2015
Annual Report

Strength and Growth

iA Financial Group

Founded in 1892, iA Financial Group has a rich history marked by impressive growth. Today, it is a major financial group with operations throughout Canada and in the United States, offering a complete range of insurance and investment solutions for both individuals and groups.

iA Financial Group is ranked among the top four life and health insurers in Canada and is one of the country's leading non-banking financial companies in the wealth management sector.

iA Financial Group serves over four million clients and employs more than 5,100 people. At December 31, 2015, the Company was managing and administering over $115 billion in assets. iA Financial Group is one of Canada's largest public companies and trades on the Toronto Stock Exchange under the ticker symbol IAG.

2015 Marked by Growth and Strength

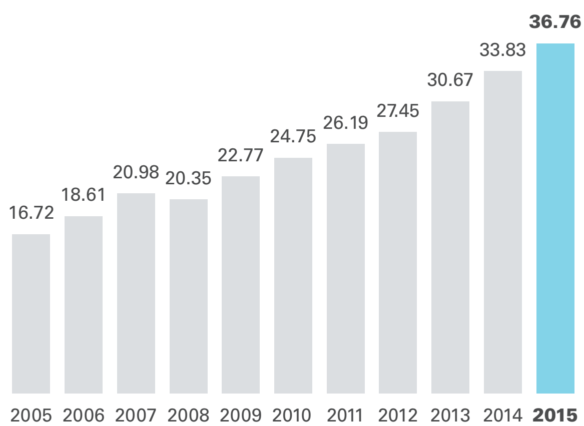
In terms of **growth,** iA Financial Group carried out five acquisitions during the year and assets under management and administration increased 6%, despite difficult markets. Business growth was particularly strong in retail insurance, both in Canada and the United States, in segregated funds and in group savings and retirement.

The Company's financial **strength** was once again confirmed, with a solvency ratio above target, a capital position providing great flexibility and a top-quality investment portfolio. Net income attributed to common shareholders in 2015 was $364 million, down slightly from 2014 due to a major strengthening of provisions for future policy benefits.

iA Financial Group increased its quarterly dividend to common shareholders by 7% during 2015, and book value per common share posted solid growth once again with an annual gain of 9%.

Book Value per Common Share

($, at December 31)



10-Year Compound Annual Growth Rate: 8%

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Financial Highlights (Consolidated Financial Data[1])

Years ended December 31 (in millions of dollars, unless otherwise indicated)	**2015**	2014	Variation
Profitability			
Net income attributed to common shareholders	**364.4**	400.4	(9%)
Earnings per common share (diluted)	**$3.57**	$3.97	($0.40)
Return on common shareholders' equity	**10.2%**	12.4%	(220 bps)
Business Growth			
Net premiums, premium equivalents and deposits by line of business			
Individual Insurance	**1,578.5**	1,495.1	6%
Individual Wealth Management	**3,140.1**	3,362.1	(7%)
Group Insurance	**1,442.3**	1,455.9	(1%)
Group Savings and Retirement	**1,293.3**	963.6	34%
General Insurance	**218.1**	203.8	7%
Total	**7,672.3**	7,480.5	3%
Sales by line of business			
Individual Insurance	**254.3**	216.0	18%
Individual Wealth Management			
General fund	**130.4**	111.9	17%
Segregated funds	**1,581.2**	1,352.6	17%
Mutual funds	**1,428.5**	1,897.6	(25%)
Total	**3,140.1**	3,362.1	(7%)
Group Insurance			
Employee Plans	**68.0**	70.2	(3%)
Dealer Services - Creditor Insurance	**363.0**	378.6	(4%)
Dealer Services - P&C	**197.7**	157.2	26%
Special Markets Solutions	**190.3**	179.8	6%
Total	**819.0**	785.8	4%
Group Savings and Retirement	**1,316.2**	987.7	33%
Assets under management and administration			
Assets under management	**78,892.5**	76,793.6	3%
Assets under administration	**36,920.8**	32,687.2	13%
Total	**115,813.3**	109,480.8	6%
Financial Position (as at December 31)			
Book value per common share	**$36.76**	$33.83	9%
Equity and debentures	**5,030.1**	4,531.7	11%
Solvency ratio	**213%**	209%	400 bps
Debt ratios			
Debentures/capital structure	**16.8%**	13.2%	360 bps
Debentures and preferred shares/capital structure	**24.3%**	23.7%	60 bps
Quality of Investments (as at December 31)			
Net impaired investments as a % of total investments	**0.05%**	0.07%	(2 bps)
Bonds: BB and lower as a % of the portfolio	**0.66%**	0.74%	(8 bps)
Mortgages: delinquency rate	**0.29%**	0.41%	(12 bps)
Investment properties: occupancy rate	**90.1%**	91.0%	(90 bps)
Share Information (as at December 31)			
Number of common shares outstanding (in millions)	**102.4**	100.8	2%
Weighted average number of common shares - diluted (in millions)	**102.0**	100.8	1%
Share price	**$44.13**	$44.43	(1%)
Market capitalization	**4,520.5**	4,477.4	1%
Human Resources			
Number of employees	**5,148**	5,019	129

