

SUSTAINABLE GROWTH



iA Financial Corporation Inc.

Management's Discussion and Analysis for the Third Quarter of 2019

November 6, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated November 6, 2019. 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. Under this arrangement, iA Financial Corporation became the successor issuer and the financial results of iA Insurance for the year ended December 31, 2018 constitute the financial results of iA Financial Corporation. The comparative data for 2018 and 2017 presented herein is therefore the same as the data for iA Insurance. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019 and 2018. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2018. 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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HIGHLIGHTS¹

Profitability	Third quarter			Year-to-date at September 30		
	2019	2018	Variation	2019	2018	Variation
	Net income attributed to common shareholders (in millions)	\$183.7	\$164.9	11%	\$516.2	\$463.2
Weighted average number of common shares (diluted) (in millions)	106.9	110.2	(3%)	107.3	109.2	(2%)
Earnings per common share (EPS) (diluted)	\$1.72	\$1.50	15%	\$4.81	\$4.23	14%
Core earnings per common share (EPS) (diluted)	\$1.77	\$1.46	21%	\$4.66	\$4.16	12%

	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Return on common shareholders' equity (ROE) ^{2,3}	12.7%	12.6%	12.5%	12.3%
Core return on common shareholders' equity (ROE) ^{2,3}	12.4%	12.1%	12.4%	12.2%

The Company ended the third quarter of 2019 with net income to common shareholders of \$183.7 million versus \$164.9 million in 2018 (+11%), and diluted earnings per common share (EPS) of \$1.72 versus \$1.50 in 2018 (+15%).

Return on common shareholders' equity (ROE) was 12.7% at September 30, 2019, which is just above guidance of 11.0% to 12.5%. This result is calculated on a trailing twelve-month basis and compares with 12.3% at September 30, 2018.

Diluted core EPS of \$1.77 is above guidance of \$1.55 to \$1.65 and is up from \$1.46 for the same period in 2018 (+21%).

Business growth – Premiums and deposits totalled more than \$2.7 billion for the quarter, up from third quarter 2018 (+15%). Total assets under management and administration grew 2% during the quarter to reach \$187.1 billion at September 30, 2019, an increase of 6% year over year. In Canada, third quarter sales were particularly good for segregated funds, Group Insurance, Group Savings and Retirement and iA Auto and Home. In Individual Insurance, total premium sales for the quarter were down year over year (-5%), while minimum premium sales were up (+5%). Gross sales of mutual funds totalled \$465.2 million (+5%) with net outflows of \$127.9 million. In US Operations, sales continued to be strong in both Individual Insurance and Dealer Services.

Financial position – The solvency ratio was 134% at September 30, 2019, compared with 127% at the end of the previous quarter and 119% a year earlier. The Company's solvency ratio target range is 110% to 116%. The Company organically generated additional capital of approximately \$90 million during the quarter and the debt ratio was 22.4%.

Debenture issuance – On September 19, 2019, the Company announced an offering of 3.072% fixed/floating subordinated debentures due September 24, 2031, with a nominal value of \$400 million.

Book value – The book value per common share was \$50.79 at September 30, 2019, up 2% from the last quarter and 9% over twelve months.

Dividend – The Board of Directors approved a quarterly dividend of \$0.4500 per common share payable in the fourth quarter of 2019.

Normal Course Issuer Bid – Under the program in effect from November 12, 2018 to November 11, 2019, the Company may redeem up to 5,482,768 common shares, representing approximately 5% of its 109,655,360 common shares issued and outstanding at November 1, 2018. In the third quarter of 2019, the Company redeemed nearly 0.3 million shares for a total value of \$15.2 million. Between November 12, 2018 and September 30, 2019, iA Financial Group redeemed 3.9 million shares for a total value of \$188.5 million, representing 3.6% of its shares at November 1, 2018.

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

² Trailing twelve months.

³ In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings at January 1, 2017 by \$58 million.

In addition, with the approval of the Toronto Stock Exchange and the Autorité des marchés financiers, the Company plans to redeem, under a Normal Course Issuer Bid between November 12, 2019 and November 11, 2020, up to 5,335,397 common shares, representing approximately 5% of its 106,707,949 common shares issued and outstanding at November 1, 2019. The redemption purchases will be made at market price at the time of purchase through the facilities of the Toronto Stock Exchange or an alternative Canadian trading system, in accordance with market rules and policies. The common shares redeemed will be cancelled.

PPI Management Inc. (PPI) purchase price and goodwill adjustments – During the third quarter, the Company concluded the final settlement of the PPI acquisition price. The contingent consideration was settled for less than initially planned. At the same time, the financial projections of the subsidiary were reviewed, which led to a goodwill impairment. These two items resulted in a negative net impact on third quarter results of \$8.5 million on a non-taxable basis, or \$0.08 EPS.

Excellence – On September 25, 2019, the Company announced the merger of Excellence Life Insurance Company and iA Insurance. Subject to regulatory approval, the merger will take effect on January 1, 2020. This merger will ensure the synergy of both companies' operations and improve operational efficiency, and will have little to no direct impact on jobs.

Annual actuarial assumption review – The annual review of actuarial assumptions has begun and will be finalized in the coming weeks. The final results will be reported on February 13, 2020, with the fourth quarter 2019 results disclosure. The Company believes the total impact of this review on fourth quarter 2019 results will be immaterial.

