a new amendment, <i>Non-current Liabilities with Covenants</i>, which specifies conditions affecting the classification of a liability when an entity must comply with covenants within 12 months after the reporting period and clarifies the disclosure requirements in the notes. The provisions of these amendments apply retrospectively.</p> <p><i>Impact:</i> No impact on the Company's financial statements.</p>
IFRS 16 <i>Leases</i>	<p><i>Description:</i> On September 22, 2022, the IASB published an amendment to IFRS 16 <i>Leases</i>. The amendment <i>Lease Liability in a Sale and Leaseback</i> adds requirements for the subsequent measurement of a lease liability by a seller-lessee in a sale and leaseback transaction accounted for as a sale, with the aim to prevent the recognition of a gain or loss relating to the right of use retained. The provisions of this amendment apply retrospectively.</p> <p><i>Impact:</i> No impact on the Company's financial statements.</p>
IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>	<p><i>Description:</i> On May 25, 2023, the IASB published an amendment to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>. The amendment <i>Supplier Finance Arrangements</i> requires entities to disclose information about supplier finance arrangements and their effects on liabilities, cash flows and exposure to liquidity risk in order to increase transparency on this type of arrangement. The provisions of this amendment apply prospectively.</p> <p><i>Impact:</i> No impact on the Company's financial statements.</p>

Future Changes in Accounting Policies

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

Standards or amendments	Description of the standards or amendments
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	<p><i>Description:</i> On April 9, 2024, the IASB published the standard IFRS 18 Presentation and Disclosure in Financial Statements which replaces the provisions of the standard IAS 1 Presentation of Financial Statements and carries forward many of its requirements.</p> <p>The standard IFRS 18:</p> <ul style="list-style-type: none"> establishes a defined structure for the income statement by classifying income and expenses into distinct defined categories and imposing new defined subtotals to improve comparability; requires that specific information on management-defined performance measures (MPMs), which represent subtotals of income and expenses disclosed outside the financial statements, be disclosed in a single note to the financial statements in order to enhance transparency on those MPMs; sets out guidance on classification of the information in the primary financial statements or in the notes. <p>The provisions of the new standard IFRS 18 will apply retrospectively to financial statements beginning on or after January 1, 2027. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this standard on its financial statements.</p>
IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	<p><i>Description:</i> On August 15, 2023, the IASB published an amendment to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>. The amendment <i>Lack of Exchangeability</i> specifies when a currency is exchangeable and when it is not, how to determine the exchange rate when a currency is not exchangeable, and the additional information required to be disclosed when a currency is not exchangeable. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2025. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>
IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>	<p><i>Description:</i> On May 30, 2024, the IASB published an amendment to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>.</p> <p>The amendment <i>Amendments to the Classification and Measurement of Financial Instruments</i> introduces an accounting policy choice relating to the derecognition of financial liabilities settled through electronic payment systems, clarifies the classification and characteristics of some financial asset types and adds new disclosure requirements regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2026. 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 2024-2025 Cycle	<p><i>Description:</i> On July 18, 2024, the IASB published the Annual Improvements to IFRSs 2024-2025 Cycle. The Annual Improvements clarify situations specific to five standards:</p> <ul style="list-style-type: none"> IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> related to the fact that an entity which had designated a transaction as hedge accounting before the date of transition to IFRSs must meet the qualifying criteria of IFRS 9 to reflect it in its opening IFRS statement of financial position. Otherwise, the entity should discontinue the hedge accounting; IFRS 7 <i>Financial Instruments: Disclosures</i> related to the fact that an entity which is disclosing a gain or a loss on derecognition relating to financial assets in which the entity has continuing involvement shall disclose whether the fair value measurements included significant unobservable inputs as described in the “fair value hierarchy” requirements of IFRS 13; IFRS 9 <i>Financial Instruments</i> related to the fact that when a lease liability is derecognized by a lessee, the difference between the carrying amount of the extinguished liability and the consideration paid are recognized in profit or loss. The amendment also specifies that the initial measurement of trade receivables must be in accordance with “the amount determined by applying IFRS 15” instead of “at their transaction price”, as previously mentioned in IFRS 9; IFRS 10 <i>Consolidated Financial Statements</i> related to the fact that when assessing control, a party might be a “de facto agent” when those that direct the activities of the investor have the ability to direct that party to act on the investor’s behalf; IAS 7 <i>Statement of Cash Flows</i> related to the fact that the term “cost method” replaces the term “at cost” regarding the reporting requirements in the statement of cash flows for investments in subsidiaries, associates and joint ventures since the term “cost method” is no longer defined in IFRS Accounting Standards. <p>The provisions of these improvements will apply prospectively to financial statements beginning on or after January 1, 2026. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of these improvements on its financial statements.</p>

Material Accounting Policy Information

a) Hedge Accounting

Until March 31, 2024, the Company applied, as permitted by IFRS 9, the hedge accounting requirements of IAS 39 *Financial Instruments*.

As at April 1, 2024, the Company elected to apply hedge accounting requirements under IFRS 9 to all hedge accounting relationships prospectively. This change in accounting policy had no impact on the Company's net income.

When the Company determines that hedge accounting is appropriate, a hedging relationship is designated and documented from inception. Effectiveness of the hedge is valued on inception and at the end of each financial reporting period for the duration of the hedge. Hedge accounting, which recognizes the offsetting effects of hedging instruments and hedged items the same way, can only be applied if the relationship is demonstrated to be effective. If it is established that the hedging instrument is no longer an effective hedge, if the hedging instrument is sold or if the expected transaction has ceased to be highly probable, the Company ceases to apply hedge accounting prospectively. The Company uses financial assets and derivative financial instruments as hedging instruments.

Fair Value Hedging

Changes in fair value of derivative financial instruments used as hedging instruments and changes in fair value of assets arising from the hedged risk are recorded in *Change in fair value of investments* in the Income Statement. At the same time, the gain or loss on the ineffective portion of the hedge is recorded in *Net income*.

Changes in fair value of financial assets used as hedging instruments are recognized in *Change in fair value of investments* in the Income Statement. Changes in fair value of hedged financial liabilities are recognized in *(Increase) decrease in investment contract liabilities and interest on deposits* in the Income Statement. At the same time, the gain or loss on the ineffective portion of the hedge is recorded in *Net income*.

Cash Flow Hedging

The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement in *Change in fair value of investments*. When accumulated gains and losses in *Other comprehensive income* in respect of the hedged item have an impact on results during the period, they are reclassified to the Income Statement, whereas when they affect the Statement of Financial Position, they are reclassified to the Statement of Financial Position.

Net Investment Hedge

The Company uses currency forward contracts as hedging items for foreign exchange risk related to net investments in foreign operations. The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement as *Change in fair value of investments*. Cumulative gains and losses in *Other comprehensive income* are reclassified in the Income Statement in the period in which the net investment in foreign operations is subject to a total or partial disposition.

b) Investment Contract Liabilities and Deposit

As at April 1, 2024 and going forward, the Company elected to designate a portion of the new deposit issuances as financial liabilities at fair value through profit or loss. These deposits are measured at fair value in the Statement of Financial Position. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *(Increase) decrease in investment contract liabilities and interest on deposits*. When change in fair value is attributable to a change in the Company's own credit risk, it is presented in the Comprehensive Income Statement.

3 Acquisition of Businesses

On June 28, 2024, the Company announced that it acquired, through one of its subsidiaries, 100% of the shares of the American company Vericity, Inc. and its subsidiaries (collectively "Vericity") for a total cash consideration of \$233. Vericity comprises two entities servicing the middle-market life insurance space, with synergies in between and combining artificial intelligence and rich data analytics to deliver innovative proprietary technology: Fidelity Life, an insurance carrier, and eFinancial, a direct-to-consumer digital agency.