[1] Refer to the *Ten-Year History* for further detailed financial information and definitions.

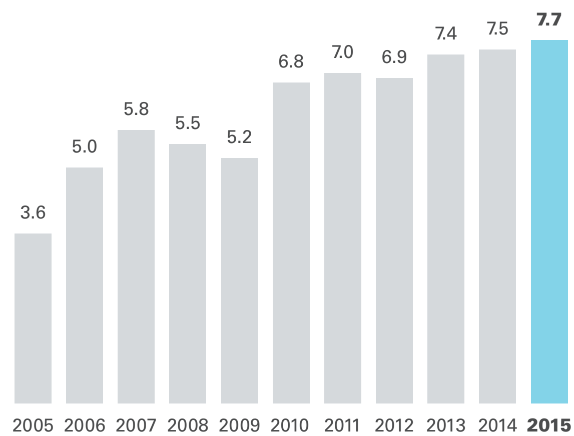
2015 in Review

Solid Business Growth

Sustained growth in sales combined with good business persistency helped increase premiums and deposits in 2015. Sales were strong in retail insurance in Canada and the United States, as well as in segregated funds and group savings and retirement. In addition, total assets were up 6%, despite difficult financial markets.

Net Premiums, Premium Equivalents and Deposits

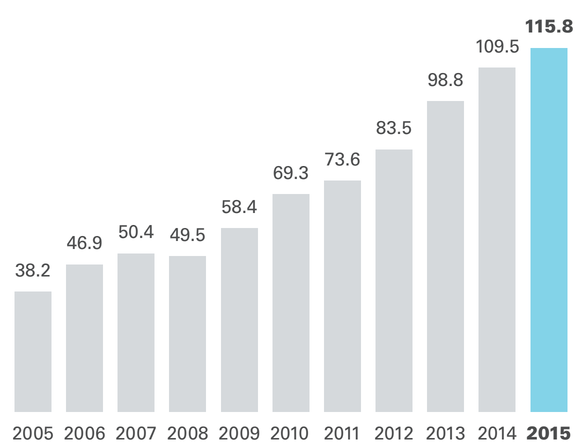
($Billion, at December 31)



10-Year Compound Annual Growth Rate: 8%

Assets Under Management and Administration

($Billion, at December 31)



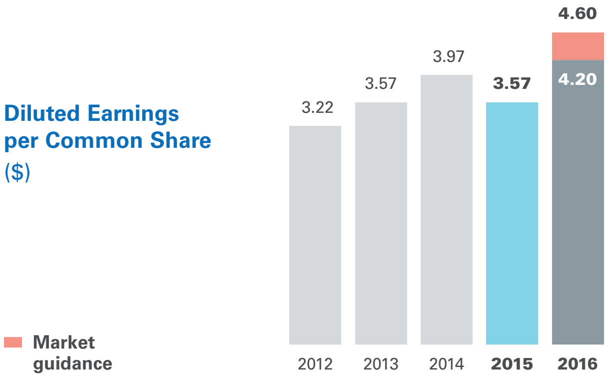
10-Year Compound Annual Growth Rate: 12%

Financial Results Good for Shareholder Equity

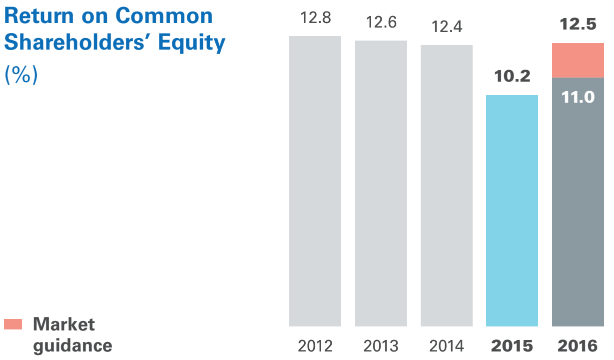
iA Financial Group's results generated a return on shareholders' equity of over 10% in 2015. This is a commendable performance in a context where financial markets were uncooperative and the Company significantly strengthened its actuarial reserves at the end of the year.