Litigation – iA Insurance is involved in litigation with a third party, Ituna Investment LP (Ituna), which was seeking to use insurance contracts for purposes not originally intended. The application was heard by the Court of Queen's Bench for Saskatchewan in September 2018. Subsequent to this application, the government of Saskatchewan published new regulations limiting the amount of premiums an insurer may receive or accept for deposit in life insurance policy side accounts. These regulations are consistent with the position taken by iA Insurance. On March 15, 2019, the Saskatchewan Court of Queen's Bench dismissed, in its entirety, the application commenced by Ituna against iA Insurance. Ituna indicated on April 15 that it would appeal the decision. This appeal will be heard in mid-January 2020. iA Insurance has always maintained that the position taken by Ituna was legally unfounded and will respond to the appeal with the same conviction.

Board of Directors – On July 9, 2019, the Company announced the appointment of Ginette Maillé to the board.

Planning Committee – During the third quarter, the Company announced the appointments of Michael L. (Mike) Stickney as Executive Vice-President and Chief Growth Officer and Alain Bergeron as Executive Vice-President and Chief Investment Officer. With these appointments, Mr. Bergeron joins the Planning Committee and Mr. Stickney continues to be a member.

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)	Third quarter			Year-to-date at September 30		
	2019	2018	Variation	2019	2018	Variation
Individual Insurance	397.5	384.5	13.0	1,176.6	1,155.0	21.6
Individual Wealth Management	1,203.6	994.6	209.0	3,598.6	3,479.8	118.8
Group Insurance	454.6	464.5	(9.9)	1,339.1	1,324.3	14.8
Group Savings and Retirement	439.5	317.2	122.3	1,460.3	1,209.9	250.4
US Operations	160.6	140.7	19.9	475.3	400.9	74.4
General Insurance ⁶	79.5	74.3	5.2	231.9	219.2	12.7
Total	2,735.3	2,375.8	359.5	8,281.8	7,789.1	492.7

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 and Group Savings and Retirement sectors and mutual fund deposits.

⁵ This table presents non-IFRS measures.

⁶ Includes iAAH and some minor consolidation adjustments.

Premiums and deposits surpassed \$2.7 billion in the third quarter, an increase of 15% year over year, mainly due to the contribution of the Individual Wealth and Group Savings and Retirement business lines. For the year to date, premiums and deposits totalled nearly \$8.3 billion for a year-over-year increase of 6%, explained by positive contributions from all business units, in particular Group Savings and Retirement, Individual Wealth Management and US Operations.

Assets Under Management and Administration⁷				
(In millions of dollars)	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Assets under management				
General fund	45,458.8	43,432.1	39,759.5	39,067.5
Segregated funds	26,976.4	26,388.7	23,780.6	25,033.6
Mutual funds	11,360.2	11,431.0	10,832.8	11,760.1
Other	15,666.6	15,421.8	14,721.1	15,127.5
Subtotal	99,462.0	96,673.6	89,094.0	90,988.7
Assets under administration	87,592.0	87,566.7 ⁸	79,677.5	86,056.1
Total	187,054.0	184,240.3	168,771.5	177,044.8

Assets under management and administration of \$187.1 billion were up 6% year over year and 2% quarter over quarter, mainly due to market growth and the influx of new assets.

Sales Growth by Line of Business⁹						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date at September 30		
	2019	2018	Variation	2019	2018	Variation
Individual Insurance						
Minimum premiums	45.8	43.7	5%	127.9	129.0	(1%)
Excess premiums	1.2	5.7	(79%)	8.3	14.5	(43%)
Total	47.0	49.4	(5%)	136.2	143.5	(5%)
Individual Wealth Management						
General fund	162.0	88.1	84%	369.1	295.8	25%
Segregated funds	576.4	464.4	24%	1,732.1	1,527.9	13%
Mutual funds	465.2	442.1	5%	1,497.4	1,656.1	(10%)
Total	1,203.6	994.6	21%	3,598.6	3,479.8	3%
Net sales (after redemptions and transfers)						
Segregated funds	167.8	63.1	104.7	419.2	346.2	73.0
Mutual funds	(127.9)	(82.3)	(45.6)	(353.2)	(39.7)	(313.5)
Group Insurance						
Employee Plans	12.9	9.4	37%	42.9	85.3	(50%)
Dealer Services						
Creditor Insurance	97.6	108.3	(10%)	253.7	287.2	(12%)
P&C Insurance	70.6	66.1	7%	197.5	187.4	5%
Car loan originations	131.5	90.5	45%	328.1	247.6	33%
Special Markets Solutions	62.9	57.6	9%	197.6	179.4	10%
Group Savings and Retirement	446.5	323.3	38%	1,480.4	1,228.6	20%
US Operations (\$US)						
Individual Insurance	25.9	21.0	23%	69.8	59.8	17%
Dealer Services – P&C Insurance ¹⁰	117.5	104.8	12%	341.6	295.8	15%
General Insurance						
iAAH (auto and home insurance)	96.2	87.3	10%	274.8	254.3	8%

⁷ This table presents non-IFRS measures.

⁸ In Q3 2019, an adjustment was made to the June 30, 2019 figure for assets under administration.

⁹ Sales are not an IFRS measure.

¹⁰ Property and casualty insurance.

Individual Insurance in Canada – Third quarter sales totalled \$47.0 million. Total premium sales were down year over year (-5%) but minimum premium sales were up (+5%). Excess premiums tend to be more volatile by nature.

Individual Wealth Management – Guaranteed product (general fund) sales for the quarter were up significantly from last year at \$162.0 million. Gross segregated fund sales were up 24% year over year at \$576.4 million, while net sales amounted to \$167.8 million compared to \$63.1 million a year earlier. The Company remains number one in the industry for net sales.

