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2021 First Quarter
Report to Shareholders

For the Quarter Ended March 31, 2021

iA Financial Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated May 6, 2021. iA Financial Corporation became the parent company of Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") as of January 1, 2019, as a result of a plan of arrangement. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and 2020. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2020. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management's Discussion and Analysis.

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HIGHLIGHTS[1]

Profitability

	First quarter		
	2021	**2020**	**Variation**
Net income attributed to common shareholders (in millions)	$172.9	$39.1	342%
Weighted average number of common shares (diluted) (in millions)	107.5	107.4	—
Earnings per common share (EPS) (diluted)	$1.61	$0.36	347%
Core earnings per common share (EPS) (diluted)	$1.79	$1.49	20%

Return on common shareholders' equity (ROE)	March 31, 2021	December 31, 2020	March 31, 2020
Reported ROE (trailing twelve months)	12.7%	10.6%	10.7%
Core ROE (trailing twelve months)	13.6%	13.3%	13.3%

The Company ended the first quarter of 2021 with net income to common shareholders of $172.9 million, up significantly from $39.1 million in the same quarter last year—a quarter marked by the onset of the COVID-19 pandemic and major market fluctuations—and from $151.1 million in the first quarter of 2019.[2] Diluted earnings per common share (EPS) of $1.61 in the first quarter of 2021 is also considerably higher than $0.36 a year earlier and $1.40 in the first quarter of 2019.[2]

Return on common shareholders' equity (ROE) was 12.7% at March 31, 2021 versus 10.7% at March 31, 2020. ROE is calculated on a trailing-twelve-month basis. The increase in this ratio is explained by the first quarter 2020 result, which again was marked by the impact of the pandemic.

Diluted core EPS of $1.79 for the first quarter is 20% higher than $1.49 for the same period in 2020. Core ROE of 13.6% at March 31, 2021 compares with 13.3% a year earlier.

Business growth – Premiums and deposits totalled more than $4.4 billion for the quarter, significantly up from first quarter 2020 (+25%). Sales results for the first quarter were good across all lines of business. In Canada, we continue to strengthen our market position in our "Foundation"[3] businesses of individual insurance and individual wealth management. In particular, sales were quite good for Individual Insurance (+29%), segregated funds (+58%) and mutual funds (+36%). Segregated and mutual funds recorded strong net inflows of $972.3 million and $377.8 million, respectively. Sales were also excellent for Employee Plans (+53%) and iAAH (+14%), two business sectors that contribute to the Company's growth through their "Support"[3] of branding and synergies with other businesses. In the U.S., Individual Insurance sales were up year over year (+6%) and Dealer Services sales, including the addition of IAS, posted significant growth (+99%), demonstrating the "Expansion"[3] potential of this division. Finally, total assets under management and administration were up 15% from the previous year, amounting to $201.3 billion at March 31, 2021.

Financial position – The solvency ratio was 128% at March 31, 2021, compared with 130% at the end of the previous quarter and 137% a year earlier, before deploying capital for the acquisition of IAS Parent Holdings. This result is above the Company's target range of 110% to 116%. The decrease in the first quarter essentially stems from the negative impact of market-related variations and was partially offset by the contribution of organic capital generation. The Company's debt ratio at March 31, 2021 was 24.3%.

Book value – The book value per common share was $56.95 at March 31, 2021, up 3% from the last quarter and 9% over twelve months.

Dividend – In accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic, the Board of Directors approved a quarterly dividend of $0.4850 per common share payable in the second quarter of 2021.

1 This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.
2 Considering the unusual market volatility with the onset of the COVID-19 pandemic in Q1/2020, the disclosed Q1/2019 results are presented here for comparison purposes.
3 At the Investor Event held on March 10, 2021, the Company presented its business mix under three main categories: Foundation, Support and Expansion. For more information, please refer to the "2021 iA Financial Group Investor Event" paragraph on page 3 and the Company's website at http://ia.ca/investorrelations under *Events and Presentations/2021 Investor Event.*

Litigation – On March 10, 2021, the Saskatchewan Court of Appeal ruled in favour of iA Financial Group in the litigation between the Company and Ituna Investment LP ("Ituna"). Ituna sought to make unlimited deposits into a universal life insurance contract that it purchased from a policyholder. In its decision, the Court of Appeal found that Ituna's position was inconsistent with the language and the purpose of the contract. iA Financial Group has always maintained that the position taken by Ituna was legally unfounded.

Credit rating update – On March 9, 2021, the rating agency DBRS Morningstar upgraded its credit ratings for iA Financial Corporation and iA Insurance. The rating upgrades reflect the significant efforts made by iA Financial Group in the past few years to improve its risk profile, in particular its sensitivity to market-related risks. In addition, the credit ratings assigned by Standard & Poor's and A.M. Best remained stable.

2021 iA Financial Group Investor Event – iA Financial Group held a virtual Investor Event on March 10, 2021. During this public event, under the theme "Guiding to solid growth," an update was given on the company's strategic priorities, digital evolution and financial objectives, including the following short and medium-term financial targets:

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

The Company also explained its growth strategy by presenting its business mix under three main categories: Foundation, Support and Expansion. "Foundation" activities include long-established businesses in which iA Financial Group excels and is already a leader, namely Individual Insurance, Individual Wealth Management and Dealer Services (Canada). "Support" businesses support branding and deliver synergies and competitive advantages to other iA businesses. They include Group Insurance Employee Plans and Special Markets; Group Savings and Retirement; and iA Auto and Home. Lastly, the distribution affiliates and US Operations are part of the "Expansion" businesses, which are high-growth distinctive businesses in which iA Financial Group seeks to become a leader.

For more information on the strategic initiatives presented during this event, please refer to the Company's website at http://ia.ca/investorrelations under *Events and Presentations/2021 Investor Event*.

2020 Sustainability Report – On March 30, 2021, iA Financial Group released its 2020 Sustainability Report, which outlines the Company's environmental, social and governance initiatives and achievements for 2020. The Company took important steps in its sustainability strategy and commitment, including :

- Receipt of carbon-neutral company certification for 2020 and a commitment to reduce our GHG emissions by 20% per employee by 2025
- Commitment to achieve greater gender equity in senior leadership positions by 2025
- Incorporation of ESG criterion into executive compensation
- Use of a recognized ESG disclosure framework (Sustainability Accounting Standards Board – SASB)

iA Wealth launches iA Private Wealth and iA Capital Markets brands – On January 18, 2021, iA Wealth announced the launch of iA Private Wealth, a new brand identity that replaces the iA Securities and HollisWealth brands and unifies iA Wealth's IIROC wealth management business. As part of this change, iA Wealth's capital markets division, formerly operating under the iA Securities brand, will now be known as iA Capital Markets. This change will be reflected in our reports beginning this quarter.

Board of Directors – The Company's annual meeting will be held on Thursday, May 6, 2021. At the meeting, two new director nominees will be proposed for election by shareholders to replace those not seeking another term.

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

BUSINESS GROWTH

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

Net Premiums, Premium Equivalents and Deposits[4,5]

(In millions of dollars)	First quarter 2021	First quarter 2020	Variation
Individual Insurance	418.7	397.5	21.2
Individual Wealth Management	2,547.5	1,771.0	776.5
Group Insurance	429.7	461.3	(31.6)
Group Savings and Retirement	686.8	652.0	34.8
US Operations	246.4	178.9	67.5
General Insurance[6]	92.5	84.5	8.0
Total	4,421.6	3,545.2	876.4

Premiums and deposits totalled more than $4.4 billion in the first quarter, an increase of 25% year over year thanks to the contribution of almost all business lines, in particular Individual Wealth Management and, to a lesser extent, Group Savings and Retirement and US Operations.

Assets Under Management and Administration[5]

(In millions of dollars)	March 31, 2021	December 31, 2020	March 31, 2020
Assets under management			
General fund	52,237.8	53,661.5	47,811.4
Segregated funds	33,437.1	32,804.0	25,460.1
Mutual funds	12,030.7	11,393.1	9,908.7
Other	3,913.4	3,797.3	13,893.1
Subtotal	101,619.0	101,655.9	97,073.3
Assets under administration	99,647.2	95,830.1	78,653.6
Total	201,266.2	197,486.0	175,726.9

Assets under management and administration ended the quarter at $201.3 billion, up 15% from the previous year when assets under administration were especially impacted by the drop in equity markets spurred by the pandemic. During the quarter, assets under management and administration grew 2%, mainly due to market growth and net fund entries.