This reserve strengthening, which resulted from the findings of a new industry study on lapse behaviour, reduced earnings in 2015 but also bolstered the Company's capacity to generate profits in the future.

Diluted Earnings per Common Share
($)



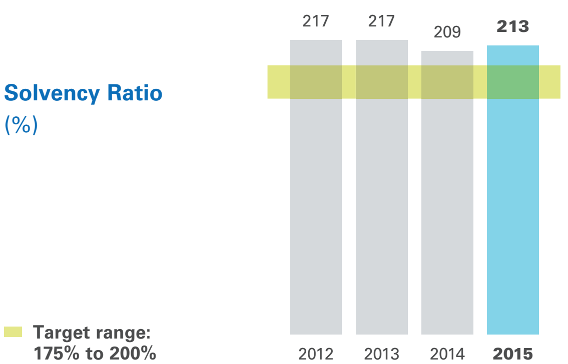
Return on Common Shareholders' Equity
(%)



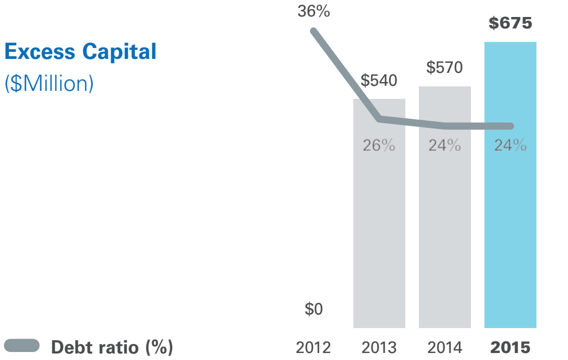
Strong Foundations for Future Growth

iA Financial Group is in a strong financial position with enviable flexibility to deploy excess capital. The Company's solvency and debt ratios are at very comfortable levels, leaving it well positioned to seize new business opportunities and maintain its capacity to absorb macroeconomic shocks.

Solvency Ratio
(%)



Excess Capital
($Million)



Message from the Chairman of the Board

In 2015, iA Financial Group clearly strengthened its positions in a number of sectors, all while maintaining a long-term perspective in its strategic development.

The Company launched two new life insurance and segregated fund products and announced five acquisitions in the areas of life insurance, securities, wealth management and dealer services.

One of the acquisitions made was that of CTL Corp., a consumer vehicle finance company specializing in non-traditional credit options. Through this acquisition, iA Financial Group has improved its position among the main providers of products and services for Canadian car dealers.

Also during the year, employee plans and group savings and retirement were coupled under common leadership, now allowing the Company to provide clients with a single offer for services in these areas.

The Board salutes these positive initiatives as well as the Company's continued ability to increasingly benefit from its strengths and expertise.

Highlights

iA Financial Group did very well financially in 2015, despite an economic environment that offered little help.

The Company finished the year in a very good position in terms of financial strength and continued to grow value for shareholders. The quarterly dividend was increased by 7% in 2015, bringing it to 30 cents per common share. This was the third increase in three years.

iA Financial Group also has significant available capital, putting it in an enviable position for the deployment of promising business strategies.

In terms of business growth, assets under management and administration finished the year at a new record high of $115.8 billion, and the Board is pleased to see increased sales in a number of the Company's business lines and subsidiaries.

Board Activities

The Board of Directors met eight times in 2015, and the Board's various committees held a total of eighteen meetings. The participation rate was 100% in Board meetings, and 97.8% in Board committee meetings.

On May 8, 2015, Michael Hanley joined the Company's Board of Directors. He has been a corporate director since 2012 and has chaired various audit and finance committees. Since his arrival, Mr. Hanley has made a valuable contribution to the Board's activities.

In other news, in accordance with the Company's retirement age policy for Board members, L.G. Serge Gadbois and Jim Pantelidis will be leaving the Board. Mr. Gadbois, who has been on the Board since 2006, was Audit Committee chair for a number of years. Mr. Pantelidis has been a director since 2002 and was chair of the Investment Committee from 2005 to 2015, in addition to sitting on the Human Resources and Governance Committee. On behalf of all of the directors, I thank them both for their significant contribution to the Board and its committees and to the Company's success.