The purchase price allocation process should be completed as soon as all relevant available necessary information will have been gathered within a period not to exceed 12 months from the date of acquisition. Once the analysis is finalized, the preliminary allocation of the purchase price could be adjusted to reflect new information obtained about facts and circumstances that existed at the acquisition date.

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

	As at June 30, 2024
(in millions of dollars)	US Operations
Fair value of identifiable assets and liabilities acquired	\$ 98
Fair value of intangible assets	58
Fair value of deferred income tax liabilities on intangible assets	(12)
Fair value of net identifiable assets acquired	144
Goodwill	89
	\$ 233

The goodwill primarily reflects the growth potential arising from the acquisition, in connection with the Company's intention to pursue its growth strategy. Goodwill is not deductible for tax purposes. Intangible assets mainly consist of distribution networks and software applications. As at June 30, 2024, revenues and net income from Vericity did not have a significant impact on the Company's financial results. Integration expenses and acquisition costs of \$9 are included in *Other operating expenses*.

4 › Investments and Net Investment Income

a) Carrying Value and Fair Value

(in millions of dollars)	As at June 30, 2024				
	At fair value through profit or loss	At amortized cost	Other	Total	Fair value
Cash and short-term investments	\$ 408	\$ 840	\$ —	\$ 1,248	\$ 1,248
Bonds					
Governments	8,127	—	—	8,127	
Municipalities	973	—	—	973	
Corporate and other	20,146	—	—	20,146	
	29,246	—	—	29,246	29,246
Stocks					
Common	2,570	—	—	2,570	
Preferred	413	—	—	413	
Stock indexes	381	—	—	381	
Investment fund units	1,030	—	—	1,030	
	4,394	—	—	4,394	4,394
Loans					
Mortgages					
Insured mortgages					
Multi-residential	886	—	—	886	
Non-residential	2	—	—	2	
	888	—	—	888	
Conventional mortgages					
Multi-residential	185	—	—	185	
Non-residential	269	—	—	269	
	454	—	—	454	
	1,342	—	—	1,342	
Car loans	—	1,442	—	1,442	
Other loans	—	805	—	805	
	1,342	2,247	—	3,589	3,581
Derivative financial instruments	1,038	—	—	1,038	1,038
Other invested assets	4	41	124	169	169
Investment properties	—	—	1,576	1,576	1,609
Total investments	\$ 36,432	\$ 3,128	\$ 1,700	\$ 41,260	\$ 41,285

(in millions of dollars)	As at December 31, 2023				
	At fair value through profit or loss	At amortized cost	Other	Total	Fair value
Cash and short-term investments	\$ 154	\$ 862	\$ —	\$ 1,016	\$ 1,016
Bonds					
Governments	8,720	—	—	8,720	
Municipalities	885	—	—	885	
Corporate and other	19,735	—	—	19,735	
	29,340	—	—	29,340	29,340
Stocks					
Common	2,323	—	—	2,323	
Preferred	339	—	—	339	
Stock indexes	297	—	—	297	
Investment fund units	933	—	—	933	
	3,892	—	—	3,892	3,892
Loans					
Mortgages					
Insured mortgages					
Multi-residential	970	—	—	970	
Non-residential	2	—	—	2	
	972	—	—	972	
Conventional mortgages					
Multi-residential	210	—	—	210	
Non-residential	244	—	—	244	
	454	—	—	454	
	1,426	—	—	1,426	
Car loans	—	1,395	—	1,395	
Other loans	—	839	—	839	
	1,426	2,234	—	3,660	3,653
Derivative financial instruments	1,774	—	—	1,774	1,774
Other invested assets	—	39	124	163	163
Investment properties	—	—	1,611	1,611	1,644
Total investments	\$ 36,586	\$ 3,135	\$ 1,735	\$ 41,456	\$ 41,482

Other invested assets are made up of notes receivable and investments in associates and joint ventures. Notes receivable are classified at amortized cost. Investments in associates and joint ventures, accounted for using the equity method, are presented in the *Other* column.

The fair value of investment properties includes the carrying value of investment properties accounted for at fair value and the fair value of linearization of rents accounted for in *Other Assets*.

Financial Assets Used in Fair Value Hedging

Interest Rate Risk Hedging

The Company designated a portion of its bonds in a fair-value hedge relationship for interest rate risk. On April 1, 2024, the Company set up a hedging relationship in order to reduce its exposure to changes in interest rates on financial liabilities classified as financial liabilities at amortized cost. The Company uses bonds that have maturities of less than 1 year to 10 years as at June 30, 2024. The notional amount of the bonds is \$1,046 as at June 30, 2024, while the carrying value and the fair value of the bonds are \$1,035.

For the six months ended June 30, 2024, the Company has recognized a gain of \$3 on the hedging instruments and a loss of \$1 on the hedged items. For the six months ended June 30, 2024, the Company recognized an ineffectiveness of \$2.

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 29% as at June 30, 2024 (25% to 29% as at December 31, 2023). The carrying value of these investments as at June 30, 2024 is \$124 (\$124 as at December 31, 2023). The share of net income and comprehensive income for the six months ended June 30, 2024 corresponds to a profit of \$2 (profit of \$10 for the six months ended June 30, 2023).

c) Net Investment Income

(in millions of dollars)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Interest and other investment income				
Interest	\$ 426	\$ 380	\$ 842	\$ 738
Dividends	89	99	183	131
Derivative financial instruments	18	27	57	57
Net rental income	22	20	43	43
Provision for credit losses	(23)	(13)	(43)	(27)
Other income and expenses	4	(3)	10	(7)
	536	510	1,092	935
Change in fair value of investments				
Cash and short-term investments	2	5	5	8
Bonds	(257)	(322)	(998)	533
Stocks	13	(36)	119	50
Loans	8	(16)	4	(3)
Derivative financial instruments	(54)	498	(523)	641
Investment properties	(29)	(28)	(46)	(48)
Other	(7)	20	(1)	(6)
	(324)	121	(1,440)	1,175
Total net investment income	\$ 212	\$ 631	\$ (348)	\$ 2,110

5 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management 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 – Notional 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 similar risk profiles 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.

Loans – The fair value of mortgages and car loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for comparable loans and adjusted for credit risk and terms. Other loans are carried at amortized cost. They are guaranteed and may be repaid at any time. The fair value of other loans approximates their carrying value due to their nature.

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.

Other Invested Assets – The fair value of other invested assets is approximately the same as the carrying value due to the nature of these elements.

Other Assets – The fair value of securities purchased under reverse repurchase agreements is measured at the consideration paid plus accrued interest. The fair value of other 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 7 "Derivative Financial Instruments" and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the "Financial Assets" section.

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

Short-selling securities, classified at fair value through profit or loss, 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 securities sold under repurchase agreements is measured at the consideration received plus accrued interest.

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.

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.

Investment Contract Liabilities and Deposits and Investment Contract Liabilities Related to Segregated Funds – The fair value of these investment contracts is determined using the parameters of the agreement concluded between the Company and the policyholder for this type of contract. Investment contract liabilities represent the balance that is due to the policyholder. The fair value of demand deposits for which maturity is not determined is assumed to be their carrying value. The estimated fair value of fixed-rate term deposits is determined by discounting contractual cash flows at current interest rates offered on the market for deposits with similar terms and risks.