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

5 This table presents non-IFRS measures.

6 Includes iAAH and some minor consolidation adjustments.

Sales Growth by Line of Business[7]			
	First quarter		
(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Individual Insurance			
Minimum premiums	54.4	43.3	26%
Excess premiums	3.7	1.9	95%
Total	58.1	45.2	29%
Individual Wealth Management			
Gross sales			
General fund	228.7	205.7	11%
Segregated funds	1,377.0	872.3	58%
Mutual funds	941.8	693.0	36%
Total	2,547.5	1,771.0	44%
Net sales (after redemptions and transfers)			
Segregated funds	972.3	423.8	548.5
Mutual funds	377.8	(99.2)	477.0
Group Insurance			
Employee Plans	87.1	57.1	53%
Dealer Services			
Creditor Insurance	43.0	58.9	(27%)
P&C Insurance	64.5	62.0	4%
Car loan originations	123.7	103.2	20%
Special Markets	46.8	75.8	(38%)
Group Savings and Retirement	693.3	658.9	5%
US Operations ($US)			
Individual Insurance	31.2	29.4	6%
Dealer Services – P&C Insurance[8]	233.0	117.2	99%
General Insurance			
iAAH (auto and home insurance)	84.1	73.9	14%

Individual Insurance in Canada – First quarter sales totalled $58.1 million, continuing their growth momentum with a significant year-over-year increase of 29% for the quarter. This positive result stems in part from the improvement of our product offering in 2020, the strength of our distribution networks and the excellent performance of our digital tools.

Individual Wealth Management – Guaranteed product (general fund) sales for the quarter were up 11% from last year at $228.7 million. Driven by the strong performance of our distribution networks and digital tools, the first quarter ended with record high results for gross and net sales of both segregated and mutual funds. Starting with segregated funds, gross sales were up 58% year over year at $1,377.0 million, and net sales of $972.3 million more than doubled compared to first quarter 2020. The Company continued to strengthen its position in the industry, ranking first in gross and net sales. For mutual funds, gross sales were up 36% year over year at $941.8 million, and net sales were positive and up significantly at $377.8 million, an increase of $477.0 million.

Group Insurance – Employee Plans – Sales of $87.1 million were significantly up from $57.1 million in the same quarter last year following the implementation of several new groups during the quarter.

Group Insurance – Dealer Services – Total sales amounted to $231.2 million in the first quarter compared to $224.1 million a year earlier. By product, P&C sales (including extended warranties and replacement insurance) were up 4% from the previous year at $64.5 million, while creditor insurance sales of $43.0 million were down compared with $58.9 million a year ago. Car loan originations of $123.7 million were up 20% and surpassed their strong performance from the same period last year.

Group Insurance – Special Markets – First quarter sales totalled $46.8 million compared to $75.8 million a year earlier. Results in this division continued to be impacted by lower travel insurance sales due to the pandemic. Excluding travel insurance, first quarter sales were slightly higher than the same period last year.

7 Sales are not an IFRS measure.
8 Property and casualty insurance.

Group Savings and Retirement – First quarter sales amounted to $693.3 million, up 5% from a year ago, mainly supported by accumulation product sales with the signing of several groups with sizable assets.

US Operations – Year over year, Individual Insurance sales grew by 6% in the first quarter to US$31.2 million. Dealer Services sales totalled US$233.0 million, up 99% from a year earlier. Along with the addition of IAS's sales, this growth is also explained by several new dealer group enrolments.

General Insurance (iAAH) – Direct written premiums grew by 14% year over year to $84.1 million, surpassing their strong performance from the same period last year.

ANALYSIS ACCORDING TO SOURCES OF EARNINGS

This section contains measures that have no IFRS equivalents. See "Non-IFRS Financial Information" at the end of this document for more information and an explanation of the adjustments applied in the Company's core earnings calculation.

Core earnings[9]

Core earnings is a non-IFRS measure that represents management's view of the Company's capacity to generate sustainable earnings. Diluted core EPS for the first quarter of 2021 was $1.79, a year-over-year increase of 20%. Four items were adjusted in the core earnings calculation for the quarter, representing an increase of $0.18 versus reported EPS. The table below reconciles the Company's reported earnings and core earnings.

Reported Earnings and Core Earnings Reconciliation

	First quarter			
	Earnings	EPS (diluted basis)		
(in millions of dollars after tax unless otherwise indicated)	2021	2021	2020	Variation
Reported earnings	172.9	$1.61	$0.36	347%
Core earnings remove from reported earnings the impacts of the following items:				
Market-related impacts that differ from management's best estimate assumptions	(4.4)	($0.04)	$0.80	
Assumption changes and management actions	—	—	—	
Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs	3.5	$0.03	—	
Amortization of acquisition-related finite life intangible assets	13.5	$0.13	$0.07	
Non-core pension expense	6.7	$0.06	$0.04	
Other specified unusual gains and losses	—	—	$0.22	
Core earnings	192.2	$1.79	$1.49	20%

[9] For the definition of core earnings, refer to the "Non-IFRS Financial Information" section on page 15. This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition.

Results According to Sources of Earnings on a Reported and Core Basis
Results according to the sources of earnings presents the key variations between the net income and the Company's expectations for the three-month period ended March 31, 2021. This data complements the information presented in the "Analysis According to the Financial Statements" section and provides additional information to better understand the Company's financial results. The two tables below present the results according to sources of earnings on both a reported and core basis.

Results According to Sources of Earnings – Core Basis			
	First quarter		
(In millions of dollars)	2021	2020	Variation
Core operating profit (loss)			
Expected profit on in-force	216.5	194.0	
Experience gain (loss)	1.3	(26.7)	
Impact of new business (strain)	(4.7)	(10.5)	
Changes in assumptions and management actions	—	—	
Total	213.1	156.8	
Core income on capital	51.8	45.4	
Core income (loss) before income taxes	264.9	202.2	31%
Core income taxes	(67.0)	(34.6)	
Core net income (loss) attributed to shareholders	197.9	167.6	
Dividends on preferred shares issued by a subsidiary	5.7	5.6	
Core net income (loss) attributed to common shareholders	192.2	162.0	19%

Results According to Sources of Earnings – Reported Basis			
	First quarter		
(In millions of dollars)	2021	2020	Variation
Operating profit (loss)			
Expected profit on in-force	204.7	186.2	
Experience gain (loss)	6.2	(142.9)	
Impact of new business (strain)	(4.7)	(10.5)	
Changes in assumptions and management actions[10]	—	(24.0)	
Total	206.2	8.8	
Income on capital	33.4	34.3	
Income (loss) before income taxes	239.6	43.1	456%
Income taxes	(61.0)	1.6	
Net income (loss) attributed to shareholders	178.6	44.7	
Dividends on preferred shares issued by a subsidiary	5.7	5.6	
Net income (loss) attributed to common shareholders	172.9	39.1	342%

Analysis According to Sources of Earnings on a Reported Basis
Net income attributed to common shareholders was $172.9 million for the first quarter of 2021. This result, as analyzed according to source of earnings, can be explained as follows:

Expected profit on in-force – The expected profit on in-force represents the portion of income expected to come from policies in force at the beginning of the period based on management's best-estimate assumptions when the 2021 budget was prepared. Expected profit for the wealth lines is updated quarterly to reflect changes in the stock markets and net fund entries.

For the first quarter, expected profit on in-force was up year over year by 10% or $18.5 million. This growth is mainly explained by the addition of expected profit from the IAS acquisition in the US Operations sector and by good expected growth in the Individual Insurance sector.

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

[10] Q1 2020: PPI goodwill impairment.

In the first quarter of 2021, the Company recorded a net experience gain of $6.2 million, or $4.9 million after tax (+$0.04 EPS). The following experience results are worthy of note:

- *Additional protections in reserves for pandemic uncertainty* – Additional mortality arising from the pandemic was lower than expected during the first quarter. Additional mortality benefits were absorbed by the additional protection planned for the first quarter and the remainder of this amount remains in the provision for potential use in future quarters. As for adverse policyholder behaviour, the additional protection remains intact as no adverse experience was recorded during the quarter.