Also of note, for a number of years, women have accounted for no less than 20% of the Company's Board of Directors. At December 31, 2015, four of the Board's fourteen positions were held by women.

I again wish to highlight the discipline and determination demonstrated by each and every member of the Board in ensuring the future and success of iA Financial Group.

Governance

I would also like to reiterate that sound governance has always been an integral part of the iA Financial Group culture. The Company's governance policies have been designed to promote a culture based on integrity and ethical behaviour, as well as a prudent approach to risk management. These policies govern all directors, officers and employees of iA Financial Group. The Company has also adopted rigorous monitoring mechanisms to ensure that these governance policies are understood and strictly adhered to by all.

Lastly, iA Financial Group announced a number of new responsibilities within senior management in 2015. The appointments made are part of the Company's ongoing succession planning strategy, which targets the development and promotion of high-performing individuals within the organization.

The Board of Directors would like to express its thanks and appreciation for the hard work of iA Financial Group's management and employees over the past year. Their expertise, professionalism and dedication have once again contributed to the success of the entire organization and the satisfaction of the shareholders.

Thank you as well to all policyholders and shareholders for their continued confidence and support.

We remain committed to ensuring success and value for iA Financial Group with a dedicated view to the long term.

John LeBoutillier
Chairman of the Board

President and Chief Executive Officer's Report

In 2015,
we continued to build out our platform in Canada and the US through internal growth, acquisitions and strategic partnerships, thus strengthening our position as a leading financial services institution.

Our insurance operations delivered excellent year-over-year growth in all key product lines. The US shone by increasing its contribution to 30% of the Company's total individual life insurance sales in 2015.

Our wealth management results were highlighted by our segregated fund business that continues to gain momentum and industry stature. During 2015, more than 80% of these assets performed above the industry median. In addition, iA Financial Group moved up a notch and now holds the number three rank for segregated fund assets in Canada.

Both our car dealer services and our auto and home insurance business entered strategic partnerships with key industry players that bring additional avenues for growth. We also carried out five acquisitions that enhance our broker-dealer networks and bring new expertise in car loans. All of these acquisitions were funded from excess capital.

The year was not without its disappointments. An important part of our product family, our mutual funds business, had a difficult year in terms of gross and net sales. This is an area of concern for us and we are taking action to address the situation.

Our operating profit was strong with virtually all our retail and group segments outperforming expectations. Particularly noteworthy is the excellent progress achieved by our retail insurance operations, both in Canada and the US, in reducing the cost of new sales. Not only did we succeed in reducing this cost for 2015 but we further cut our target for 2016 by one-half. This is an excellent development for the profit of our organization.

In September 2015 a new industry study was published that confirmed a change in policyholder behaviour. To reflect this new reality, we strengthened our actuarial reserves giving rise to a net charge of $108 million to our net income. While painful at the time and meaning that we fell short of our earnings guidance for the year, it has the long-term benefit of solidifying our future earnings. This should be reassuring for our shareholders.

iA Financial Group has a long history of building value for its shareholders. At mid-year, we increased our quarterly dividend to common shareholders by 7%, bringing this to a total of 22% over the last two years. Book value per share, the ultimate measure of our long-term growth, increased by 9% in 2015, which is consistent with our past performance.

At year-end, our capital position was solid. In addition to maintaining our capacity to absorb significant dips in equity markets and long-term interest rates, we also have the benefit of excess capital and balance sheet flexibility to fund our appetite for growth.

On the eve of our 125th anniversary, we are envisioning our future with confidence and great excitement.

What's next for iA Financial Group?

In 2016, we remain focused on generating more business growth and higher profit, organically as well as through acquisitions and strategic partnerships.

We expect the current momentum in our retail insurance and segregated fund operations to continue and to be a key driver of our results. We are also anticipating a higher contribution from all three segments of our group insurance businesses, in particular our car dealer services that will begin to benefit from the acquisition of CTL Corp. in late 2015.

We have the appetite and the available capital to grow our business through further acquisitions.

We shall continue to be an active player in the consolidation of insurance and wealth management brokerages in Canada that add to our distribution footprint. We also remain open to opportunities that complement our existing products and services.

Our future is guided by sustainable development

Wherever our endeavours lead us, our mission remains to be a premier financial institution dedicated to meeting the protection and savings needs of our clients.

We remain closely engaged with our employees to help them meet their career aspirations and provide them with a stimulating work environment.