Gross mutual fund sales were up 5% year over year at \$465.2 million, with net outflows of \$127.9 million.

Group Insurance – Employee Plans – Third quarter sales totalled \$12.9 million, compared to \$9.4 million in the same quarter last year. Note that sales in this division vary considerably from one quarter to another based on the size of the contracts sold.

Group Insurance – Dealer Services – Total sales of \$299.7 million in the third quarter were up 13% year over year. By product, P&C sales (including extended warranties and replacement insurance) were up 7% from the previous year at \$70.6 million, while creditor insurance sales of \$97.6 million compared with \$108.3 million a year ago. Car loan originations of \$131.5 million were up 45% year over year.

Group Insurance – Special Markets Solutions – Third quarter sales of \$62.9 million were up 9% from a year ago.

Group Savings and Retirement – Total third quarter sales amounted to \$446.5 million compared to \$323.3 million a year earlier, an increase of 38%.

US Operations – Year over year, Individual Insurance sales grew by 23% in the third quarter to US \$25.9 million. Dealer Services sales grew 12% to US \$117.5 million.

General Insurance (IAAH) – Written premiums grew by 10% year over year to \$96.2 million.

ANALYSIS ACCORDING TO SOURCES OF EARNINGS

Results According to Sources of Earnings ¹¹						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2019	2018	Variation	2019	2018	Variation
Operating profit						
Expected profit on in-force	206.9	180.8	26.1	575.8	512.2	63.6
Experience gains (losses)	5.0	15.5	(10.5)	36.8	61.7	(24.9)
Gain (strain) on sales	(2.3)	(7.2)	4.9	(9.7)	(23.4)	13.7
Changes in assumptions and management actions ¹²	(8.5)	—	(8.5)	(8.5)	—	8.5
Subtotal	201.1	189.1	12.0	594.4	550.5	43.9
Income on capital	40.1	30.5	9.6	95.1	71.4	23.7
Income taxes	(52.1)	(49.1)	(3.0)	(156.5)	(143.2)	(13.3)
Net income attributed to shareholders	189.1	170.5	18.6	533.0	478.7	54.3
Less: dividends on preferred shares issued by a subsidiary	5.4	5.6	(0.2)	16.8	15.5	1.3
Net income attributed to common shareholders	183.7	164.9	18.8	516.2	463.2	53.0

The analysis of profitability according to the sources of earnings presents the key variations between reported net income and the Company's expectation for the three-month period ended September 30, 2019. This data complements information presented in the section entitled "Analysis According to the Financial Statements" and provides additional information to better understand the Company's financial results. This analysis contains non-IFRS measures, which are explained in the "Non-IFRS Financial Information" section at the end of this document.

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

¹² Q3 2019: PPI purchase price and goodwill adjustments.

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 2019 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 third quarter of 2019, expected profit on in-force was up 14% (+\$26.1 million) year over year due to growth in all business lines and, to a lesser extent, the quarterly update for the wealth lines (as explained in the previous paragraph). Growth was especially strong in US Operations and Group Insurance. For the first nine months of the year, expected profit on in-force was up 12% versus 2018.

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

In the third quarter of 2019, the Company recorded a net experience gain of \$5.0 million, or \$3.6 million after tax (+\$0.03 EPS), due to the following:

- *Individual Insurance* – Experience was positive in the third quarter (+\$5.8 million after tax or +\$0.05 EPS), resulting from favourable policyholder (lapse) experience (+\$0.03 EPS), favourable morbidity (+\$0.02 EPS), positive market impact on universal life insurance policies (+ \$0.01 EPS) and various other items with a positive net impact (+\$0.01 EPS). Commission income from the PPI subsidiary was lower than expected (-\$0.02 EPS), with a similar impact anticipated for the fourth quarter.
- *Individual Wealth Management* – Experience for this business line was favourable in the third quarter (after-tax gain of \$4.5 million or +\$0.04 EPS) due to the positive market impact on the segregated fund hedging program. Note that market impact on investment fund income (MERS) was in line with expectations.
- *Group Insurance* – This business line recorded an after-tax loss of \$7.2 million for the quarter (-\$0.07 EPS). Experience in Employee Plans was unfavourable for long-term disability insurance (-\$0.03 EPS) as well as other coverages (-\$0.01 EPS). In Dealer Services (including car loans), experience was below expectations, mainly for creditor insurance (-\$0.02 EPS). Lastly, in Special Markets Solutions, experience was slightly unfavourable, primarily for travel insurance (-\$0.01 EPS).
- *Group Savings and Retirement* – This business line reported an after-tax gain of \$3.2 million (+\$0.03 EPS) due mainly to favourable longevity experience.
- *US Operations* – Experience in this business line was below expectations for the quarter (after-tax loss of \$2.7 million or -\$0.02 EPS) due to unfavourable experience in the Individual Insurance division, mainly related to mortality (-\$0.01 EPS), and higher expenses in the Dealer Services division (-\$0.01 EPS).

Strain in Individual Insurance and US Operations – Strain on new business amounted to \$1.7 million pre-tax, or 2% of sales for the quarter. This is at the low end of guidance of 0% to 15% and slightly better than expected due to a favourable sales mix. This item represents a gain of \$0.01 EPS for the quarter.