- *Expenses* – Expenses were above plan during Q1, generating a loss of $0.06 EPS. This is explained by higher IT expenses and higher charges for employee benefits. This loss is allocated among the four Canadian business lines as mentioned below.

- *Individual Insurance* – This business line recorded an after-tax loss of $2.9 million (-$0.02 EPS) in the first quarter. The market-related variations had a positive impact on universal life insurance policies (+$0.04 EPS). This gain was more than offset by expenses as mentioned above (-$0.03 EPS), by a provision of approximately $3 million pre-tax taken on a private bond (-$0.02 EPS) and by other unfavourable small miscellaneous items (-$0.01 EPS).

- *Individual Wealth Management* – Experience for this business line was favourable in the first quarter (after-tax gain of $2.5 million or +$0.02 EPS). Higher revenues (+$0.04 EPS) from segregated funds, iA Clarington and distribution affiliates were partly driven by high net sales and by the positive market-related variations on investment fund income (MERs). In contrast, the segregated fund hedging program generated a small loss (-$0.01 EPS) and expenses were higher than expected, as mentioned above (-$0.01 EPS).

- *Group Insurance* – This business line recorded an after-tax loss of $1.2 million for the quarter (-$0.01 EPS). Experience in the Employee Plans division was lower than expected (-$0.03 EPS) due to unfavourable mortality experience, which was offset in part by good long-term disability experience. In the Dealer Services division, P&C experience was favourable (+$0.02 EPS) and car loans generated a gain as we observed favourable car loan credit experience (+$0.03 EPS). In the Special Markets division, claims for health coverage were slightly higher than expected (-$0.01 EPS). Lastly, expenses for the sector were higher than expected, as mentioned above (-$0.02 EPS).

- *Group Savings and Retirement* – This business line reported an after-tax gain of $1.3 million (+$0.01 EPS) due to favourable longevity experience, partly offset by expenses as mentioned above.

- *US Operations* – Experience in this business line was above expectations for the quarter with an after-tax gain of $5.2 million (+$0.04 EPS). Results were as expected in the Individual Insurance division and better than expected in Dealer Services. Favourable claims experience, strong sales and lower expenses had a positive impact (+$0.05 EPS), but IAS integration costs were slightly higher than expected (-$0.01 EPS).

Impact of new business (strain) in Individual Insurance and US Operations – Strain for the two business lines amounted to $4.8 million pre-tax, or 5% of sales for the quarter. This result is within the -5% to 10% guidance range, but is slightly unfavourable (-$0.01 EPS) because the sales mix was slightly different than expected.

Income on capital – Net income earned on the Company's surplus funds, which includes income from the iA Auto and Home affiliate (iAAH), was $33.4 million before tax for the first quarter, representing a gain of $0.09 EPS versus management expectations. This is explained by experience at iAAH—which was once again much more favourable than expected, mainly due to lower claims ratios for both auto and home insurance (+$0.08 EPS)—and by investment income on capital being higher than expected (+ 0.01 EPS).

Income taxes – Income taxes amounted to $61.0 million in the first quarter, for an effective tax rate of 25.5%. This higher than expected tax expense represents a negative impact of $0.09 EPS. This is mainly explained by higher taxation from the Company's status as a multinational insurer (CIF) due to market-related variations and, to a lesser extent, the negative impact of the decrease in the value of real estate and other small deviations.

ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

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

Consolidated Income Statements

	First quarter		
(In millions of dollars)	2021	2020	Variation
Revenues			
Net premiums	3,375.0	2,755.1	619.9
Investment income	(3,550.2)	(857.0)	(2,693.2)
Other revenues	506.2	440.1	66.1
Total	331.0	2,338.2	(2,007.2)
Less: policy benefits and expenses	98.5	2,294.1	(2,195.6)
Income before income taxes	232.5	44.1	188.4
Less: income taxes	58.6	(1.9)	60.5
Net income	173.9	46.0	127.9
Less: net income attributed to participating policyholders	(4.7)	1.3	(6.0)
Net income attributed to shareholders	178.6	44.7	133.9
Less: dividends on preferred shares issued by a subsidiary	5.7	5.6	0.1
Net income attributed to common shareholders	172.9	39.1	133.8

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

Revenues by Line of Business

	First quarter						
(In millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	418.7	1,605.7	399.5	659.8	198.8	92.5	3,375.0
Variation vs. 2020	*21.2*	*527.7*	*(24.4)*	*26.8*	*60.6*	*8.0*	*619.9*
Investment income	(3,055.9)	(184.8)	(17.5)	(208.0)	(118.9)	34.9	(3,550.2)
Variation vs. 2020	*(1,809.4)*	*(511.8)*	*(33.7)*	*(159.8)*	*(172.9)*	*(5.6)*	*(2,693.2)*
Other revenues	29.2	414.1	17.0	30.2	67.1	(51.4)	506.2
Variation vs. 2020	*(0.2)*	*38.3*	*(3.5)*	*3.4*	*34.9*	*(6.8)*	*66.1*
Total	(2,608.0)	1,835.0	399.0	482.0	147.0	76.0	331.0
Variation vs. 2020	*(1,788.4)*	*54.2*	*(61.6)*	*(129.6)*	*(77.4)*	*(4.4)*	*(2,007.2)*

Net premiums – The $619.9 million increase over the first quarter of 2020 is mainly explained by:
- Segregated fund premium growth in Individual Wealth Management.
- To a lesser extent, increased premiums in US Operations, mainly due to the IAS acquisition, and in Individual Insurance and Group Savings and Retirement.

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

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

Investment income – The $2,693.2 million decrease in investment income compared to first quarter 2020 is largely due to the decrease in the fair value of bond investments, mainly caused by variations in interest rates.

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

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

Other revenues – Other revenues generally represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company's brokerage subsidiaries and assets managed for third parties. Other revenues were up $66.1 million in the first quarter of 2021 versus first quarter of 2020, essentially due to business growth in Individual Wealth Management and US Operations from the IAS acquisition.

Policy Benefits and Expenses

Policy benefits and expenses decreased by $2,195.6 million in the first quarter compared to the same period last year. This decrease is explained by:

- A decrease in insurance contract liabilities, essentially due to the significant increase in interest rates. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.
- A decrease in net transfers to segregated funds in the Group Savings and Retirement sector.

The decrease in policy benefits and expenses was mitigated by:

- An increase in net benefits reflecting the normal course of business, mainly in the Group Savings and Retirement sector. Net benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- A variation in reinsurance assets. This item is generally influenced by the same factors that influence the variation in insurance contract liabilities mentioned above.
- To a lesser extent, an increase in commissions related to net premium growth.

Income Taxes

For the first quarter of 2021, the Company recorded an income tax expense of $58.6 million, compared to an income tax recovery of $1.9 million in 2020. These amounts represent the Company's tax expense net of adjustments for prior years, if applicable.

Net Income Attributed to Common Shareholders

Net income attributed to common shareholders totalled $172.9 million for the first quarter of 2021, compared to $39.1 million for the same period last year. In addition to the items mentioned above, recall that net income attributed to common shareholders in the first quarter of 2020 was negatively affected by the impacts of the COVID-19 pandemic and the resulting macroeconomic changes.

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

Selected Financial Data

(In millions of dollars, unless otherwise indicated)	2021	2020				2019			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	331.0	4,518.7	4,098.5	6,684.1	2,338.2	2,543.9	3,715.5	4,078.7	4,927.0
Net income attributed to common shareholders	172.9	171.9	217.5	182.7	39.1	171.2	183.7	181.4	151.1
Earnings per common share (in dollars)									
Basic	$1.61	$1.61	$2.03	$1.71	$0.37	$1.60	$1.73	$1.70	$1.41
Diluted	$1.61	$1.60	$2.03	$1.71	$0.36	$1.59	$1.72	$1.69	$1.40

Related Party Transactions
There are no material related party transactions outside the normal course of business to report for the first quarter of 2021.