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 significant 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 June 30, 2024			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments	\$ —	\$ 408	\$ —	\$ 408
Bonds				
Governments	—	8,035	92	8,127
Municipalities	—	973	—	973
Corporate and other	—	16,666	3,480	20,146
	—	25,674	3,572	29,246
Stocks	2,035	283	2,076	4,394
Mortgages	—	1,342	—	1,342
Derivative financial instruments	89	949	—	1,038
Other invested assets	—	4	—	4
Investment properties	—	—	1,576	1,576
General fund investments recognized at fair value	2,124	28,660	7,224	38,008
Other assets	—	211	—	211
Segregated funds financial instruments	36,914	8,518	1,013	46,445
Total financial assets at fair value	\$ 39,038	\$ 37,389	\$ 8,237	\$ 84,664
	As at December 31, 2023			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments	\$ —	\$ 154	\$ —	\$ 154
Bonds				
Governments	—	8,621	99	8,720
Municipalities	—	885	—	885
Corporate and other	—	16,581	3,154	19,735
	—	26,087	3,253	29,340
Stocks	1,653	230	2,009	3,892
Mortgages	—	1,426	—	1,426
Derivative financial instruments	86	1,688	—	1,774
Investment properties	—	—	1,611	1,611
General fund investments recognized at fair value	1,739	29,585	6,873	38,197
Segregated funds financial instruments	32,421	8,467	915	41,803
Total financial assets at fair value	\$ 34,160	\$ 38,052	\$ 7,788	\$ 80,000

There were no transfers from Level 1 to Level 2 during the six months ended June 30, 2024 (none for the year ended December 31, 2023). There were no transfers from Level 2 to Level 1 during the six months ended June 30, 2024 (none for the year ended December 31, 2023).

There were no transfers from Level 2 to Level 3 during the six months ended June 30, 2024 (none for the year ended December 31, 2023). There were no transfers from Level 3 to Level 2 during the six months ended June 30, 2024 (\$15 for the year ended December 31, 2023). Transfers for the year ended December 31, 2023 were related to bonds. The fair value of these bonds was measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments and was based on a price obtained less than 30 days prior.

There were no transfers from Level 1 to Level 3 during the six months ended June 30, 2024 (none for the year ended December 31, 2023). There were no transfers from Level 3 to Level 1 during the six months ended June 30, 2024 (none for the year ended December 31, 2023).

There were no Level 3 transfers from owner-occupied properties to investment properties in relation to a change in use during the six months ended June 30, 2024 (\$14 for the year ended December 31, 2023). For the year ended December 31, 2023, the revaluation adjustments of \$3 before tax (\$3 after tax) have been recorded in the Comprehensive Income Statement in *Revaluation surplus related to transfers to investment properties*.

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

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

Six months ended June 30, 2024							
(in millions of dollars)	Balance as at December 31, 2023	Gains (losses) included in net income	Purchases	Sales and settlements	Transfers into (out of) Level 3 and reclassifications	Balance as at June 30, 2024	Total unrealized gains (losses) included in net income on investments still held
Bonds	\$ 3,253	\$ (77)	\$ 556	\$ (160)	\$ —	\$ 3,572	\$ (81)
Stocks	2,009	21	199	(153)	—	2,076	30
Investment properties	1,611	(46)	11	—	—	1,576	(46)
General fund investments recognized at fair value	6,873	(102)	766	(313)	—	7,224	(97)
Segregated funds financial instruments	915	19	178	(99)	—	1,013	12
Total	\$ 7,788	\$ (83)	\$ 944	\$ (412)	\$ —	\$ 8,237	\$ (85)
Year ended December 31, 2023							
(in millions of dollars)	Balance as at December 31, 2022	Gains (losses) included in net income	Purchases	Sales and settlements	Transfers into (out of) Level 3 and reclassifications	Balance as at December 31, 2023	Total unrealized gains (losses) included in net income on investments still held
Bonds	\$ 2,780	\$ 75	\$ 552	\$ (139)	\$ (15)	\$ 3,253	\$ 71
Stocks	2,167	(287)	245	(116)	—	2,009	(83)
Derivative financial instruments	1	(1)	—	—	—	—	(1)
Investment properties	1,804	(178)	47	(76)	14	1,611	(180)
General fund investments recognized at fair value	6,752	(391)	844	(331)	(1)	6,873	(193)
Segregated funds financial instruments and investment properties	802	34	144	(65)	—	915	24
Total	\$ 7,554	\$ (357)	\$ 988	\$ (396)	\$ (1)	\$ 7,788	\$ (169)

During the six months ended June 30, 2024, an amount of \$11 (\$47 for the year ended December 31, 2023) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties* and there are no *Transfers into (out of) Level 3 and reclassifications* (\$14 for the year ended December 31, 2023 that corresponds to reclassifications of fixed assets 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, 2023).

Gains (losses) included in net income and *Total unrealized gains (losses) included in net income on investments still held* are presented in *Net investment income* in the Income Statement, except for those related to segregated funds net assets, which are presented in *Investment income (expenses) from segregated funds net assets* in the Income Statement.

Valuation for Level 3 Assets

The main unobservable input used in valuation of bonds as at June 30, 2024 corresponds to credit and liquidity risk premiums ranging from 0.88% to 5.23% (0.85% to 8.23% as at December 31, 2023). The credit and liquidity risk premiums are the difference between the expected yield of an asset and the risk-free rate of return. The difference is called a spread and represents an extra compensation for the risk of default of the borrower and the lack of active markets to sell the financial assets. If all other factors remain constant, a decrease (increase) in credit and liquidity risk premiums will lead to an increase (decrease) in fair value of bonds.

The main unobservable input used in valuation of stocks as at June 30, 2024 corresponds to 100% of the net asset value of the shares owned by the Company, which is provided by the general partner of the limited partnership investments or the manager of the funds. The net asset value is the estimated fair value of the asset minus the fair value of the liability divided by the number of shares outstanding of a fund or a limited partnership.

The main unobservable inputs used in the valuation of the investment properties as at June 30, 2024 are the discount rate, which is between 5.75% and 8.75% (5.75% and 8.75% as at December 31, 2023) and the terminal capitalization rate, which is between 5.50% and 7.75% (5.00% and 7.75% as at December 31, 2023). The discount rate is based on market activity by type of building and by 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 by 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.

Fair Value Disclosed in the Notes

The Company classifies and measures certain financial instruments at amortized cost. The fair value of these financial instruments is disclosed in the notes. The following table shows the hierarchy level of such fair values:

(in millions of dollars)	As at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Classified at amortized cost				
Car loans and other loans	\$ —	\$ 2,239	\$ —	\$ 2,239
Total of assets whose fair value is disclosed in the notes	\$ —	\$ 2,239	\$ —	\$ 2,239

(in millions of dollars)	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Classified at amortized cost				
Car loans and other loans	\$ —	\$ 2,227	\$ —	\$ 2,227
Total of assets whose fair value is disclosed in the notes	\$ —	\$ 2,227	\$ —	\$ 2,227

Financial Liabilities

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

(in millions of dollars)	As at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Short-selling securities	\$ 3	\$ 553	\$ —	\$ 556
Securities sold under repurchase agreements	—	1,209	—	1,209
Securitization liabilities	—	109	—	109
Derivative financial instruments	35	780	—	815
Investment contract liabilities and deposits	—	284	—	284
Total of liabilities classified at fair value through profit or loss	\$ 38	\$ 2,935	\$ —	\$ 2,973
Classified at amortized cost				
Other liabilities				
Mortgage debt	\$ —	\$ 2	\$ —	\$ 2
Investment contract liabilities and deposits	—	6,106	—	6,106
Investment contract liabilities related to segregated funds	—	12,897	—	12,897
Total of liabilities classified at amortized cost	\$ —	\$ 19,005	\$ —	\$ 19,005