We remain a friend to local communities and do our utmost to support them in their goals.

To our investors, I reiterate our commitment to continue building long-term shareholder value as we have done consistently since we became a public company in 2000.

Sustainability is at the heart of everything we do. I invite you to read our *2015 Social Responsibility Report* that lays out our global vision in this regard.

In 2017, iA Financial Group shall be celebrating its 125th anniversary. On the eve of this momentous event, we are envisioning our future with confidence and great excitement as we explore new opportunities to continue growing our Company for the benefit of all our stakeholders.

On behalf of the management team and staff of iA Financial Group, I respectfully sign this letter.

Yvon Charest

Yvon Charest
President and Chief Executive Officer

iA Financial Group Planning Committee

Yvon Charest
F.S.A., F.C.I.A.

President and Chief Executive Officer

René Chabot
F.S.A., F.C.I.A.

Executive Vice-President, CFO and Chief Actuary

Renée Laflamme
CPA, CA, CFA

Executive Vice-President Group Benefits and Retirement Solutions

Carl Mustos
M.B.A.

President iA Clarington

Normand Pépin
F.S.A., F.C.I.A.

Executive Vice-President and Assistant to the President

Denis Ricard
F.S.A., F.C.I.A.

Executive Vice-President Individual Insurance and Annuities

Michael L. Stickney
F.S.A., F.C.I.A., M.B.A.

President iA American

Michel Tremblay
F.S.A., F.C.I.A., CFA

Executive Vice-President and Chief Investment Officer

Notice

Legal Constitution and General Information

iA Financial Group is a Quebec-chartered life and health insurance company and is regulated by the Autorité des marchés financiers. iA Financial Group and its subsidiaries are authorized by the appropriate regulatory authorities to operate in all provinces and territories of Canada, and most of the United States. iA Financial Group is also an issuer subject to the various securities laws in effect in the provinces of Canada.

In February 2000, iA Financial Group became a public company incorporated under a private law, the *Act respecting Industrial Alliance Life Insurance Company*. The law was enacted by the Quebec National Assembly on November 26, 1999, and stipulates that no shareholder can acquire, either directly or indirectly, 10% or more of the Company's voting shares. In the event the allowable limit is surpassed, the Act provides that the voting rights attached to all of the acquired shares cannot be exercised.

The Company's legal name is "Industrial Alliance Insurance and Financial Services Inc." To simplify the reading of this report, the Company's name is often presented in its abbreviated form ("Industrial Alliance"), a generic form ("the Company"), or its business form ("iA Financial Group").

Note that iA Financial Group acts as both the operating company and as the parent company of a group of subsidiaries. iA Financial Group and its subsidiaries are not controlled by a holding company. Please refer to the Description of iA Financial Group section for a description and overview of the Company.

Please note that regardless of how iA Financial Group is referred to in this report (legal name, abbreviated name or business name), unless otherwise indicated, all results and operations of iA Financial Group presented in this report refer to the consolidated results and operations, i.e. those of iA Financial Group, as an operating company, and its subsidiaries.

Unless otherwise indicated, all information presented in the Management's Discussion and Analysis is established as at December 31, 2015, or for the period ended on that date.

Unless otherwise indicated, all amounts that appear in the Management's Discussion and Analysis are denominated in Canadian dollars. The financial information is presented in accordance with International Financial Reporting Standards (IFRS), as they apply to life insurance companies in Canada, and with the accounting requirements prescribed by the regulatory authorities.

The Management's Discussion and Analysis is dated February 11, 2016.

Non-IFRS Financial Measures

iA Financial Group reports its financial results in accordance with International Financial Reporting Standards (IFRS). It also publishes certain non-IFRS financial measures that do not have an IFRS equivalent, including sales, value of new business and solvency ratio, or which have an IFRS equivalent such as data on operating profit and income taxes on earnings presented in the sources of earnings table. The Company also uses non-IFRS adjusted data in relation to net income, earnings per share and return on equity. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures.

The Company believes that these non-IFRS financial measures provide investors and analysts with additional information to better understand the Company's financial results as well as assess its growth and earnings potential. Since non-IFRS financial measures do not have a standardized definition, they may differ from the non-IFRS financial measures used by other institutions. 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.