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

Given the volatility of the financial markets, the Company carries out simulations to measure its liquidity needs under various scenarios, some of which can be qualified as extreme. In light of the simulations carried out, and given the quality of its investment portfolio, the Company believes its current level of liquidity is not an issue.

For more information on liquidity risk and how this risk is managed, refer to the "Risk Management" section of the iA Financial Group 2020 Annual Report.

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

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

Accounting Policies and Main Accounting Estimates
The Company's first quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 "General Information" of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the iA Financial Group 2020 Annual Report.

More information on new accounting policies applied and future changes in accounting policies is presented in Note 3 "Changes in Accounting Policies" of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

Investment Mix

(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Book value of investments	42,498.8	45,147.1	41,561.2
Allocation of investments by asset class			
Bonds	71.9%	71.1%	66.7%
Stocks	8.2%	7.3%	6.6%
Mortgages and other loans	6.8%	6.2%	9.2%
Investment properties	4.4%	4.2%	4.9%
Policy loans	2.2%	2.0%	2.2%
Cash and short-term investments	3.2%	4.3%	7.2%
Other	3.3%	4.9%	3.2%
Total	100.0%	100.0%	100.0%

The total value of the investment portfolio was $42.5 billion at March 31, 2021, down from December 31, 2020. The favourable impact of the equity market during the quarter was more than offset by the negative impact of rising interest rates on the bond portfolio. The above table shows the main asset classes that make up the Company's investment portfolio. The decrease in mortgages and other loans over twelve months is explained by the sale of the residential mortgage portfolio in the second quarter of 2020, which is therefore no longer part of the investment portfolio. Under this transaction, the Company received monetary consideration and recognized bonds under its assets, explaining the increase in this asset class over the year.

Quality of Investments

(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Gross impaired investments	23.1	45.2	5.5
Provisions for impaired investments	5.6	14.1	2.8
Net impaired investments	17.5	31.1	2.7
Net impaired investments as a % of total investments	0.04%	0.07%	0.01%
Bonds – Proportion rated BB or lower	1.01%	0.99%	0.75%
Mortgages – Proportion of securitized and insured loans[11]	24.4%	23.1%	38.0%
– Proportion of insured loans	48.6%	50.1%	34.3%
– Delinquency rate	—	—	0.06%
Investment properties – Occupancy rate	95.0%	95.0%	95.0%
Car loans – Average credit loss rate (non-prime)[12]	3.0%	3.6%	5.5%

The indicators in the above table confirm the quality of the investment portfolio. The increase over twelve months in impaired investments is the result of a provision taken on a certain asset in the first quarter. However, the decrease during Q1 is related to the disposal of another asset that was impaired. Given the pandemic environment, the Company continues to strictly monitor its bond downgrade risk exposure. Lastly, the average credit loss rate on car loans remained at historically low levels, primarily due to client relief measures and changes in consumers' shopping and payment habits since the start of the pandemic. Recall that a credit loss provision was taken in 2020 to absorb this unusual temporary decrease in the average loss rate.

Derivative Financial Instruments

(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Total notional amount ($B)	30.8	32.3	31.8
Company's credit risk			
AA - or higher	100%	100%	100%
A +	—	—	—
Positive fair value	841.0	1,651.8	911.9
Negative fair value	967.8	569.1	1,755.9

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

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

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

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

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

FINANCIAL POSITION

Capitalization			
(In millions of dollars)	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Equity			
Common shares	1,689.5	1,674.5	1,671.9
Preferred shares issued by a subsidiary	525.0	525.0	525.0
Contributed surplus	17.5	18.8	17.2
Retained earnings	4,405.5	4,170.5	3,878.4
Accumulated other comprehensive income	(1.5)	82.5	27.5
Subtotal	6,636.0	6,471.3	6,120.0
Debentures	1,449.3	1,448.7	1,447.9
Participating policyholders' accounts	36.0	40.7	43.3
Total	8,121.3	7,960.7	7,611.2

The Company's capital amounted to more than $8.1 billion at March 31, 2021, up $160.6 million from December 31, 2020. This increase stems mainly from the increase in retained earnings generated by the net earnings contribution and the impact of market-related variations on the Company's pension plan. During the quarter, there was a decrease in accumulated other comprehensive income, mainly caused by market-related variations.

Solvency[13]			
(In millions of dollars, unless otherwise indicated)	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Available capital			
Tier 1	2,755.3	2,767.4	3,136.3
Tier 2	1,711.3	1,600.6	1,954.0
Surplus allowance and eligible deposits	4,703.5	5,054.6	4,432.9
Total	9,170.1	9,422.6	9,523.2
Base solvency buffer	7,189.5	7,267.3	6,972.1
Solvency ratio	128%	130%	137%

The Company ended the first quarter of 2021 with a solvency ratio of 128%. The decrease of 2 percentage points versus the ratio at December 31, 2020 essentially stems from the negative impact of market-related variations, which was partially offset by organic capital generation. The current ratio remains above the Company's target range of 110% to 116%.

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

Financial Leverage			
	March 31, 2021	**December 31, 2020**	**March 31, 2020**
Debt ratio			
Debentures/capital	17.8%	18.2%	19.0%
Debentures + preferred shares issued by a subsidiary/capital	24.3%	24.8%	25.9%
Coverage ratio[14]	14.0x	11.7x	13.3x

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

The debt ratios decreased during the first quarter due to the increase in the Company's total capital. The favourable variation in the coverage ratio during the quarter is essentially due to higher earnings, as earnings from the first quarter of 2020, which were heavily impacted by the pandemic, are no longer part of the calculation.

Book Value per Common Share and Market Capitalization

	March 31, 2021	December 31, 2020	March 31, 2020
Book value per common share	$56.95	$55.52	$52.29
Number of common shares outstanding	107,343,977	107,063,827	107,008,827
Value per share at close	$68.33	$55.18	$44.24
Market capitalization	$7,334,813,948	$5,907,781,974	$4,734,070,506

Book value per common share was $56.95 at March 31, 2021, up 3% from December 31, 2020, and 9% over the last twelve months.

The number of common shares outstanding increased by 280,150 during the quarter. This change resulted entirely from the exercise of stock options under the stock option plan for senior managers. In accordance with regulators' instructions suspending common share redemptions due to the pandemic, the Company did not renew the Normal Course Issuer Bid that expired on November 11, 2020. Therefore, the Company did not redeem or cancel any outstanding common shares during the quarter.

The Company's market capitalization exceeded $7.3 billion at March 31, 2021, up 24% during the period, primarily due to the significant change in the Company's stock value, as the number of outstanding common shares increased only slightly.

DECLARATION OF DIVIDEND

The Board of Directors of iA Financial Corporation approved a quarterly dividend of $0.4850 per share on the Company's outstanding common shares, the same as that announced the previous quarter, in accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic.

The Board of Directors of iA Insurance approved a quarterly dividend of $0.2875 per Non-Cumulative Class A Preferred Share – Series B, $0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and $0.3000 per Non-Cumulative Class A Preferred Share – Series I. During the first quarter of 2021, iA Insurance paid a dividend of $250.0 million to its sole common shareholder, iA Financial Corporation. For the second quarter of 2021, no dividend will be paid by iA Insurance to iA Financial Corporation.

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

Declaration of Dividend

	Amount	Payment date	Closing date	
Common share – iA Financial Corporation	$0.4850	June 15, 2021	May 21, 2021	
Class A Preferred Share – Series B – iA Insurance	$0.2875	June 30, 2021	May 28, 2021	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	$0.2360625	June 30, 2021	May 28, 2021	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	$0.3000	June 30, 2021	May 28, 2021	Non-cumulative dividend

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

Reinvestment of Dividends

Registered shareholders wishing to enrol in the Company's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on June 15, 2021 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on May 14, 2021. Enrolment information is provided on iA Financial Group's website at ia.ca under *About iA,* in the *Investor Relations/Dividends* section. Common shares issued under the Company's DRIP will be purchased on the secondary market and no discount will apply.