(in millions of dollars)	As at December 31, 2023			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Other liabilities				
Short-selling securities	\$ —	\$ 329	\$ —	\$ 329
Securities sold under repurchase agreements	—	10	—	10
Securitization liabilities	—	259	—	259
Derivative financial instruments	50	737	—	787
Total of liabilities classified at fair value through profit or loss	\$ 50	\$ 1,335	\$ —	\$ 1,385
Classified at amortized cost				
Other liabilities				
Mortgage debt	\$ —	\$ 3	\$ —	\$ 3
Debentures	—	4	—	4
Investment contract liabilities and deposits	—	5,836	—	5,836
Investment contract liabilities related to segregated funds	—	11,636	—	11,636
Total of liabilities classified at amortized cost	\$ —	\$ 17,479	\$ —	\$ 17,479

6 > Management of Financial Risks Associated with Financial Instruments and Insurance Contracts

Effective risk management rests on identifying, assessing, measuring, understanding, managing, monitoring and communicating the risks to which the Company is exposed to in the course of its operations. Risk management is comprised of a series of objectives, policies and procedures that are approved by the Board of Directors and enforced by managers. The main risk management policies and procedures are subject to review annually, or more frequently when deemed relevant. More information regarding the principles, responsibilities, key measures and management practices of the Company's risk management of financial instruments is provided in the shaded portion of the "Risk Management" section of the 2023 Management's Discussion and Analysis on pages 28 to 41. The shaded information in these pages is considered an integral part of these financial statements.

a) Market Risk

Market risk represents the risk of financial loss due to unexpected changes in the level or volatility of market prices of assets and liabilities. Since April 1, 2024, the Company uses hedge accounting to limit the sensitivity of certain financial liabilities to changes in interest rates. Information on hedge accounting is provided in Note 4 "Investments and Net Investment Income".

a) i) Market Risk Immediate Sensitivities

Interest Rate and Credit Spread Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in risk-free interest rates as well as corporate bond and provincial government bond credit spreads is presented below. Each sensitivity assumes that all other assumptions remain unchanged. Considering that the Company manages these risks by looking jointly at financial instruments and insurance contracts, analyzing and disclosing its sensitivities on a net basis. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following tables present the immediate impact of an immediate parallel shift (rounded to the nearest 25 million dollars) of:

Interest rates

(in millions of dollars)	As at June 30, 2024		As at December 31, 2023	
	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income	\$ 25	\$ (25)	\$ —	\$ —
Equity	—	(25)	(50)	25
Contractual service margin	(25)	25	(25)	25

Corporate bond credit spreads

(in millions of dollars)	As at June 30, 2024		As at December 31, 2023	
	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income	\$ 25	\$ (25)	\$ —	\$ —
Equity	(50)	25	(75)	50
Contractual service margin	—	—	—	—

Provincial government bond credit spreads

(in millions of dollars)	As at June 30, 2024		As at December 31, 2023	
	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income	\$ (25)	\$ 25	\$ (25)	\$ 25
Equity	25	(25)	—	—
Contractual service margin	(75)	75	(100)	75

Ultimate Discount Rate Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in the ultimate discount rate assumption used to establish insurance contract liabilities (assets) is presented below. Each sensitivity assumes that all other assumptions remain unchanged. The impact on contractual service margin is before tax.

The following table presents the immediate impact of an immediate change in the ultimate discount rate assumption (rounded to the nearest 10 million dollars):

(in millions of dollars)	As at June 30, 2024		As at December 31, 2023	
	10 basis point decrease	10 basis point increase	10 basis point decrease	10 basis point increase
Net income	\$ (50)	\$ 50	\$ (50)	\$ 50
Equity	(50)	50	(50)	50
Contractual service margin	—	—	—	—

Public Equity Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in public equity market values is presented below and assumes that all other assumptions remain unchanged. Considering that the Company manages this risk by looking jointly at financial instruments and insurance contracts, analyzing and disclosing its sensitivity on a net basis. Preferred shares are excluded from the scope of these sensitivities' analysis. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following tables present the immediate impact of an immediate change in public equity market values (rounded to the nearest 25 million dollars):

(in millions of dollars)	As at June 30, 2024			
	25% decrease	10% decrease	10% increase	25% increase
Net income	\$ (150)	\$ (100)	\$ 100	\$ 150
Equity	(225)	(125)	125	225
Contractual service margin	(550)	(225)	200	500

(in millions of dollars)	As at December 31, 2023			
	25% decrease	10% decrease	10% increase	25% increase
Net income	\$ (150)	\$ (75)	\$ 100	\$ 200
Equity	(225)	(100)	125	275
Contractual service margin	(500)	(200)	175	450

In order to measure its public equity sensitivity, the Company examined the impact of a 10% market variance at the end of the period, believing that this kind of variance was reasonable in the current market environment. A 25% market change is also disclosed to provide a wider range of potential impacts due to significant changes in public equity market levels.

Private Non-Fixed Income Asset Immediate Sensitivities

An analysis of the Company's sensitivity to an immediate change in private non-fixed income assets' market values is presented below and assumes that all other assumptions remain unchanged. These impacts are only on financial instruments as insurance contracts are insensitive to these market values. Private non-fixed income assets include private equity, investment property and infrastructure. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits.

The following table presents the immediate impact of an immediate change in private non-fixed income asset market values on private equity, investment property and infrastructure (rounded to the nearest 25 million dollars):

(in millions of dollars)	As at June 30, 2024		As at December 31, 2023	
	10% decrease	10% increase	10% decrease	10% increase
Net income	\$ (275)	\$ 275	\$ (275)	\$ 275
Equity	(300)	300	(300)	300

b) Credit Risk

Credit risk represents the risk of financial loss due to a borrower's or a counterparty's failure to repay its obligation when due.

b) i) Credit Quality Indicators

Bonds by Investment Grade

(in millions of dollars)	As at June 30, 2024	As at December 31, 2023
AAA	\$ 1,682	\$ 1,815
AA	7,873	8,563
A	11,007	11,108
BBB	8,520	7,696
BB and lower	164	158
Total	\$ 29,246	\$ 29,340

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 \$1,989 as at June 30, 2024 (\$1,967 as at December 31, 2023).

Loans

(in millions of dollars)	As at June 30, 2024	As at December 31, 2023
Insured mortgages	\$ 888	\$ 972
Conventional mortgages	454	454
Car loans and other loans	2,247	2,234
Total	\$ 3,589	\$ 3,660

The credit quality of loans is assessed internally, on a regular basis, when the review of the portfolio is carried out.

b) ii) Allowance for Credit Losses

Main Macroeconomic Factors

The following table shows the macroeconomic factors used to estimate the allowance for credit losses on loans. For each scenario, namely, the base scenario, optimistic scenario and pessimistic scenario, the average values of the macroeconomic factors over the next 12 months (used for Stage 1 allowance for credit losses calculations) and over the remaining forecast period (used for Stage 2 allowance for credit losses calculations) are presented below.

	As at June 30, 2024					
	Base scenario		Optimistic scenario		Pessimistic scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Unemployment rate	6.3%	6.1%	5.9%	5.7%	7.0%	6.5%
Real GDP growth rate	1.4%	2.0%	2.0%	3.1%	0.4%	1.6%
Bank of Canada overnight rate	3.5%	2.6%	4.0%	3.5%	3.0%	1.6%

	As at December 31, 2023					
	Base scenario		Optimistic scenario		Pessimistic scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Unemployment rate	6.2%	6.1%	5.3%	5.5%	7.1%	6.9%
Real GDP growth rate	0.6%	1.9%	1.8%	3.2%	(0.4)%	0.7%
Bank of Canada overnight rate	4.3%	3.0%	5.0%	4.0%	3.5%	2.0%

An increase in the unemployment rate or the Bank of Canada overnight rate will generally lead to a higher allowance for credit losses, whereas an increase in real GDP growth rate will generally lead to a lower allowance for credit losses.