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," "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. Forward-looking statements include, but are not limited to, information concerning the Company's possible or assumed future operating results. These statements are not historical facts; they represent only the Company's 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 manmade 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 this Management's Discussion and Analysis and in the Management of Risks Associated with Financial Instruments note to iA Financial Group's consolidated financial statements, and elsewhere in iA Financial Group's filings with Canadian securities regulators, 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 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 the financial results of iA Financial Group are available on the Company's website at ia.ca, under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can be found on the SEDAR website at sedar.com, as well as in the Company's Annual Information Form, which can be found on the Company website or the SEDAR website.

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Description of iA Financial Group

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- Business Lines, Divisions and Subsidiaries
- Distribution Networks

Founded in 1892, iA Financial Group (Industrial Alliance Insurance and Financial Services Inc.) is committed to ensuring the financial wellbeing of its clients by offering them insurance coverage and investment solutions to help them achieve their personal goals. The Company operates in both Canada and the United States.

The Company has four main lines of business: Individual Insurance, Individual Wealth Management, Group Insurance and Group Savings and Retirement. It also controls a large network of subsidiaries including iA Auto and Home Insurance, iA American Life Insurance Company, iA Clarington Investments and iA Excellence, as well as its distribution subsidiaries: Investia Financial Services, FundEX Investments and iA Securities.

iA Financial Group has a distribution network that comprises over 25,000 representatives. Through this network, it offers a vast range of financial products and services including life and health insurance, savings and retirement plans, mutual and segregated funds, securities, auto and home insurance and creditor insurance on both an individual and group basis, as well as automobile financing products.

One of the four largest life and health insurance companies in Canada with close to $115.8 billion in assets under management and administration at the end of 2015, iA Financial Group serves over 4 million clients and employs over 5,100 people.

The Company's stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. At December 31, 2015, it had 102.4 million issued and outstanding common shares and its market capitalization was over $4.5 billion.

Corporate Growth Strategy

iA Financial Group's business model is built on its ability to generate steady organic growth through the diversification of its distribution networks, its geographic presence, its extensive product offering and its market segments. It also rests on its ability to generate growth through strategic acquisitions. Since 2000, the Company has increased its book value per share at an annually compounded rate of 10% through December 31, 2015 (the transition to IFRS in 2011 had no significant impact on this calculation).

To sustain its successful track record, the Company employs a variety of growth strategies.

In the Individual Insurance and Wealth Management sectors, it competes head-on with all industry players in all markets and geographic regions in Canada. Its key competitive advantage is the ability to build strong distribution networks for its products and services.

In Group Insurance Employee Plans, Group Savings and Retirement and through iA Auto and Home, the Company competes selectively by market and region where it can leverage corporate relationships and synergies.

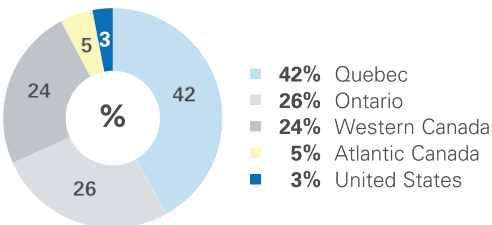
In Group Insurance Dealer Services and Special Markets Solutions, it operates in niche markets where it has few competitors and it holds a leading market position.

Finally, iA Financial Group is opportunistic in underserved markets where there are a limited number of players. In the United States, for example, the Company's capital strength makes it one of the largest players in its particular market segment. In Canada, it is currently leveraging its country-wide distribution network to grow sales of its adjustable individual disability product outside Quebec.

Geographic Presence

iA Financial Group has developed its North American footprint through a combination of organic growth and acquisitions. In Canada, it has a coast-to-coast presence through a very sizeable and diverse distribution network. It also has operations in the United States, where it distributes products in niche markets.

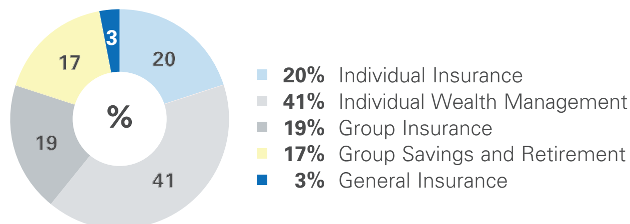
Premiums and Deposits by Region – 2015



Business Lines, Divisions and Subsidiaries

iA Financial Group's four main lines of business are Individual Insurance and Individual Wealth Management, which address the needs of retail customers, and Group Insurance and Group Savings and Retirement, which address the needs of groups and businesses. The Company also provides general insurance through its Dealer Services division and the iA Auto and Home subsidiary. The table on the following two pages provides an overview of the Company's business activities with related product offerings, distribution networks and operating units.