PPI Management Inc. (PPI) purchase price and goodwill adjustments – During the third quarter, the Company concluded the final settlement of the PPI acquisition price. The contingent consideration was settled for less than initially planned, resulting in a non-taxable gain of \$13.6 million. At the same time, the financial projections of the subsidiary were reviewed, leading to the recognition of a goodwill impairment of \$22.1 million on a non-taxable basis. Consequently, the negative net impact on third quarter results was \$8.5 million on a non-taxable basis (-\$0.08 EPS).

Income on capital – Net income earned on the Company's surplus funds, which includes income from iA Auto and Home (iAAH), was \$40.1 million before tax for the third quarter, representing a gain of \$0.07 EPS versus management expectations. Investment income on capital was close to expectations, while financing expenses were lower (+\$0.02 EPS) due to the debenture redemption in May. Experience at iAAH was better than expected (+\$0.05 EPS).

Income taxes – Income taxes totalled \$52.1 million in the third quarter for an effective tax rate of 21.6%, which is within guidance of 20% to 22%. As announced in the second quarter, the implementation of a new investment strategy led to a recurring reduction in the tax advantage generated by the decrease in dividend income from Canadian companies (-\$0.01 EPS). At the same time, tax optimization efforts led to a favourable adjustment in the income tax calculation related to the Company's status as a multinational insurer (+\$0.02 EPS).

Core Earnings Per Common Share

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

For the third quarter of 2019, diluted core EPS of \$1.77 was above guidance of \$1.55 to \$1.65. Four items were adjusted in the core EPS calculation for the quarter, as shown in the table below. This table reconciles the Company's reported and core EPS on a diluted basis.

Reported EPS and Core EPS Reconciliation						
(On a diluted basis)	Third quarter			Year-to-date at September 30		
	2019	2018	Variation	2019	2018	Variation
Reported EPS	\$1.72	\$1.50	15%	\$4.81	\$4.23	14%
Adjusted for:						
Specific items:						
Unusual income tax gains and losses	—	—		(\$0.04)	\$0.07	
PPI purchase price and goodwill adjustments	\$0.08	—		\$0.08	—	
Market-related gains and losses	(\$0.05)	(\$0.04)		(\$0.23)	(\$0.05)	
Policyholder experience gains and losses in excess of \$0.04 EPS	\$0.03	—		\$0.03	(\$0.09)	
iA Auto and Home experience gains and losses in excess of \$0.04 EPS	(\$0.01)	—		(\$0.01)	—	
Usual income tax gains and losses in excess of \$0.04 EPS	—	—		\$0.02	—	
Core EPS	\$1.77	\$1.46	21%	\$4.66	\$4.16	12%

ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

The following analysis should be read in conjunction with Note 15 *Segmented Information* in the Company's unaudited interim condensed consolidated financial statements.

Consolidated Income Statements						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2019	2018	Variation	2019	2018	Variation
Revenues						
Net premiums	2,189.5	1,836.0	353.5	6,527.0	5,872.5	654.5
Investment income	1,109.8	(295.0)	1,404.8	4,943.1	140.5	4,802.6
Other revenues	416.2	439.2	(23.0)	1,251.1	1,312.0	(60.9)
Total	3,715.5	1,980.2	1,735.3	12,721.2	7,325.0	5,396.2
Less: policy benefits and expenses	3,474.5	1,760.2	1,714.3	12,031.3	6,701.5	5,329.8
Income before income taxes	241.0	220.0	21.0	689.9	623.5	66.4
Less: income taxes	51.9	49.1	2.8	156.3	143.3	13.0
Net income	189.1	170.9	18.2	533.6	480.2	53.4
Less: net income attributed to participating policyholders	—	0.4	(0.4)	0.6	1.5	(0.9)
Net income attributed to shareholders	189.1	170.5	18.6	533.0	478.7	54.3
Less: preferred share dividends issued by a subsidiary	5.4	5.6	(0.2)	16.8	15.5	1.3
Net income attributed to common shareholders	183.7	164.9	18.8	516.2	463.2	53.0

Revenues

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

Revenues by Line of Business							
(In millions of dollars)	Third quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	397.5	738.4	418.1	428.5	127.5	79.5	2,189.5
<i>Variation vs. 2018</i>	<i>13.0</i>	<i>185.9</i>	<i>2.3</i>	<i>125.2</i>	<i>21.9</i>	<i>5.2</i>	<i>353.5</i>
Investment income	861.4	47.0	37.8	63.7	65.5	34.4	1,109.8
<i>Variation vs. 2018</i>	<i>1,163.3</i>	<i>79.5</i>	<i>22.3</i>	<i>73.1</i>	<i>69.0</i>	<i>(2.4)</i>	<i>1,404.8</i>
Other revenues	29.8	367.8	13.5	24.2	18.8	(37.9)	416.2
<i>Variation vs. 2018</i>	<i>(17.7)</i>	<i>0.8</i>	<i>(1.9)</i>	<i>2.0</i>	<i>1.7</i>	<i>(7.9)</i>	<i>(23.0)</i>
Total	1,288.7	1,153.2	469.4	516.4	211.8	76.0	3,715.5
<i>Variation vs. 2018</i>	<i>1,158.6</i>	<i>266.2</i>	<i>22.7</i>	<i>200.3</i>	<i>92.6</i>	<i>(5.1)</i>	<i>1,735.3</i>

Net premiums – The \$353.5 million increase over the third quarter of 2018 is mainly explained by:

- Increased net segregated fund premiums and guaranteed investment certificate sales in Individual Wealth Management.
- Net premium growth in Group Savings and Retirement due to major contracts.