Allowance for Credit Losses by Stage

The following table presents the reconciliation of the allowance for credit losses for car loans:

(in millions of dollars)	As at June 30, 2024			
	Non-impaired		Impaired	
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Allowance for credit losses as at December 31, 2023	\$ 51	\$ 15	\$ 11	\$ 77
Transfers ¹				
In (out) Stage 1	10	(8)	(2)	—
In (out) Stage 2	(9)	11	(2)	—
In (out) Stage 3	—	(6)	6	—
Net remeasurement of allowance for credit losses ²	(11)	6	40	35
Purchases and originations	12	—	—	12
Derecognition ³	(3)	(1)	—	(4)
Provision for credit losses	(1)	2	42	43
Write-offs	—	—	(41)	(41)
Allowance for credit losses as at June 30, 2024	\$ 50	\$ 17	\$ 12	\$ 79

(in millions of dollars)	As at December 31, 2023			
	Non-impaired		Impaired	
	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Allowance for credit losses as at December 31, 2022	\$ 40	\$ 13	\$ 8	\$ 61
Transfers ¹				
In (out) Stage 1	17	(13)	(4)	—
In (out) Stage 2	(14)	16	(2)	—
In (out) Stage 3	(1)	(8)	9	—
Net remeasurement of allowance for credit losses ²	(12)	9	52	49
Purchases and originations	27	—	—	27
Derecognition ³	(6)	(2)	—	(8)
Provision for credit losses	11	2	55	68
Write-offs	—	—	(55)	(55)
Recoveries	—	—	3	3
Allowance for credit losses as at December 31, 2023	\$ 51	\$ 15	\$ 11	\$ 77

¹ Stage transfers deemed to have taken place at the beginning of the quarter in which the transfers occurred.

² Includes the net remeasurement of allowance for credit losses (after transfers) attributable mainly to changes in volume and in credit quality of existing car loans as well as to changes in risk parameters and model assumptions.

³ Reversals of allowance for credit losses arising from full or partial repayments (excluding write-offs and disposals).

Considering their nature, other loans have a negligible allowance for credit losses due to their low credit risk.

The following table presents the gross carrying value and the allowance for credit losses related to car loans by stage:

As at June 30, 2024				
(in millions of dollars)	Non-impaired		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Car loans¹				
Low risk ²	\$ 1,267	\$ 184	\$ —	\$ 1,451
Medium risk ²	40	9	—	49
High risk ²	2	1	—	3
Impaired	—	—	18	18
Gross carrying amount	1,309	194	18	1,521
Allowance for credit losses	50	17	12	79
Carrying amount	\$ 1,259	\$ 177	\$ 6	\$ 1,442
As at December 31, 2023				
(in millions of dollars)	Non-impaired		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Car loans¹				
Low risk ²	\$ 1,222	\$ 174	\$ —	\$ 1,396
Medium risk ²	44	11	—	55
High risk ²	3	1	—	4
Impaired	—	—	17	17
Gross carrying amount	1,269	186	17	1,472
Allowance for credit losses	51	15	11	77
Carrying amount	\$ 1,218	\$ 171	\$ 6	\$ 1,395

¹ The credit risk rating is reflective of a nonprime lender's risk perception.

² Low risk is considered near prime, medium risk is nonprime and high risk is subprime.

7 > Derivative Financial Instruments

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

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at June 30, 2024 is \$1,038 (\$1,772 as at December 31, 2023). 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 June 30, 2024						
(in millions of dollars)	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
Equity contracts						
Swap contracts	\$ 739	\$ 63	\$ 59	\$ 861	\$ 12	\$ (5)
Futures contracts	639	—	—	639	—	(4)
Options	6,049	—	—	6,049	266	(92)
Currency contracts						
Swap contracts	46	258	6,846	7,150	284	(95)
Forward contracts	6,374	—	—	6,374	24	(7)
Options	574	143	—	717	7	(7)
Interest rate contracts						
Swap contracts	2,297	3,776	9,685	15,758	350	(454)
Futures contracts	17	—	—	17	—	—
Forward contracts	7,946	—	—	7,946	95	(151)
Other derivative contracts	1	1	—	2	—	—
Total	\$ 24,682	\$ 4,241	\$ 16,590	\$ 45,513	\$ 1,038	\$ (815)
As at December 31, 2023						
(in millions of dollars)	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
Equity contracts						
Swap contracts	\$ 738	\$ 156	\$ 67	\$ 961	\$ 37	\$ (3)
Futures contracts	449	—	—	449	—	(15)
Options	5,528	—	—	5,528	270	(110)
Currency contracts						
Swap contracts	46	245	5,732	6,023	473	(39)
Forward contracts	7,570	—	—	7,570	256	(60)
Options	350	106	—	456	5	(5)
Interest rate contracts						
Swap contracts	1,853	3,888	7,896	13,637	272	(411)
Futures contracts	96	—	—	96	1	—
Forward contracts	8,002	200	—	8,202	459	(144)
Other derivative contracts	1	2	—	3	1	—
Total	\$ 24,633	\$ 4,597	\$ 13,695	\$ 42,925	\$ 1,774	\$ (787)

(in millions of dollars)	As at June 30, 2024		
	Notional amount	Fair value	
		Positive	Negative
Derivative financial instruments not designated as hedge accounting	\$ 43,737	\$ 1,030	\$ (815)
Net investment hedge	1,772	8	—
Cash flow hedges			
Market risk	4	—	—
Total of derivative financial instruments	\$ 45,513	\$ 1,038	\$ (815)

(in millions of dollars)	As at December 31, 2023		
	Notional amount	Fair value	
		Positive	Negative
Derivative financial instruments not designated as hedge accounting	\$ 40,238	\$ 1,657	\$ (775)
Net investment hedge	2,335	113	(3)
Cash flow hedges			
Currency risk	352	4	(9)
Total of derivative financial instruments	\$ 42,925	\$ 1,774	\$ (787)

Until March 31, 2024, the Company elected, as permitted under IFRS 9, to continue applying the hedge accounting requirement of IAS 39 *Financial Instruments*. As at April 1, 2024, the Company elected to apply hedge accounting requirements under IFRS 9 to all hedge accounting relationships.

Net Investment Hedge

As at June 30, 2024, 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 (less than 1 year as at December 31, 2023) and an average CAD/USD exchange rate of 0.7281 (0.7211 as at December 31, 2023). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the six months ended June 30, 2024 and 2023, the Company did not recognize any ineffectiveness.

Cash Flow Hedge

Currency Risk Hedging

During the six months ended June 30, 2024, the Company ended a cash flow hedging relationship which aimed to manage its exposure to changes in currency rate risk on forecast transactions. The Company used forward contracts that have maturities of less than 1 year (less than 1 year as at December 31, 2023) and an average CAD/USD exchange rate of 0.7322 (0.7322 as at December 31, 2023). For the six months ended June 30, 2024, the Company did not recognize any ineffectiveness.

Market Risk Hedging

During the six months ended June 30, 2024, the Company set up a cash flow hedging relationship to manage its exposure to volatility of market prices on forecast transactions. The Company uses swap contracts that have maturities of less than 3 years as at June 30, 2024. For the six months ended June 30, 2024, the Company did not recognize any ineffectiveness.