SENSITIVITY ANALYSIS

Sensitivity Analysis[15]			
	March 31, 2021	**December 31, 2020**	**March 31, 2020**
S&P/TSX Closing Value	18,701 points	17,433 points	13,379 points
Solvency ratio	128%	130%	137%
Impact of a drop in the stock markets (S&P/TSX Index)[16]			
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(24%)	(27%)	(13%)
Index trigger threshold	14,200 points	12,800 points	11,700 points
Net income impact for each 1% S&P/TSX additional decrease below this level	($21M)	($24M)	($18M)
Decrease in index that reduces the solvency ratio to 110%	(84%)	(83%)	(87%)
Index trigger threshold	2,900 points	2,900 points	1,800 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	($34M)	($34M)	($26M)
Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates			
Drop in initial reinvestment rate (IRR)	$1M	$4M	—
Drop in ultimate reinvestment rate (URR)	($60M)	($68M)	($66M)

Caution related to sensitivities

The sensitivities presented above are estimates of the impact on the financial statements of sudden changes in interest rates and equity values. Actual results can differ significantly from these estimates for a variety of reasons such as the interaction between these factors, changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors and limitations of our internal models. Therefore, these sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions indicated above. Given the nature of these calculations, we cannot provide assurance that the actual impact on net income and the solvency ratio will be as outlined.

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

NOTICE AND GENERAL INFORMATION

Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the interim period ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Non-IFRS Financial Information

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

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

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

The analysis of profitability according to the sources of earnings presents sources of income in compliance with the guideline issued by the Office of the Superintendent of Financial Institutions and developed in co-operation with the Canadian Institute of Actuaries. This analysis is intended to be a supplement to the disclosure required by IFRS and to facilitate the understanding of the Company's financial position by both existing and prospective stakeholders to better form a view as to the quality, potential volatility and sustainability of earnings. It provides an analysis of the difference between actual income and the income that would have been reported had all assumptions at the start of the reporting period materialized during the reporting period. It sets out the following measures: expected profit on in-force business (representing the portion of the consolidated net income on business in force at the start of the reporting period that was expected to be realized based on the achievement of best-estimate assumptions); experience gains and losses (representing gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period); impact of new business (strain) (representing the point-of-sale impact on net income of writing new business during the period); changes in assumptions, management actions and income on capital (representing the net income earned on the Company's surplus funds); and any other items not attributed to operating profit.

Core earnings (loss) and financial measures based on core earnings (loss), including core EPS and core ROE, are non-IFRS financial measures used to better understand the capacity of the Company to generate sustainable earnings. Core earnings (loss) remove from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance:

a) market-related impacts that differ from management's best estimate assumptions, which include impacts of returns on equity markets and changes in interest rates related to (i) management fees collected on assets under management or administration (MERs), (ii) universal life policies, (iii) the level of assets backing long-term liabilities, and (iv) the dynamic hedging program for segregated fund guarantees;
b) assumption changes and management actions;
c) charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
d) amortization of acquisition-related finite life intangible assets;
e) non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate;
f) specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition.

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

Forward-Looking Statements

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

Although iA Financial Corporation believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions; level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of iA Financial Corporation including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by iA Financial Corporation; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.

Potential impacts of the COVID-19 pandemic – Since March 2020, the COVID-19 pandemic has had major, unprecedented implications for both society and the economy. The overall impact of the COVID-19 pandemic is still uncertain and depends on many factors, such as the progression of the virus, the emergence of new variants, the duration of the pandemic, potential treatments and therapies, the availability of vaccines, the effectiveness of government measures to slow the virus's spread and the impact of those measures on the economy. As a result, we cannot accurately predict the total bearing the pandemic will have, but the impact on iA Financial Corporation's business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Corporation remains financially solid. In addition, iA Financial Corporation's business continuity protocol has continued, ensuring that the quality of service clients receive is similar to or better than before the pandemic and enabling employees and advisors to continue to work safely and securely.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the Management's Discussion and Analysis for 2020, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2020 and elsewhere in iA Financial Corporation's filings with Canadian Securities Administrators, which are available for review at sedar.com.

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

Documents Related to the Financial Results

All documents related to iA Financial Corporation's and iA Insurance's financial results are available on the iA Financial Group website at ia.ca under *About iA,* in the *Investor Relations/Financial Reports* section. More information about the companies can also be found on the SEDAR website at sedar.com, as well as in the iA Insurance Annual Information Form, which can also be found on the iA Financial Group website or the SEDAR website.

Consolidated Income Statements

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

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

Consolidated Comprehensive Income Statements

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

Income Taxes Included in Other Comprehensive Income

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

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

Consolidated Statements of Financial Position

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

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

Consolidated Equity Statements

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

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

	As at March 31, 2020						
	Participating policyholders' accounts	Common shares	Preferred shares issued by a subsidiary	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
(unaudited, in millions of dollars)		(Note 11)	(Note 12)			(Note 13)	
Balance as at December 31, 2019	$ 42	$ 1,666	$ 525	$ 18	$ 3,823	$ 56	$ 6,130
Net income attributed to shareholders	—	—	—	—	45	—	45
Net income attributed to participating policyholders' accounts	1	—	—	—	—	—	1
Other comprehensive income	—	—	—	—	—	41	41
Comprehensive income for the period	1	—	—	—	45	41	87
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	69	(69)	—
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	7	—	—	—	—	7
Redemption of common shares	—	(1)	—	—	(3)	—	(4)
Dividends on common shares	—	—	—	—	(52)	—	(52)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(6)	—	(6)
Other	—	—	—	—	2	—	2
	—	6	—	(1)	10	(69)	(54)
Balance as at March 31, 2020	$ 43	$ 1,672	$ 525	$ 17	$ 3,878	$ 28	$ 6,163

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

Consolidated Cash Flows Statements

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2021 and 2020 (unaudited) (in millions of dollars, unless otherwise indicated)

1 › General Information

iA Financial Corporation Inc. (iA Financial Corporation) is a holding company listed on the Toronto Stock Exchange and incorporated under the *Business Corporations Act* (Quebec). iA Financial Corporation and its subsidiaries (the "Company") offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, mortgages, auto and home insurance, creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services and other financial products and services. The Company's products and services are offered on both an individual and group basis and extend throughout Canada and the United States.

The Company's Interim Condensed Consolidated Financial Statements (the "Financial Statements") are prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB). These Financial Statements do not contain all the information required in a complete annual financial statement and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2020, which are included in the 2020 Annual Report. The significant accounting policies used to prepare these Financial Statements are consistent with those found in the 2020 Annual Report, except for items mentioned in Note 3.

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

2 › Impacts of COVID-19 Pandemic

Since the beginning of 2020, the spread of the COVID-19 virus, elevated to a pandemic by the World Health Organization (WHO) on March 11, 2020, has caused turbulence in the financial markets, resulted in economic uncertainty and disrupted the activities of the business community and citizens. The COVID-19 pandemic has forced governments to implement exceptional measures to slow the progression of this crisis. Governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions. The risk management program established by the Company made it possible, since the beginning of the pandemic, to mitigate the negative effects of this crisis on its results. The initiatives deployed by the Company help to ensure the continuity of all of its activities, while protecting the health and the safety of its employees. More detailed information regarding the pandemic's impact on the valuation of the Company's assets and liabilities as at December 31, 2020, is provided in the Financial Statements as at that date, which are included in the 2020 Annual Report, in Note 2, section b) "Important Estimates, Assumptions, Judgments and Impacts of COVID-19 Pandemic".

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

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

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

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

3 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2021.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 4 *Insurance Contracts*	*Description:* On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts*. This amendment, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, provides two options to entities applying IFRS 4: • the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; • the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities. On June 25, 2020, the IASB published an amendment to IFRS 4 *Insurance Contracts* to extend the deferral approach until January 1, 2023. *Status:* The Company met all criteria and chose the deferral approach, as described below in the section "Information on the Deferral of the Application of IFRS 9 *Financial Instruments*". The Company will apply IFRS 9 only to financial statements beginning on or after January 1, 2023.