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 \$1,404.8 million increase in investment income compared to third quarter 2018 is largely due to the increase in the fair value of bond investments and derivatives, 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 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 decreased \$23.0 million in the third quarter of 2019 versus third quarter 2018, essentially due to the harmonization of an accounting policy of one of the individual wealth subsidiaries with that used by the other entities of the group.

Policy Benefits and Expenses

Policy benefits and expenses increased by \$1,714.3 million in the third quarter compared to the same period last year. The main items contributing to this increase are as follows:

Increased expenses from:

- An increase in insurance contract liabilities. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.
- An increase in net transfers to segregated funds compared to 2018 in Individual Wealth Management and Group Savings and Retirement.

The increase in policy benefits and expenses was mitigated by:

- A positive variation in reinsurance assets in 2019 versus the previous year. This item is generally influenced by the same factors that influence the variation in insurance contract liabilities mentioned above.

Income Taxes

For the third quarter of 2019, the Company recorded an income tax expense of \$51.9 million, compared to \$49.1 million in 2018. 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 \$183.7 million for the third quarter of 2019, compared to \$164.9 million for the same period last year. The increase is primarily explained by the factors mentioned in this section.

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

Selected Financial Data								
(In millions of dollars, unless otherwise indicated)	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	3,715.5	4,078.7	4,927.0	2,587.4	1,980.2	2,772.7	2,572.1	3,680.2
Net income attributed to common shareholders	183.7	181.4	151.1	149.5	164.9	159.1	139.2	132.8
Earnings per common share								
Basic	\$1.73	\$1.70	\$1.41	\$1.37	\$1.50	\$1.45	\$1.30	\$1.25
Diluted	\$1.72	\$1.69	\$1.40	\$1.36	\$1.50	\$1.44	\$1.29	\$1.24

Related Party Transactions

In April 2019, the iA Insurance subsidiary entered into a financing agreement with the Company taking effect January 1, 2019, in the amount of \$80 million, to be used only to finance the Company's Normal Course Issuer Bid program. This transaction does not appear in the Company's unaudited interim condensed consolidated financial statements due to the consolidation of this subsidiary.

Liquidity

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

Given the volatility of the financial markets, the Company carries out simulations to measure its liquidity needs under various scenarios, some of which can be qualified as extreme. In light of these simulations, 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 *2018 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 18 of the Company's unaudited interim condensed consolidated financial statements.

Accounting Policies and Main Accounting Estimates

The Company's third quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 *General Information* of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the iA Financial Group *2018 Annual Report*.

More information on new accounting standards used and changes in accounting policies is presented in Note 2 *Changes in Accounting Policies* of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

Investment Mix				
(In millions of dollars, unless otherwise indicated)	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Book value of investments	39,856.8	37,987.9	34,578.9	33,994.0
Allocation of investments by asset class				
Bonds	69.6%	69.1%	68.3%	67.8%
Stocks	7.3%	7.4%	8.8%	9.8%
Mortgages and other loans	9.7%	10.0%	10.6%	10.2%
Investment properties	4.5%	4.6%	5.0%	4.2%
Policy loans	2.3%	2.4%	2.7%	2.7%
Cash and short-term investments	2.5%	2.3%	3.0%	3.5%
Other	4.1%	4.2%	1.6%	1.8%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio amounted to nearly \$39.9 billion at September 30, 2019, up from June 30, 2019. The above table shows the main asset classes that make up the Company's investment portfolio.

Quality of Investments				
(In millions of dollars, unless otherwise indicated)	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Gross impaired investments	24.0	23.9	24.5	24.6
Provisions for impaired investments	11.1	11.1	8.6	6.0
Net impaired investments	12.9	12.8	15.9	18.6
Net impaired investments as a % of total investments	0.03%	0.03%	0.05%	0.05%
Bonds – Proportion rated BB or lower	0.82%	0.86%	0.78%	0.82%
Mortgages – Proportion of securitized and insured loans ¹³	39.2%	38.1%	37.2%	37.6%
– Proportion of insured loans	35.8%	37.4%	39.3%	38.9%
– Delinquency rate	0.08%	0.10%	0.09%	0.09%
Investment properties – Occupancy rate	93.0%	96.0%	95.0%	93.0%
Car loans – Average credit loss rate (non-prime) ¹⁴	5.3%	5.4%	5.2%	5.2%

The indices in the above table confirm the quality of the investment portfolio in the third quarter.

Derivative Financial Instruments				
(In millions of dollars, unless otherwise indicated)	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Total notional amount (\$B)	26.6	25.0	17.4	15.7
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	1,208.0	1,205.2	224.9	295.4
Negative fair value	387.7	262.0	429.2	278.0

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, as well as forward agreements and futures contracts.

¹³ A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.

¹⁴ Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.

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 3 and Note 6 of the Company's unaudited interim condensed consolidated financial statements.

FINANCIAL POSITION

Capitalization				
(In millions of dollars)	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Equity				
Common shares	1,652.3	1,632.3	1,655.5	1,671.6
Preferred shares issued by a subsidiary	525.0	525.0	525.0	525.0
Contributed surplus	19.1	22.5	22.8	21.5
Retained earnings ¹⁵	3,658.5	3,541.5	3,447.0	3,426.1
Accumulated other comprehensive income	89.5	91.7	22.5	(1.3)
Subtotal	5,944.4	5,813.0	5,672.8	5,642.9
Debentures	1,049.5	651.5	901.4	901.0
Participating policyholders' accounts	45.6	45.6	45.3	42.5
Total	7,039.5	6,510.1	6,619.5	6,586.4

The Company's capital amounted to more than \$7.0 billion at September 30, 2019, up \$529.4 million from June 30, 2019. This increase stems mainly from the subordinated debenture issuance in September mentioned at the beginning of this document and, to a lesser extent, the contribution of earnings (net of dividends paid to shareholders).