8 › Segregated Funds Net Assets

The table below comprises the underlying items for insurance contracts with direct participation features related to segregated funds as well as those for investment contracts related to segregated funds, which is the segregated funds net assets, and shows the composition. The fair value of the underlying items for insurance contracts with direct participation features, which are calculated under the variable fee approach, is equivalent to the *Insurance contract liabilities related to segregated funds* in Note 9 "Insurance Contracts and Reinsurance Contracts", and the fair value of the underlying items for investment contracts related to segregated funds, which are accounted for at amortized cost, is equivalent to the *Investment contract liabilities related to segregated funds* in the Statement of Financial Position.

(in millions of dollars)	As at June 30, 2024	As at December 31, 2023
Assets		
Cash and short-term investments	\$ 1,243	\$ 1,323
Bonds	6,835	6,793
Stocks and investment funds	38,479	33,849
Mortgages	56	58
Derivative financial instruments	—	18
Other assets	419	210
	47,032	42,251
Liabilities		
Accounts payable and accrued expenses	450	414
Net assets	\$ 46,582	\$ 41,837

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

(in millions of dollars)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Balance at beginning	\$ 45,192	\$ 39,343	\$ 41,837	\$ 37,334
Add:				
Amounts received from policyholders	2,204	1,439	4,659	3,283
Interest, dividends and other investment income	246	231	478	427
Change in fair value of investments	624	599	3,033	2,078
	48,266	41,612	50,007	43,122
Less:				
Amounts withdrawn by policyholders	1,465	1,406	3,002	2,735
Operating expenses	219	190	423	371
	1,684	1,596	3,425	3,106
Balance at end	\$ 46,582	\$ 40,016	\$ 46,582	\$ 40,016

9 › Insurance Contracts and Reinsurance Contracts

A) Changes in Insurance Contract and Reinsurance Contract Balances

a) Roll-Forward of Net Insurance Contract Liabilities (Assets) by Measurement Component

The following tables disclose the reconciliation by measurement component for insurance contracts not measured under the premium allocation approach (PAA):

	As at June 30, 2024			
(in millions of dollars)	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	Contractual service margin	Total
Balance at beginning				
Insurance contract liabilities	\$ 22,749	\$ 3,416	\$ 5,305	\$ 31,470
Insurance contract assets	(531)	29	335	(167)
Insurance contract liabilities related to segregated funds	30,201	—	—	30,201
Net insurance contract liabilities (assets) at beginning	52,419	3,445	5,640	61,504
Insurance service result				
Changes that relate to current services				
Contractual service margin recognized for services provided	—	—	(322)	(322)
Change in risk adjustment for non-financial risk for risk expired	—	(163)	—	(163)
Experience adjustments	(77)	—	—	(77)
Changes that relate to future services				
Contracts initially recognized in the period	(468)	187	310	29
Changes in estimates that adjust the contractual service margin	(417)	25	392	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	26	(13)	—	13
Changes that relate to past services				
Changes to liabilities for incurred claims	47	(8)	—	39
	(889)	28	380	(481)
Finance expenses (income) from insurance contracts	2,053	(56)	(37)	1,960
Amounts recognized in net income	1,164	(28)	343	1,479
Effect of change in exchange rates	29	10	17	56
Cash flows	1,221	—	—	1,221
Contracts acquired in the period	154	123	200	477
Net insurance contract liabilities (assets) at end	\$ 54,987	\$ 3,550	\$ 6,200	\$ 64,737
Balance at end				
Insurance contract liabilities	\$ 21,863	\$ 3,521	\$ 5,813	\$ 31,197
Insurance contract assets	(561)	29	387	(145)
Insurance contract liabilities related to segregated funds	33,685	—	—	33,685
Net insurance contract liabilities (assets) at end	\$ 54,987	\$ 3,550	\$ 6,200	\$ 64,737

(in millions of dollars)	As at December 31, 2023			Total
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	
Balance at beginning				
Insurance contract liabilities	\$ 19,540	\$ 2,971	\$ 5,204	\$ 27,715
Insurance contract assets	(324)	27	82	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	26,901
Net insurance contract liabilities (assets) at beginning	46,117	2,998	5,286	54,401
Insurance service result				
Changes that relate to current services				
Contractual service margin recognized for services provided	—	—	(585)	(585)
Change in risk adjustment for non-financial risk for risk expired	—	(302)	—	(302)
Experience adjustments	7	—	—	7
Changes that relate to future services				
Contracts initially recognized in the year	(867)	338	596	67
Changes in estimates that adjust the contractual service margin	(401)	96	305	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	140	19	—	159
Changes that relate to past services				
Changes to liabilities for incurred claims	26	4	—	30
	(1,095)	155	316	(624)
Finance expenses (income) from insurance contracts	6,375	299	51	6,725
Amounts recognized in net income	5,280	454	367	6,101
Effect of change in exchange rates	(21)	(7)	(13)	(41)
Cash flows	1,043	—	—	1,043
Net insurance contract liabilities (assets) at end	\$ 52,419	\$ 3,445	\$ 5,640	\$ 61,504
Balance at end				
Insurance contract liabilities	\$ 22,749	\$ 3,416	\$ 5,305	\$ 31,470
Insurance contract assets	(531)	29	335	(167)
Insurance contract liabilities related to segregated funds	30,201	—	—	30,201
Net insurance contract liabilities (assets) at end	\$ 52,419	\$ 3,445	\$ 5,640	\$ 61,504

As at June 30, 2024, the amount of net insurance contract liabilities (assets) measured under the PAA is \$1,692 (\$1,548 as at December 31, 2023).

b) Net Reinsurance Contract Assets (Liabilities) by Measurement Component

The following tables disclose the net reinsurance contract assets (liabilities) by measurement component for reinsurance contracts not measured under the PAA:

(in millions of dollars)	As at June 30, 2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Net reinsurance contract assets (liabilities)				
Reinsurance contracts not measured under the PAA				
Reinsurance contract assets	\$ 888	\$ 120	\$ 4	\$ 1,012
Reinsurance contract liabilities	(581)	833	(275)	(23)
	\$ 307	\$ 953	\$ (271)	\$ 989

The amount arising from the initial recognition of reinsurance contract assets acquired in the period is \$155, which corresponds to estimates of present value of future cash flows of \$66, a risk adjustment for non-financial risk of \$53 and a contractual service margin of \$36.

(in millions of dollars)	As at December 31, 2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Net reinsurance contract assets (liabilities)				
Reinsurance contracts not measured under the PAA				
Reinsurance contract assets	\$ 230	\$ 933	\$ (325)	\$ 838
Reinsurance contract liabilities	(54)	6	40	(8)
	\$ 176	\$ 939	\$ (285)	\$ 830

As at June 30, 2024, the amount of net reinsurance contract assets measured under the PAA is \$1,275 (\$1,156 as at December 31, 2023).