Premiums and Deposits by Line of Business – 2015



Distribution Networks

iA Financial Group's various distribution networks enable it to provide a vast range of products and services in all market segments in Canada and in certain niche markets in the United States.

In the retail sectors in Canada, the Company distributes insurance and wealth management products through dedicated agents, iA affiliates, managing general agents and independent advisors. In the United States, the Company distributes insurance products through independent marketing organizations (IMOs).

In the group sectors, the Company's distribution platform includes specialized brokers and actuarial consulting firms as well as motor vehicle dealers across Canada.

In the Company's general insurance subsidiary (iA Auto and Home), which operates only in Quebec, distribution is carried out through direct sales, referrals from iA Financial Group's distribution networks and partnership agreements.

The table below provides a summary of the number of representatives and advisors in the Company's various distribution networks.

Activities	Network	Number of Representatives/Advisors
Retail lines of business: Individual Insurance and Individual Wealth Management	Career	1,862
	Managing General Agents	13,000
	National Accounts	1,400
	Independent Advisors	7,000
	Independent Marketing Organizations in the U.S.	8,577
	Investia Financial Services	1,889
	FundEX Investments	599
	iA Securities	300
	Private Wealth Management	71
Group lines of business	Employee Plans	340
	Dealer Services	3,025
	Special Markets Solutions	841
	Group Savings and Retirement	1,312
General Insurance	iA Auto and Home, direct agents	267
	Prysm, direct agents	14

Note that a representative or advisor may be registered under more than one distribution network.
The numbers shown are approximations at December 31, 2015 and may vary over time.

Business Overview

	Activities	Products and Services
Personal Financial Services	■ **Individual Insurance**	— Life (Universal, permanent and term) — Critical illness — Short and long-term disability — Accidental death and dismemberment (AD&D) — Creditor (life and disability)
	■ **Individual Wealth Management**	— Segregated funds — Mutual funds — Securities — Life and fixed-term annuities — Registered savings and disbursement plans (RRSP, RESP, TFSA and RRIF) — Investment advice — Private wealth management
	General Insurance	— Auto and home insurance
Group Products and Services	■ **Group Insurance:**	
	• **Employee Plans**	— Life and health, AD&D, dental care, short and long-term disability, critical illness and home care insurance — Voluntary benefits (life, AD&D and critical illness) — Out-of-Canada medical insurance
	• **Dealer Services**	— Creditor insurance (life, disability and critical illness) — Replacement insurance, extended warranties and other ancillary products — Car loans
	• **Special Markets Solutions**	— AD&D, travel medical, term life, critical illness, disability — Other specialized products
	■ **Group Savings and Retirement**	— Capital accumulation products — Insured annuities

■ Business line • Division

Distribution Networks	Manufacturers and Subsidiaries
— Career (iA) — Managing General Agents — National Accounts — Independent marketing organizations (U.S.) — Independent advisors — Michel Rhéaume et Associés Ltée — National Financial Insurance Agency Inc.	— iA Financial Group: – iA Excellence – iA American Life Insurance Company – American-Amicable Life Insurance Company of Texas
— Career (iA) — Managing General Agents — Professional associations — National Accounts — Independent advisors — National Financial Insurance Agency Inc. — Investia Financial Services — FundEX Investments — iA Securities	— iA Financial Group: – iA Clarington – iA Trust – iA Investment Management – T.E. Wealth Management – Leon Frazer and Associates – Forstrong Global Asset Management
— Direct sales — Referrals from iA networks	— iA Auto and Home Insurance
— Preferred-partner distribution — White label	— Prysm General Insurance
— Specialized brokers — Actuarial consulting firms	— iA Financial Group
— Direct distribution through automobile and other motor vehicle dealers	— iA Financial Group: – SAL Marketing – National Warranties MRWV Limited – Industrial Alliance Pacific General Insurance Corporation – iA Trust – CTL Corp.
— Distribution partners — Specialized insurance brokers — Actuarial consulting firms — Mortgage brokers — Direct sales	— iA Financial Group
— Specialized brokers — Actuarial consulting firms — Career (iA) — Managing General Agents	— iA Financial Group

2015 Highlights

iA Financial Group's net income attributed to common shareholders was down 9% in 2015 due to a significant year-end strengthening of provisions for future policy benefits. Without this strengthening, net income attributed to common shareholders would have been up 17% to reach a record high. Assets under management and administration grew by 6% and premiums and deposits were up 3% despite a slowdown in mutual fund sales. The Company maintained a solvency ratio above its target range and improved its financial flexibility, while the quality of its investment portfolio continues to be excellent. Lastly, the Company increased the quarterly dividend payable to common shareholders by 7%.