Solvency^{15,16}				
(In millions of dollars, unless otherwise indicated)	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Available capital				
Tier 1	3,164.6	3,028.1	3,076.9	3,225.5
Tier 2	1,595.9	1,201.2	1,392.0	1,252.9
Surplus allowance and eligible deposits	4,419.9	4,294.1	4,045.6	3,797.0
Total	9,180.4	8,523.4	8,514.5	8,275.4
Base solvency buffer	6,859.7	6,720.0	6,755.2	6,964.0
Solvency ratio	134%	127%	126%	119%

The Company ended the third quarter of 2019 with a solvency ratio of 134%. The variation from June 30, 2019 is due to the net impact of the subordinate debenture issuance (+6 percentage points) and organic capital generation, which includes the contribution of earnings net of dividends paid to shareholders (+1 percentage point). The Company's solvency ratio target range is 110% to 116%.

During the third quarter, the Company organically generated approximately \$90 million in additional capital.

¹⁵ In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings at January 1, 2017 by \$58 million.

¹⁶ This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

Financial Leverage				
	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Debt ratio				
Debentures/capital ¹⁷	14.9%	10.0%	13.6%	13.7%
Debentures + preferred shares issued by a subsidiary/capital ¹⁷	22.4%	18.1%	21.5%	21.7%
Coverage ratio ¹⁸	16.8x	15.9x	14.6x	14.5x

The increase in debt ratios during the third quarter is essentially due to the subordinated debenture issuance. The increase in the coverage ratio mainly reflects the increase in profits realized and the decrease in financing charges over the past twelve months.

Book Value per Common Share and Market Capitalization				
	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
Book value per common share ¹⁷	\$50.79	\$49.70	\$47.40	\$46.65
Number of common shares outstanding	106,683,949	106,421,099	108,575,222	109,651,860
Value per share at close	\$60.29	\$53.34	\$43.57	\$51.65
Market capitalization	\$6,431,975,285	\$5,676,501,421	\$4,730,622,423	\$5,663,518,569

Book value per common share was \$50.79 at September 30, 2019, up 2.2% from June 30, 2019 and 8.9% over the last twelve months. This increase mainly reflects the contribution of retained earnings.

The increase in the number of common shares during the quarter is due to the exercise of stock options under the stock option plan for senior managers. In addition, during the third quarter of 2019, the Company redeemed 0.3 million shares for a total value of \$15.2 million. Between November 12, 2018 and September 30, 2019, the Company has redeemed 3.9 million shares for a total value of \$188.5 million, representing 3.6% of its shares as at November 1, 2018. The Company's market capitalization was nearly \$6.4 billion at September 30, 2019, an increase of 12.3% during the quarter mainly due to the increase in the Company's stock price.

DECLARATION OF DIVIDEND

The Board of Directors of iA Financial Corporation approved a quarterly dividend of \$0.4500 per share on the Company's outstanding common shares, the same as that announced the previous quarter.

The Board of Directors of iA Insurance approved a quarterly dividend of \$0.2875 per Non-Cumulative Class A Preferred Share – Series B, \$0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and \$0.3000 per Non-Cumulative Class A Preferred Share – Series I.

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	\$0.4500	December 16, 2019	November 22, 2019	
Class A Preferred Share – Series B – iA Insurance	\$0.2875	December 31, 2019	November 29, 2019	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	\$0.2360625	December 31, 2019	November 29, 2019	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	\$0.3000	December 31, 2019	November 29, 2019	Non-cumulative dividend

The Board of Directors of iA Insurance also approved a dividend of \$300 million to its sole common shareholder, iA Financial Corporation.

¹⁷ In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings at January 1, 2017 by \$58 million.

¹⁸ 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).

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

Reinvestment of Dividends

Registered shareholders wishing to enrol in the Company's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on December 16, 2019 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 15, 2019. 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 Analysis¹⁹				
	September 30, 2019	June 30, 2019	December 31, 2018	September 30, 2018
S&P/TSX Closing Value	16,659 points	16,382 points	14,323 points	16,073 points
Solvency ratio ²⁰	134%	127%	126%	119%
Impact of a drop in the stock markets (S&P/TSX Index)				
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(25%)	(25%)	(20%)	(27%)
Index trigger threshold	12,500 points	12,300 points	11,500 points	11,700 points
Decrease in index that reduces the solvency ratio to 110%	(93%)	(74%)	(65%)	
Index trigger threshold	1,200 points	4,200 points	5,000 points	
Decrease in index that reduces the solvency ratio to 112% ²⁰				(37%)
Index trigger threshold				10,000 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	(\$33M)	(\$32M)	(\$30M)	(\$32M)
Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates				
Drop in initial reinvestment rate (IRR)	(\$12M)	(\$12M)	(\$10M)	(\$8M)
Drop in ultimate reinvestment rate (URR)	(\$67M)	(\$64M)	(\$66M)	(\$67M)

Caution related to sensitivities

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

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

¹⁹ The sensitivity analysis is based on non-IFRS measures.

²⁰ In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings as at January 1, 2017 by \$58 million.