B) Insurance Revenue

(in millions of dollars)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Contracts not measured under the PAA				
Changes in liabilities for remaining coverage				
Contractual service margin recognized for services provided	\$ 164	\$ 146	\$ 322	\$ 287
Change in risk adjustment for non-financial risk for risk expired	82	75	163	149
Expected incurred claims and other insurance service expenses	792	659	1,555	1,329
Recovery of insurance acquisition cash flows	113	74	215	139
	1,151	954	2,255	1,904
Contracts measured under the PAA	399	341	799	674
Total insurance revenue	\$ 1,550	\$ 1,295	\$ 3,054	\$ 2,578

C) Discount Rates

The following table presents discount rates applied to discounting of future cash flows based on the liquidity characteristics of the insurance contracts:

	As at June 30, 2024					
	1 year	5 years	10 years	20 years	30 years	70 years
Canadian products						
Least illiquid curve	4.25%	3.89%	4.32%	4.57%	4.39%	4.35%
Most illiquid curve	5.38%	5.20%	5.58%	5.71%	5.55%	5.15%
U.S. products						
Least illiquid curve	5.61%	5.21%	5.40%	5.71%	5.62%	4.90%
Most illiquid curve	5.86%	5.46%	5.65%	5.96%	5.87%	5.15%

	As at December 31, 2023					
	1 year	5 years	10 years	20 years	30 years	70 years
Canadian products						
Least illiquid curve	4.25%	3.57%	3.89%	4.19%	3.92%	4.35%
Most illiquid curve	5.51%	5.00%	5.25%	5.33%	5.09%	5.15%
U.S. products						
Least illiquid curve	5.30%	4.74%	4.95%	5.23%	4.97%	4.90%
Most illiquid curve	5.55%	4.99%	5.20%	5.48%	5.22%	5.15%

Cash flows that have a non-linear relationship with the returns on any underlying financial items, caused by the presence of guarantees linked to financial markets (such as minimum interest rate guarantees or guarantees on segregated fund contracts), are adjusted for the effect of that variability using stochastic risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

10 › Debentures

On May 24, 2024, the Company redeemed all of its \$4 floating rate surplus notes maturing in May 2034, bearing interest equal to the SOFR 3-month rate plus 4.25%. The floating rate surplus notes were redeemed at nominal value plus accrued and unpaid interest, for a total disbursement of \$4.

11 › Share Capital

The share capital issued by the Company is as follows:

(in millions of dollars, unless otherwise indicated)	As at June 30, 2024		As at December 31, 2023	
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Common shares				
Balance at beginning and at end	113,575	\$ 1,755	113,575	\$ 1,755
Preferred shares, Class A				
Balance at beginning	5,000	125	11,000	275
Shares redeemed – Series I	—	—	(6,000)	(150)
Balance at end	5,000	125	5,000	125
Total of share capital		\$ 1,880		\$ 1,880

Preferred Shares, Class A

Due to the organizational structure, the outstanding preferred shares issued by the Company are guaranteed by iA Financial Corporation.

Redemption Notice

On June 26, 2024, the Company issued a notice of redemption to holders of Class A Non-Cumulative – Series B preferred shares announcing the redemption of each of the 5,000,000 Non-Cumulative Class A – Series B preferred shares at a price of \$25 per share plus the pro-rated dividend at the redemption date for a total amount of \$125. This redemption, effective on July 29, 2024, will be recognized in the third quarter.

Redemption

On March 31, 2023, the Company redeemed all of the 6,000,000 Class A – Series I preferred shares at a price of 25 dollars per share for a cash amount of \$150.

Dividends

(in millions of dollars, unless otherwise indicated)	Quarters ended June 30				Six months ended June 30			
	2024		2023		2024		2023	
	Total	Per share (in dollars)	Total	Per share (in dollars)	Total	Per share (in dollars)	Total	Per share (in dollars)
Common shares	\$ 300	\$ 2.64	\$ 200	\$ 1.76	\$ 450	\$ 3.96	\$ 200	\$ 1.76
Preferred shares								
Class A – Series B	2	0.29	2	0.29	3	0.58	3	0.58
Class A – Series I	—	—	—	—	—	—	2	0.30
	2		2		3		5	
Total	\$ 302		\$ 202		\$ 453		\$ 205	

Dividends Declared on Common Shares

The \$16 unpaid balance of the dividend declared on December 7, 2023 was paid in whole during the quarter ended March 31, 2024.

12 › Accumulated Other Comprehensive Income

(in millions of dollars)	Investment properties	Currency translation	Hedging	Total
Balance as at December 31, 2023	\$ 25	\$ 103	\$ (90)	\$ 38
Other	—	67	(62)	5
Income taxes on other	—	—	10	10
	—	67	(52)	15
Balance as at June 30, 2024	25	170	(142)	53
Balance as at December 31, 2022	22	161	(127)	56
Revaluation surplus related to transfers to investment properties	3	—	—	3
Other	—	(58)	44	(14)
Income taxes on other	—	—	(7)	(7)
	3	(58)	37	(18)
Balance as at December 31, 2023	25	103	(90)	38
Balance as at December 31, 2022	22	161	(127)	56
Revaluation surplus related to transfers to investment properties	2	—	—	2
Other	—	(49)	50	1
Income taxes on other	—	—	(7)	(7)
	2	(49)	43	(4)
Balance as at June 30, 2023	\$ 24	\$ 112	\$ (84)	\$ 52

13 › Capital Management

Regulatory Requirements and Solvency Ratio

The Company manages its capital jointly with iA Financial Corporation.

The Company's capital adequacy requirements are regulated according to 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 the common shareholder, preferred shares and the contractual service margin, excluding the contractual service margin for segregated funds. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is notably composed of subordinated debentures.

The surplus allowance is the value of the risk adjustment for non-financial risk included in insurance contract liabilities, excluding insurance contract liabilities related to segregated funds.

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 fund 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 1.00.

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.

As at June 30, 2024, the Company maintains a ratio that satisfies the regulatory requirements.

(in millions of dollars, unless otherwise indicated)	As at June 30, 2024
Available capital, surplus allowance and eligible deposits	\$ 10,357
Base solvency buffer	7,788
Total ratio	133%

As at December 31, 2023, the solvency ratio was 139% and the Company maintained a ratio that satisfied the regulatory requirements.

14 › Income Taxes

Income tax expense (recovery) for the period consists of:

(in millions of dollars, unless otherwise indicated)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Current income tax expense (recovery)	\$ 138	\$ 69	\$ 228	\$ 160
Deferred income tax expense (recovery)	(85)	(23)	(96)	(33)
	\$ 53	\$ 46	\$ 132	\$ 127

Effective Income Tax Rate

The effective income tax rate is lower than the Company's statutory income tax rate of 28% mostly due to a saving on tax-exempt investment income and prior-year adjustments.

For the quarter ended June 30, 2024, the effective income tax rate was 18%, compared to 17% for the quarter ended June 30, 2023. The effective income tax rate for the current quarter is higher than for the quarter ended June 30, 2023, mainly due to lower tax benefits from prior-year adjustments, which was partly offset by higher tax-exempt investment income.

For the six months ended June 30, 2024, the effective income tax rate was 21%, compared to 20% for the six months ended June 30, 2023. The current effective income tax rate is higher than for the six months ended June 30, 2023, mainly for the same reasons as those mentioned for the quarter ended June 30, 2024.

15 > Segmented Information

The Company offers its products and services to retail customers, businesses and groups and primarily operates in Canada and in the United States. The Company's business units are grouped into reportable operating segments based on their similar economic characteristics. The Company's operating segments, which reflect its organizational structure for decision making, are described below according to their main products and services or to their specific characteristics:

Insurance, Canada – Life and health insurance products, auto and home insurance products, creditor insurance, replacement insurance and warranties, extended warranties and other ancillary products for dealer services, and specialized products for special markets.

Wealth Management – Products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage (including cross-border services), trust operations and mutual funds.

US Operations – Life insurance products and extended warranties relating to dealer services sold in the United States.

Investment – Investment and financing activities of the Company, except the investment activities of wealth distribution affiliates.

Corporate – All expenses that are not allocated to other operating segments, such as expenses for certain corporate functions.

Inter-segment transactions as well as some adjustments related to consolidation are shown in the *Consolidation adjustments* column. Inter-segment transactions consist primarily of activities carried out in the normal course of business for those operating segments and are subject to normal market conditions.