IFRS 16 *Leases*	*Description:* On May 28, 2020, the IASB published an amendment to IFRS 16 *Leases*. The amendment *COVID-19-Related Rent Concessions* exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. This amendment applies retrospectively. On March 31, 2021, the IASB published an amendment to IFRS 16 *Leases*. The amendment *COVID-19-Related Rent Concessions beyond 30 June 2021* extends the practical relief regarding COVID-19-related rent concessions until June 30, 2022. *Impact:* No impact on the Company's financial statements.
IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*	*Description*: On August 27, 2020, the IASB published an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. The amendment, *Interest Rate Benchmark Reform – Phase 2*, clarifies the requirements related to financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements of financial instruments when an existing interest rate benchmark is replaced. This amendment applies on a modified retrospective basis. *Impact:* No impact on the Company's financial statements.

Future Changes in Accounting Policies

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

Standards or amendments	**Description of the standards or amendments**
IFRS 9 *Financial Instruments*	The Company adopted the amendment to IFRS 4 *Insurance Contracts* described in the section "New Accounting Policies Applied". Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17. *Description:* On July 24, 2014, the IASB published the standard IFRS 9 *Financial Instruments* which replaces the provisions of the standard IAS 39 *Financial Instruments: Recognition and Measurement.* The standard IFRS 9: • requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets; • changes the accounting for financial liabilities measured using the fair value option; • proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; • modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. The provisions of the new standard IFRS 9 will apply retrospectively or on a modified retrospective basis. On October 12, 2017, the IASB published an amendment to IFRS 9 *Financial Instruments*. The amendment *Prepayment Features with Negative Compensation* enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation. On August 27, 2020, the IASB published an amendment to IFRS 9 *Financial Instruments*. The amendment, *Interest Rate Benchmark Reform – Phase 2*, clarifies among other things the requirements related to financial assets, financial liabilities and specific hedge accounting requirements when an existing interest rate benchmark is replaced. *Status:* The Company is currently evaluating the impact of this standard on its financial statements.
IFRS 17 *Insurance Contracts*	*Description:* On May 18, 2017, the IASB published the standard IFRS 17 *Insurance Contracts* which replaces the provisions of the standard IFRS 4 *Insurance Contracts.* The standard IFRS 17: • has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement; • establishes the principles for recognition, measurement, presentation and disclosure; • defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities; • defines a specific model for contracts of one year or less. The provisions of the new standard IFRS 17 will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2021. Early adoption is permitted if IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are previously applied. On June 25, 2020, the IASB published an amendment to IFRS 17 *Insurance Contracts* that clarifies different subjects and that postpones the effective date to financial statements beginning on or after January 1, 2023. *Status:* The Company is currently evaluating the impact on presentation, disclosure and measurement of the insurance contract liabilities that this standard will have on its financial statements.

IAS 1 *Presentation of Financial Statements*	*Description:* On January 23, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. On July 15, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements* that postpones the effective date to financial statements beginning on or after January 1, 2023. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IAS 16 *Property, Plant and Equipment*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 16 *Property, Plant and Equipment*. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2022. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IFRS 3 *Business Combinations*	*Description:* On May 14, 2020, the IASB published an amendment to IFRS 3 *Business Combinations*. The amendment updates the reference to the Conceptual Framework and adds an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
Annual Improvements to IFRSs 2018-2020 Cycle	*Description:* On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify situations specific to four standards: • IFRS 1 *First-time Adoption of International Financial Reporting Standards* related to the fact that a subsidiary that becomes a first-time adopter later than its parent is allowed to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs; • IFRS 9 *Financial Instruments* related to the fact that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf, are included when the entity applies the '10 per cent' test in assessing whether to derecognize a financial liability; • IFRS 16 *Leases* related to Illustrative Example 13 accompanying IFRS 16 that removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion; • IAS 41 *Agriculture* related to the fact that an entity no longer excludes taxation cash flows when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*. The provisions of IFRS 1, IFRS 9, and IAS 41 will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The Annual Improvement to IFRS 16 only regards an illustrative example, so this is applicable immediately. *Status:* The Company is currently evaluating the impact of these improvements on its financial statements.
IAS 1 *Presentation of Financial Statements*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment *Disclosure of Accounting Policies* requires entities to disclose their material accounting policy information rather than their significant accounting policies. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment *Definition of Accounting Estimates* introduces the definition of accounting estimates and clarifies the distinction between a change in accounting estimate and a change in accounting policy. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.

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

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

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

The Company has decided to defer the application of IFRS 9 until IFRS 17 *Insurance Contracts* is adopted. IFRS 17 includes the measurement principles of these policies. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables, held to maturity or available for sale as at March 31, 2021, an amount of $972 ($948 as at December 31, 2020) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

4 › Acquisition and Disposal of Businesses

Acquisition of Businesses

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

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

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

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

Disposal of Business

On June 1, 2020, the Company sold a subsidiary, iA Investment Counsel Inc., to CWB Financial Group. The sale reflects the Company's decision to focus on serving wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices.

5 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

	As at March 31, 2021						
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
Cash and short-term investments	$ 375	$ —	$ —	$ 968	$ —	$ 1,343	$ 1,343
Bonds							
Governments	12,008	1,911	446	113	—	14,478	
Municipalities	1,164	274	—	40	—	1,478	
Corporate and other	10,031	2,082	—	2,473	—	14,586	
	23,203	4,267	446	2,626	—	30,542	30,770
Stocks							
Common	1,863	54	—	—	—	1,917	
Preferred	241	550	—	—	—	791	
Stock indexes	64	8	—	—	—	72	
Investment fund units	651	41	—	—	—	692	
	2,819	653	—	—	—	3,472	3,472
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,421	—	1,421	
Non-residential	—	—	—	5	—	5	
	—	—	—	1,426	—	1,426	
Conventional mortgages							
Multi-residential	42	—	—	205	—	247	
Non-residential	33	—	—	247	—	280	
	75	—	—	452	—	527	
Other loans	—	—	—	948	—	948	
	75	—	—	2,826	—	2,901	2,965
Derivative financial instruments	841	—	—	—	—	841	841
Policy loans	—	—	—	953	—	953	953
Other invested assets	—	120	—	4	438	562	562
Investment properties	—	—	—	—	1,885	1,885	1,913
Total investments	$ 27,313	$ 5,040	$ 446	$ 7,377	$ 2,323	$ 42,499	$ 42,819

(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
	As at December 31, 2020						
Cash and short-term investments	$ 831	$ —	— $	$ 1,118	$ —	$ 1,949	$ 1,949
Bonds							
Governments	12,729	1,855	494	117	—	15,195	
Municipalities	1,306	205	—	40	—	1,551	
Corporate and other	10,923	1,952	—	2,478	—	15,353	
	24,958	4,012	494	2,635	—	32,099	32,501
Stocks							
Common	1,774	50	—	—	—	1,824	
Preferred	233	506	—	—	—	739	
Stock indexes	61	7	—	—	—	68	
Investment fund units	623	32	—	—	—	655	
	2,691	595	—	—	—	3,286	3,286
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,379	—	1,379	
Non-residential	—	—	—	5	—	5	
	—	—	—	1,384	—	1,384	
Conventional mortgages							
Multi-residential	48	—	—	200	—	248	
Non-residential	33	—	—	226	—	259	
	81	—	—	426	—	507	
Other loans	—	—	—	910	—	910	
	81	—	—	2,720	—	2,801	2,935
Derivative financial instruments	1,652	—	—	—	—	1,652	1,652
Policy loans	—	—	—	881	—	881	881
Other invested assets	—	123	—	4	436	563	563
Investment properties	—	—	—	—	1,916	1,916	1,943
Total investments	$ 30,213	$ 4,730	494 $	$ 7,358	$ 2,352	$ 45,147	$ 45,710

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

b) Investments in Associates and Joint Ventures

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

c) Investment Income

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

6 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

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

Financial Assets

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

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

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

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

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative financial instrument. Fair value of derivative financial instruments, such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

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

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

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

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

Investment Properties

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

Financial Liabilities

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

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

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

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

The fair value of the mortgage debt is $76 ($76 as at December 31, 2020). It is secured by an investment property with a carrying value of $174 ($174 as at December 31, 2020), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is less than $1 (less than $1 for the three months ended March 31, 2020).