NOTICE AND GENERAL INFORMATION

Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the interim period ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Non-IFRS Financial Information

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

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

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

Core earnings per common share is a non-IFRS measure used to better understand the capacity of the Company to generate sustainable earnings.

Management's estimate of core earnings per common share excludes: 1) specific items, including but not limited to year-end assumption changes and unusual income tax gains and losses; 2) market gains and losses related to universal life policies, investment funds (MERS) and the dynamic hedging program for segregated fund guarantees; 3) gains and losses in excess of \$0.04 per share, on a quarterly basis, for strain on Individual Insurance sales, for policyholder experience by business segment (Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations and iA Auto and Home Insurance), for usual income tax gains and losses and for investment income on capital.

Sales is a non-IFRS measure used to assess the Company's ability to generate new business. They are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include both fund entries from new business written and in-force contracts. 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 Group or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective" or "goal" or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this Management's Discussion and Analysis, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events.

Although iA Financial Group 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 Group 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 Group; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the *Management's Discussion and Analysis* for 2018, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2018, and elsewhere in iA Financial Group's filings with Canadian Securities Administrators, which are available for review at sedar.com.

The forward-looking statements in this document reflect the Company's expectations as of the date of this Management's Discussion and Analysis. iA Financial Group 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.

Conference Call

Management will hold a conference call to present iA Financial Group's third quarter results on Wednesday, November 6, 2019 at 2:00 p.m. (ET). The toll-free dial-in number is 1-800-908-8951. A replay of the conference call will be available for a one-week period, starting at 4:30 p.m. on Wednesday, November 6, 2019. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21930061. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at ia.ca.

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).

CONSOLIDATED INCOME STATEMENTS

(Unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended		Nine months ended	
	September 30	2018	September 30	2018
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenues				
Premiums				
Gross premiums	2,404	2,035	7,131	6,455
Premiums ceded	(215)	(199)	(604)	(583)
Net premiums	2,189	1,836	6,527	5,872
Investment income				
Interest and other investment income	347	309	1,001	959
Change in fair value of investments	763	(604)	3,942	(818)
	1,110	(295)	4,943	141
Other revenues	416	439	1,251	1,312
	3,715	1,980	12,721	7,325
Policy benefits and expenses				
Gross benefits and claims on contracts	1,420	1,343	4,356	4,082
Ceded benefits and claims on contracts	(155)	(147)	(397)	(404)
Net transfer to segregated funds	262	114	682	600
Increase (decrease) in insurance contract liabilities	1,156	(346)	5,056	(45)
Increase (decrease) in investment contract liabilities	7	(2)	28	1
Decrease (increase) in reinsurance assets	(32)	9	(112)	108
	2,658	971	9,613	4,342
Commissions	425	421	1,220	1,241
General expenses	347	320	1,061	976
Premium and other taxes	31	33	95	95
Financing charges	13	15	42	48
	3,474	1,760	12,031	6,702
Income before income taxes	241	220	690	623
Income taxes	52	49	156	143
Net income	189	171	534	480
Net income attributed to participating policyholders	—	—	1	1
Net income attributed to shareholders	189	171	533	479
Dividends attributed to preferred shares issued by a subsidiary	5	6	17	16
Net income attributed to common shareholders	184	165	516	463
Earnings per common share (in dollars)				
Basic	1.73	1.50	4.83	4.25
Diluted	1.72	1.50	4.81	4.23
Weighted average number of shares outstanding (in millions of units)				
Basic	106	110	107	109
Diluted	107	110	107	110
Dividends per common share (in dollars)	0.45	0.415	1.32	1.175

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of dollars)	As at September 30 2019 (unaudited) \$	As at December 31 2018 \$
Assets		
Investments		
Cash and short-term investments	1,010	1,046
Bonds	27,767	23,592
Stocks	2,920	3,055
Mortgages and other loans	3,853	3,661
Derivative financial instruments	1,208	225
Policy loans	905	951
Other invested assets	420	329
Investment properties	1,774	1,720
	39,857	34,579
Other assets	2,359	2,172
Reinsurance assets	1,112	1,001
Fixed assets	397	277
Deferred income tax assets	28	26
Intangible assets	1,099	1,071
Goodwill	607	633
General fund assets	45,459	39,759
Segregated funds net assets	26,976	23,781
Total assets	72,435	63,540
Liabilities		
Insurance contract liabilities	30,967	25,940
Investment contract liabilities	628	630
Derivative financial instruments	388	429
Other liabilities	6,162	5,875
Deferred income tax liabilities	275	266
Debentures	1,049	901
General fund liabilities	39,469	34,041
Liabilities related to segregated funds net assets	26,976	23,781
Total liabilities	66,445	57,822
Equity		
Share capital and contributed surplus	1,671	1,678
Preferred shares issued by a subsidiary	525	525
Retained earnings and accumulated other comprehensive income	3,748	3,470
Participating policyholders' accounts	46	45
	5,990	5,718
Total liabilities and equity	72,435	63,540

SEGMENTED INFORMATION

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

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

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

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

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

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

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

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

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

Segmented Income Statements

(in millions of Canadian dollars)

Quarter ended September 30, 2019

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

SEGMENTED INFORMATION (Continued)**Segmented Income Statements (Continued)**

(in millions of Canadian dollars)