Considering the Company's total portfolio management strategy, most of the Company's investments are allocated to the Investment segment. When assessing segmented performance, management allocates *Finance income (expenses) from insurance contracts*, *Finance income (expenses) from reinsurance contracts* and nearly all *(Increase) decrease in investment contract liabilities and interest on deposits* to this operating segment.

The Company makes judgments and uses assumptions and methodologies to allocate operating expenses that are not directly attributable to an operating segment.

Segmented Results

(in millions of dollars)	Quarter ended June 30, 2024						Total
	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	
Insurance service result							
Insurance revenue	\$ 976	\$ 274	\$ 300	\$ —	\$ —	\$ —	\$ 1,550
Insurance service expenses and net expenses from reinsurance contracts	(826)	(188)	(269)	—	—	—	(1,283)
	150	86	31	—	—	—	267
Net investment result							
Net investment income	—	31	—	180	1	—	212
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(1)	—	(79)	—	—	(80)
	—	30	—	101	1	—	132
Other revenues	38	345	15	9	3	(17)	393
Other expenses	(57)	(334)	(25)	(40)	(65)	17	(504)
Income before income taxes	131	127	21	70	(61)	—	288
Income tax (expense) recovery	(35)	(36)	(4)	8	14	—	(53)
Net income	96	91	17	78	(47)	—	235
Dividends on preferred shares	—	—	—	(2)	—	—	(2)
Net income attributed to common shareholder	\$ 96	\$ 91	\$ 17	\$ 76	\$ (47)	\$ —	\$ 233

	Quarter ended June 30, 2023						
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
Insurance service result							
Insurance revenue	\$ 860	\$ 223	\$ 212	\$ —	\$ —	\$ —	\$ 1,295
Insurance service expenses and net expenses from reinsurance contracts	(731)	(154)	(172)	—	—	—	(1,057)
	129	69	40	—	—	—	238
Net investment result							
Net investment income	—	30	—	604	—	(3)	631
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(7)	—	(490)	—	3	(494)
	—	23	—	114	—	—	137
Other revenues	36	302	12	10	2	(14)	348
Other expenses	(50)	(296)	(16)	(37)	(63)	14	(448)
Income before income taxes	115	98	36	87	(61)	—	275
Income tax (expense) recovery	(30)	(28)	(8)	4	16	—	(46)
Net income	85	70	28	91	(45)	—	229
Dividends on preferred shares	—	—	—	(2)	—	—	(2)
Net income attributed to common shareholder	\$ 85	\$ 70	\$ 28	\$ 89	\$ (45)	\$ —	\$ 227

	Six months ended June 30, 2024						
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
Insurance service result							
Insurance revenue	\$ 1,944	\$ 536	\$ 574	\$ —	\$ —	\$ —	\$ 3,054
Insurance service expenses and net expenses from reinsurance contracts	(1,660)	(368)	(509)	—	—	—	(2,537)
	284	168	65	—	—	—	517
Net investment result							
Net investment income	—	63	—	(410)	(1)	—	(348)
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(2)	—	671	—	—	669
	—	61	—	261	(1)	—	321
Other revenues	73	673	29	17	4	(33)	763
Other expenses	(110)	(654)	(39)	(79)	(124)	33	(973)
Income before income taxes	247	248	55	199	(121)	—	628
Income tax (expense) recovery	(67)	(69)	(11)	(15)	30	—	(132)
Net income	180	179	44	184	(91)	—	496
Dividends on preferred shares	—	—	—	(3)	—	—	(3)
Net income attributed to common shareholder	\$ 180	\$ 179	\$ 44	\$ 181	\$ (91)	\$ —	\$ 493

(in millions of dollars)	Six months ended June 30, 2023						Total
	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	
Insurance service result							
Insurance revenue	\$ 1,703	\$ 442	\$ 433	\$ —	\$ —	\$ —	\$ 2,578
Insurance service expenses and net expenses from reinsurance contracts	(1,466)	(311)	(359)	—	—	—	(2,136)
	237	131	74	—	—	—	442
Net investment result							
Net investment income	—	59	—	2,056	—	(5)	2,110
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(15)	—	(1,709)	—	5	(1,719)
	—	44	—	347	—	—	391
Other revenues	68	602	23	17	2	(29)	683
Other expenses	(95)	(590)	(30)	(77)	(121)	29	(884)
Income before income taxes	210	187	67	287	(119)	—	632
Income tax (expense) recovery	(56)	(57)	(16)	(29)	31	—	(127)
Net income	154	130	51	258	(88)	—	505
Dividends on preferred shares	—	—	—	(5)	—	—	(5)
Net income attributed to common shareholder	\$ 154	\$ 130	\$ 51	\$ 253	\$ (88)	\$ —	\$ 500

16 › Basic Earnings Per Common Share

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

(in millions of dollars, unless otherwise indicated)	Quarters ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income attributed to common shareholder	\$ 233	\$ 227	\$ 493	\$ 500
Weighted average number of outstanding shares (in millions of units)	114	114	114	114
Basic earnings per share (in dollars)	\$ 2.06	\$ 2.00	\$ 4.34	\$ 4.40

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.

17 › 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)	Quarters ended June 30			
	2024		2023	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	\$ 12	\$ —	\$ 10	\$ 1
Net interest	—	—	1	—
Administrative expense	1	—	1	—
Components of the cost of defined benefits recognized in the net income	13	—	12	1
Remeasurement of net liabilities (assets) as defined benefits ¹				
Rate of return on assets (excluding amounts included in the net interest above)	3	—	(6)	—
Actuarial losses (gains) on financial assumption changes	(25)	—	21	1
Increase (decrease) of the asset ceiling on a capitalized benefit plan	—	—	(10)	—
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	(22)	—	5	1
Total of defined benefit cost components (gain)	\$ (9)	\$ —	\$ 17	\$ 2

(in millions of dollars)	Six months ended June 30			
	2024		2023	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	\$ 25	\$ 1	\$ 19	\$ 1
Net interest	—	1	3	1
Administrative expense	1	—	1	—
Components of the cost of defined benefits recognized in the net income	26	2	23	2
Remeasurement of net liabilities (assets) as defined benefits ¹				
Rate of return on assets (excluding amounts included in the net interest above)	14	—	(54)	—
Actuarial losses (gains) on financial assumption changes	(98)	(1)	59	1
Increase (decrease) of the asset ceiling on a capitalized benefit plan	—	—	6	—
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	(84)	(1)	11	1
Total of defined benefit cost components (gain)	\$ (58)	\$ 1	\$ 34	\$ 3

¹ 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)	Quarters ended June 30			
	2024		2023	
	Pension plans	Other plans	Pension plans	Other plans
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	\$ (22)	\$ —	\$ 5	\$ 1
Income taxes on remeasurement of post-employment benefits	6	—	(2)	—
Total of other comprehensive income	\$ (16)	\$ —	\$ 3	\$ 1

(in millions of dollars)	Six months ended June 30			
	2024		2023	
	Pension plans	Other plans	Pension plans	Other plans
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	\$ (84)	\$ (1)	\$ 11	\$ 1
Income taxes on remeasurement of post-employment benefits	23	—	(3)	—
Total of other comprehensive income	\$ (61)	\$ (1)	\$ 8	\$ 1

18 › 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 \$1,030 (\$908 as at December 31, 2023) of outstanding commitments as at June 30, 2024, of which the estimated disbursements will be \$29 (\$25 as at December 31, 2023) in 30 days, \$258 (\$270 as at December 31, 2023) in 31 to 365 days and \$743 (\$613 as at December 31, 2023) in more than one year.

19 › Comparative Figures

Certain comparative figures have been reclassified to comply with the current period's presentation. The reclassifications had no impact on the net income of the Company.