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

b) Hierarchy of the Fair Value

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

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

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

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

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

Assets

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

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

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

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

Transfers from Level 2 to Level 3 during the three months ended March 31, 2021 amount to $28 ($10 for the year ended December 31, 2020). These transfers are from bonds designated at fair value through profit or loss. For some of these bonds the fair value was measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments. However, the price of these bonds has remained unchanged for more than 30 days which, according to the Company's internal policy, results in a transfer. For the remaining bonds, the fair value is now measured using unobservable inputs.

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

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

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.00% to 2.49% as at March 31, 2021 (1.30% to 2.43% as at December 31, 2020). Stocks classified into Level 3 are mainly valuated from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at March 31, 2021 are the discount rate, which is between 5.25% and 8.00% (5.25% and 8.00% as at December 31, 2020) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.25% as at December 31, 2020). The discount rate is based on market activity by type of building and the location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and the location and reflects the expected rate of return to be realized on investments over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

Due to the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company does not assess whether the application of other assumptions would have an impact on fair value. Also, the investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the Canadian Asset Liability Method (CALM). Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

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

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

(in millions of dollars)	Balance as at December 31, 2019	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at December 31, 2020	Total unrealized gains (losses) included in net income on investments still held
	Year ended December 31, 2020							
Bonds								
Designated at fair value through profit or loss	$ 129	$ 11	$ —	$ 26	$ (29)	$ 3	$ 140	$ 11
Available for sale	11	—	—	—	(11)	—	—	—
Stocks								
Designated at fair value through profit or loss	1,291	48	—	199	(94)	—	1,444	49
Available for sale	31	—	2	11	(1)	—	43	—
Derivative financial instruments								
Held for trading	—	3	—	—	—	—	3	3
Investment properties	2,077	(129)	—	28	(60)	—	1,916	(129)
General fund investments recognized at fair value	3,539	(67)	2	264	(195)	3	3,546	(66)
Segregated funds financial instruments and investment properties	90	10	—	181	(10)	(7)	264	10
Total	$ 3,629	$ (57)	$ 2	$ 445	$ (205)	$ (4)	$ 3,810	$ (56)

For the three months ended March 31, 2021, an amount of $3 ($28 for the year ended December 31, 2020) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties.* Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets (none for the year ended December 31, 2020).

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

Fair Value Disclosed in the Notes

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

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

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

Financial Liabilities

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

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

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

7 › Management of Risks Associated with Financial Instruments

a) Impairment of Financial Assets Classified as Available for Sale

During the three months ended March 31, 2021 and the year ended December 31, 2020, the Company did not reclassify any unrealized losses of stocks classified as available for sale from *Other comprehensive income* to *Investment income* in the Income Statement.

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

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

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

b) Credit Risk

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

b) i) Credit Quality Indicators

Bonds by Investment Grade

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

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of $2,125 as at March 31, 2021 ($2,116 as at December 31, 2020).

Mortgages and Other Loans

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

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

b) ii) Past Due or Impaired Financial Assets

Past Due Bonds, Mortgages and Other Loans

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

As at March 31, 2021					
(in millions of dollars)	**Bonds classified as held to maturity**	**Bonds classified as loans and receivables**	**Mortgages classified as loans and receivables**	**Other loans**	**Total**
Gross values					
Not past due and not impaired	**$ 446**	**$ 2,609**	**$ 1,878**	**$ 943**	**$ 5,876**
Past due and not impaired					
30 – 89 days in arrears	**—**	**—**	**—**	**27**	**27**
90 – 119 days in arrears	**—**	**—**	**—**	**3**	**3**
120 days or more in arrears	**—**	**—**	**—**	**1**	**1**
Impaired	**—**	**23**	**—**	**—**	**23**
Total of gross values	**$ 446**	**$ 2,632**	**$ 1,878**	**$ 974**	**$ 5,930**
Specific provisions for losses	**—**	**6**	**—**	**—**	**6**
	446	**2,626**	**1,878**	**974**	**5,924**
Collective provisions	**—**	**—**	**—**	**26**	**26**
Total of net values	**$ 446**	**$ 2,626**	**$ 1,878**	**$ 948**	**$ 5,898**

As at December 31, 2020					
(in millions of dollars)	Bonds classified as held to maturity	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
Gross values					
Not past due and not impaired	$ 494	$ 2,604	$ 1,786	$ 903	$ 5,787
Past due and not impaired					
30 – 89 days in arrears	—	—	24	29	53
90 – 119 days in arrears	—	—	—	4	4
120 days or more in arrears	—	—	—	1	1
Impaired	—	45	—	—	45
Total of gross values	$ 494	$ 2,649	$ 1,810	$ 937	$ 5,890
Specific provisions for losses	—	14	—	—	14
	494	2,635	1,810	937	5,876
Collective provisions	—	—	—	27	27
Total of net values	$ 494	$ 2,635	$ 1,810	$ 910	$ 5,849

Foreclosed Properties

During the three months ended March 31, 2021, the Company did not take possession of any properties it held as collateral on mortgages (less than $1 for the year ended December 31, 2020). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in *Other Assets.*

Specific Provisions for Losses

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

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

8 › Derivative Financial Instruments

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

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at March 31, 2021 is $836 ($1,648 as at December 31, 2020). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

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

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

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

	As at December 31, 2020		
	Notional amount	Fair value	
(in millions of dollars)		Positive	Negative
Derivative financial instruments not designated as hedge accounting	$ 29,733	$ 1,580	$ (540)
Net investment hedge	1,555	56	—
Fair value hedges			
Interest risk	860	10	(28)
Currency risk	30	1	—
Cash flow hedges			
Currency risk	140	5	(1)
Total of derivative financial instruments	$ 32,318	$ 1,652	$ (569)

Embedded Derivative Financial Instruments

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

Net Investment Hedge

Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 1 year as at March 31, 2021 (less than 1 year as at December 31, 2020). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the three months ended March 31, 2021 and 2020, the Company did not recognize any ineffectiveness.

Fair Value Hedges

Interest rate risk hedging

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk related to financial assets classified as available for sale.
The Company entered into interest rate swap contracts with maturities ranging from less than 1 year to 14 years as at March 31, 2021 (from 1 year to 14 years as at December 31, 2020).

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The Company entered into interest rate swap contracts with maturities of less than 1 year to 7 years as at March 31, 2021 (less than 1 year to 8 years as at December 31, 2020).

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

Currency rate risk hedging

The Company entered into a fair value hedge to manage its exposure to changes in currency rate risk related to financial assets classified as available for sale. The Company entered into forward contracts with maturities of less than 1 year as at March 31, 2021 (less than 2 years as at December 31, 2020).

For the three months ended March 31, 2021 and 2020, the Company did not recognize any ineffectiveness.

Cash Flow Hedges

The Company entered into a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on financial assets denominated in foreign currency. The Company entered into swap contracts that have maturities from less than 1 year to 9 years as at March 31, 2021 (from 2 years to 9 years as at December 31, 2020). For the three months ended March 31, 2021 and 2020, the Company did not recognize any ineffectiveness.

As at March 31, 2020, the Company was in a hedging relationship which was entered into in 2019 in order to manage its exposure to changes in currency rate risk on forecasted transactions. The Company was using forward contracts that had maturities of less than 1 year. For the three months ended March 31, 2020, the Company did not recognize any ineffectiveness. The company ended the hedging relationship during the year ended December 2020.

9 › Segregated Funds Net Assets

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

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

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

10 › Debentures

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

11 › Share Capital

The share capital issued by the Company is as follows:

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

Stock Option Plan

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

Normal Course Issuer Bid Redemption

During the year ended December 31, 2019, with the approval of the Toronto Stock Exchange, the Board of Directors renewed the Normal Course Issuer Bid redemption of 2018 and authorized the Company to purchase, in the normal course of its activities, from November 12, 2019 to November 11, 2020, up to 5,335,397 common shares, representing approximately 5% of its 106,707,949 common shares issued and outstanding as at November 1, 2019. For the three months ended March 31, 2020, a total of 86,872 common shares were purchased and cancelled for a net cash amount of $4, of which $1 was recorded against share capital and $3 against retained earnings. On March 13, 2020, redemptions were suspended in accordance with instructions from regulatory authorities. As at March 31, 2021, no Normal Course Issuer Bid redemption was in effect.