Quarter ended September 30, 2018

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Net premiums	384	553	416	303	106	74	1,836
Investment income	(302)	(33)	16	(9)	(4)	37	(295)
Other revenues	48	367	15	22	17	(30)	439
	130	887	447	316	119	81	1,980
Operating expenses							
Gross benefits and claims on contracts	207	452	266	286	95	37	1,343
Ceded benefits and claims on contracts	(74)	—	(16)	(6)	(59)	8	(147)
Net transfer to segregated funds	—	68	—	46	—	—	114
Increase (decrease) in insurance contract liabilities	(299)	(6)	18	(39)	(13)	(7)	(346)
Increase (decrease) in investment contract liabilities	—	—	(2)	—	—	—	(2)
Decrease (increase) in reinsurance assets	—	—	(3)	(1)	9	4	9
Commissions, general and other expenses	211	308	151	23	78	3	774
Financing charges	5	—	5	—	(1)	6	15
	50	822	419	309	109	51	1,760
Income before income taxes and allocation of other activities	80	65	28	7	10	30	220
Allocation of other activities	23	5	1	—	1	(30)	—
Income before income taxes	103	70	29	7	11	—	220
Income taxes	18	19	8	2	2	—	49
Net income attributed to shareholders	85	51	21	5	9	—	171

SEGMENTED INFORMATION (Continued)**Segmented Income Statements (Continued)**

(in millions of Canadian dollars)

Nine months ended September 30, 2019

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

SEGMENTED INFORMATION (Continued)**Segmented Income Statements (Continued)**

(in millions of Canadian dollars)

Nine months ended September 30, 2018

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Net premiums	1,155	1,824	1,192	1,179	303	219	5,872
Investment income	(26)	(25)	62	53	(33)	110	141
Other revenues	127	1,101	45	67	51	(79)	1,312
	1,256	2,900	1,299	1,299	321	250	7,325
Operating expenses							
Gross benefits and claims on contracts	593	1,356	831	906	278	118	4,082
Ceded benefits and claims on contracts	(194)	—	(53)	(18)	(165)	26	(404)
Net transfer to segregated funds	—	360	—	240	—	—	600
Increase (decrease) in insurance contract liabilities	(7)	58	(7)	76	(147)	(18)	(45)
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	(7)	—	(7)	4	103	15	108
Commissions, general and other expenses	612	953	442	69	219	17	2,312
Financing charges	14	—	13	—	—	21	48
	1,011	2,727	1,220	1,277	288	179	6,702
Income before income taxes and allocation of other activities	245	173	79	22	33	71	623
Allocation of other activities	53	6	3	—	9	(71)	—
Income before income taxes	298	179	82	22	42	—	623
Income taxes	56	50	23	6	8	—	143
Net income	242	129	59	16	34	—	480
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	241	129	59	16	34	—	479

SEGMENTED INFORMATION (Continued)**Segmented Premiums**

(in millions of Canadian dollars)

Quarter ended September 30, 2019

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

(in millions of Canadian dollars)

Quarter ended September 30, 2018

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Gross premiums							
Invested in general fund	479	88	463	33	183	48	1,294
Invested in segregated funds	—	465	—	276	—	—	741
	479	553	463	309	183	48	2,035
Premiums ceded							
Invested in general fund	(95)	—	(47)	(6)	(77)	26	(199)
Net premiums	384	553	416	303	106	74	1,836

(in millions of Canadian dollars)

Nine months ended September 30, 2019

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

SEGMENTED INFORMATION (Continued)**Segmented Premiums (Continued)**

(in millions of Canadian dollars)	Nine months ended September 30, 2018						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$		
Gross premiums							
Invested in general fund	1,427	296	1,331	251	533	142	3,980
Invested in segregated funds	—	1,528	—	947	—	—	2,475
	1,427	1,824	1,331	1,198	533	142	6,455
Premiums ceded							
Invested in general fund	(272)	—	(139)	(19)	(230)	77	(583)
Net premiums	1,155	1,824	1,192	1,179	303	219	5,872

Segmented Assets and Liabilities

(in millions of Canadian dollars)	As at September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$		
Assets							
Invested assets	23,099	1,871	2,142	3,828	1,093	7,824	39,857
Segregated funds assets	—	15,748	—	11,228	—	—	26,976
Reinsurance assets	(655)	—	232	127	1,511	(103)	1,112
Other	122	841	—	—	33	3,494	4,490
Total assets	22,566	18,460	2,374	15,183	2,637	11,215	72,435
Liabilities							
Insurance contract liabilities and investment contract liabilities	21,792	1,881	2,193	4,009	1,796	(76)	31,595
Segregated funds liabilities	—	15,748	—	11,228	—	—	26,976
Other	288	31	6	9	—	7,540	7,874
Total liabilities	22,080	17,660	2,199	15,246	1,796	7,464	66,445

SEGMENTED INFORMATION (Continued)**Segmented Assets and Liabilities (Continued)**

	(in millions of Canadian dollars)		As at December 31, 2018				
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Invested assets	19,056	1,823	1,869	3,349	926	7,556	34,579
Segregated funds assets	—	13,994	—	9,787	—	—	23,781
Reinsurance assets	(697)	—	236	131	1,317	14	1,001
Other	121	940	—	—	27	3,091	4,179
Total assets	18,480	16,757	2,105	13,267	2,270	10,661	63,540
Liabilities							
Insurance contract liabilities and investment contract liabilities	17,787	1,643	2,148	3,452	1,602	(62)	26,570
Segregated funds liabilities	—	13,994	—	9,787	—	—	23,781
Other	287	59	6	3	—	7,116	7,471
Total liabilities	18,074	15,696	2,154	13,242	1,602	7,054	57,822