Dividends

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

Dividends Declared and Not Recognized on Common Shares

A dividend of 0.485 dollars per share was approved by the Board of Directors of the Company on May 6, 2021. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid on June 15, 2021 to the shareholders of record as of May 21, 2021, date on which it will be recognized in the equity of the Company.

Dividend Reinvestment and Share Purchase Plan

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

12 › Preferred Shares Issued by a Subsidiary

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

(in millions of dollars, unless otherwise indicated)	As at March 31, 2021 Number of shares (in thousands)	As at March 31, 2021 Amount	As at December 31, 2020 Number of shares (in thousands)	As at December 31, 2020 Amount
Preferred shares, Class A, issued by iA Insurance				
Balance at beginning and at end	**21,000**	**$ 525**	21,000	$ 525

Dividends

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

13 › Accumulated Other Comprehensive Income

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

14 › Capital Management

Regulatory Requirements and Solvency Ratio

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

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

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

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

Tier 2 capital is primarily composed of subordinated debentures.

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

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

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

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

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

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

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

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

15 › General Expenses

Impairment of Goodwill

As at March 31, 2020, as a result of the COVID-19 pandemic described in Note 2, the Company reviewed the financial projections of PPI Management Inc. Further to this review, an impairment test was performed with respect to PPI Management Inc.'s operations included in the Individual Insurance sector cash-generating units (CGU). This led the Company to recognize an impairment of goodwill of $24. This amount was recognized in the Income Statement in *General expenses*. The recoverable amount of the CGU is determined by the higher of value in use and fair value less costs of sale which, as of March 31, 2020, was the value in use, determined using cash flow projections before tax based on future financial projections approved by management covering a five-year period.

16 › Income Taxes

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

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

17 › Segmented Information

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

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

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

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

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

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

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

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

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

Segmented Income Statements

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

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

Segmented Premiums

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

	Three months ended March 31, 2020						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Gross premiums							
Invested in general fund	$ 487	$ 206	$ 459	$ 48	$ 257	$ 29	$ 1,486
Invested in segregated funds	—	872	—	592	—	—	1,464
	487	1,078	459	640	257	29	2,950
Premiums ceded							
Invested in general fund	(90)	—	(35)	(7)	(119)	56	(195)
Net premiums	$ 397	$ 1,078	$ 424	$ 633	$ 138	$ 85	$ 2,755

Segmented Assets and Liabilities

	As at March 31, 2021						
	Individual		**Group**				
(in millions of dollars)	**Insurance**	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
Assets							
Invested assets	**$ 23,921**	**$ 2,007**	**$ 1,960**	**$ 4,684**	**$ 1,268**	**$ 8,659**	**$ 42,499**
Segregated funds net assets	**—**	**20,423**	**—**	**13,014**	**—**	**—**	**33,437**
Reinsurance assets	**(13)**	**—**	**223**	**127**	**1,766**	**(146)**	**1,957**
Other	**111**	**1,205**	**—**	**—**	**90**	**6,376**	**7,782**
Total assets	**$ 24,019**	**$ 23,635**	**$ 2,183**	**$ 17,825**	**$ 3,124**	**$ 14,889**	**$ 85,675**
Liabilities							
Insurance contract liabilities and investment contract liabilities	**$ 22,583**	**$ 2,032**	**$ 2,225**	**$ 4,746**	**$ 1,779**	**$ (108)**	**$ 33,257**
Liabilities related to segregated funds net assets	**—**	**20,423**	**—**	**13,014**	**—**	**—**	**33,437**
Other	**845**	**60**	**3**	**10**	**—**	**11,391**	**12,309**
Total liabilities	**$ 23,428**	**$ 22,515**	**$ 2,228**	**$ 17,770**	**$ 1,779**	**$ 11,283**	**$ 79,003**

	As at December 31, 2020						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Assets							
Invested assets	$ 25,922	$ 2,145	$ 1,969	$ 4,949	$ 1,347	$ 8,815	$ 45,147
Segregated funds net assets	—	19,240	—	13,564	—	—	32,804
Reinsurance assets	(36)	—	222	130	1,805	(140)	1,981
Other	109	1,096	—	—	74	5,255	6,534
Total assets	$ 25,995	$ 22,481	$ 2,191	$ 18,643	$ 3,226	$ 13,930	$ 86,466
Liabilities							
Insurance contract liabilities and investment contract liabilities	$ 25,661	$ 2,246	$ 2,272	$ 5,030	$ 2,003	$ (110)	$ 37,102
Liabilities related to segregated funds net assets	—	19,240	—	13,564	—	—	32,804
Other	441	47	3	8	—	9,548	10,047
Total liabilities	$ 26,102	$ 21,533	$ 2,275	$ 18,602	$ 2,003	$ 9,438	$ 79,953

18 › Earnings Per Common Share

Basic Earnings Per Share

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

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

Diluted Earnings Per Share

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

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the period). For the three months ended March 31, 2021, an average of 87,939 antidilutive stock options (109,221 for the three months ended March 31, 2020) were excluded from the calculation.

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

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

19 › Post-Employment Benefits

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

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

Amounts Recognized in Net Income and Other Comprehensive Income

	Three months ended March 31			
	2021		2020	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Current service cost	**$ 17**	**$ 1**	$ 15	$ 1
Net interest	**2**	**—**	2	—
Components of the cost of defined benefits recognized in the net income	**19**	**1**	17	1
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**106**	**—**	162	—
Actuarial losses (gains) on financial assumption changes	**(259)**	**(2)**	(253)	(2)
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**(153)**	**(2)**	(91)	(2)
Total of defined benefit cost components	**$ (134)**	**$ (1)**	$ (74)	$ (1)

[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

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

20 › Commitments

Investment Commitments

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

Letters of Credit

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at March 31, 2021, the balance of these letters is $7 ($7 as at December 31, 2020).

Lines of Credit

As at March 31, 2021, the Company had operating lines of credit totalling $56 ($56 as at December 31, 2020). As at March 31, 2021 and 2020, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

Conference Call
Management held a conference call to present its results on Thursday, May 6, at 11:30 a.m. (ET). You can listen to a replay of the conference call for a 90-day period on the Company's website at ia.ca, under *About iA,* in the *Investor Relations/Financial Reports* section.

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

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

For questions regarding your shares and the Dividend Reinvestment and Share Purchase Plan:
Computershare Investor Services Inc.
Telephone: 514 982-7555
1 877 684-5000 (toll free)
Email: ia@computershare.com

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

For questions regarding Industrial Alliance products and services, contact your agent. If you don't have an agent, contact Industrial Alliance at:
Industrial Alliance Insurance and Financial Services Inc.
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Quebec City, QC G1K 7M3
Telephone: 418 684-5000
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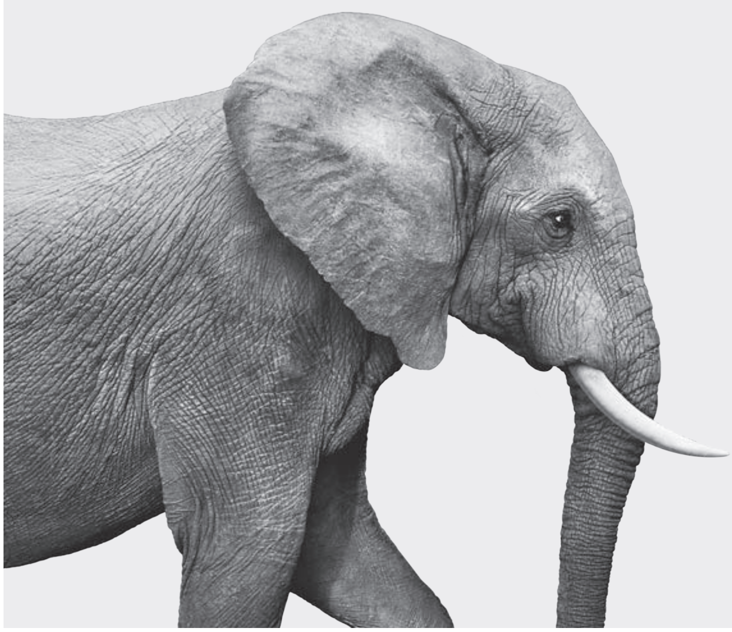

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