Profitability

Net income attributed to common shareholders amounted to $364.4 million in 2015 compared to $400.4 million the year before. Refer to the Profitability section of this Management's Discussion and Analysis for more information on the Company's profitability in 2015.

Business Growth

Assets under management and administration were up 6% in 2015 to reach $115.8 billion at December 31, while premiums and deposits were up 3%. Individual Insurance saw a 6% increase in premiums thanks to sales growth of 18%. Individual Wealth Management saw a significant increase in segregated fund sales, while mutual fund sales were down in 2015. Total sales were up 4% in the Group Insurance divisions, and jumped 33% in Group Savings and Retirement due to an agreement signed with a large group.

Refer to the following sections for more information on business growth by line of business.

Assets Under Management and Administration

	As at December 31		
(In millions of dollars, unless otherwise indicated)	2015	2014	Variation
Assets under management	78,892.5	76,793.6	3%
Assets under administration	36,920.8	32,687.2	13%
Total	**115,813.3**	**109,480.8**	**6%**

Premiums and Deposits[1]

(In millions of dollars, unless otherwise indicated)	2015	2014	Variation
Individual Insurance	1,578.5	1,495.1	6%
Individual Wealth Management	3,140.1	3,362.1	(7%)
Group Insurance[2]	1,442.3	1,455.9	(1%)
Group Savings and Retirement	1,293.3	963.6	34%
General Insurance[2]	218.1	203.8	7%
Total	**7,672.3**	**7,480.5**	**3%**

Sales by Line of Business[3]

(In millions of dollars, unless otherwise indicated)	2015	2014	Variation
Individual Insurance			
Minimum premiums	232.4	195.1	19%
Excess premiums[4]	21.9	20.9	5%
Total[4]	**254.3**	**216.0**	**18%**
Individual Wealth Management			
General fund	130.4	111.9	17%
Segregated funds	1,581.2	1,352.6	17%
Mutual funds	1,428.5	1,897.6	(25%)
Total	**3,140.1**	**3,362.1**	**(7%)**
Group Insurance			
Employee Plans	68.0	70.2	(3%)
Dealer Services – Creditor Insurance	363.0	378.6	(4%)
Dealer Services – P&C Insurance[5]	197.7	157.2	26%
Special Markets Solutions	190.3	179.8	6%
Total	**819.0**	**785.8**	**4%**
Group Savings and Retirement	1,316.2	987.7	33%

Financial Strength

The solvency ratio was 213% at December 31, 2015. This ratio is above the Company's 175% to 200% target range. At the same time, the Company's capital totalled more than $5.0 billion and equity accounted for 82% of total capital.

The book value per common share showed good growth again this year, increasing by 9%.

The coverage ratio, which is calculated by dividing the earnings for the last twelve months (before taxes and financing expenses) by the financing expenses, improved in 2015 to end the year at 8.2x. The debt ratio including debentures and preferred shares remained under 25%, amounting to 24.3% at December 31, 2015.

For detailed comments on financial strength, refer to the Capitalization and Solvency section of this Management's Discussion and Analysis.

Solvency and Capitalization

	As at December 31	
(In millions of dollars, unless otherwise indicated)	2015	2014
Solvency ratio	213%	209%
Capitalization[6]	5,030.1	4,531.7
Book value per common share	$36.76	$33.83
Debt ratio		
Debentures/capital	16.8%	13.2%
Debentures and preferred shares/capital	24.3%	23.7%
Coverage ratio	8.2x	7.9x

Dividends

In 2015, the Company increased its dividend per common share by 7%, from $0.2800 to $0.3000. The dividend payout ratio was 32% for the year, which is within the 25% to 35% target range given as guidance to the markets.

[1] Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the Company's 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.
[2] Certain items were reclassified in 2014 between General Insurance and Group Insurance.

[3] Refer to the sections on the Company's different business lines for a definition of sales.
[4] Includes a negative adjustment of $9.5 million in 2014.
[5] Property and casualty
[6] Capitalization includes equity, debt securities and the participating policyholders' account.

Quality of Investments

The quality of the Company's investment portfolio continued to be excellent in 2015. The proportion of net impaired investments continues to be very low at 0.05% of total investments, bonds rated BB and lower account for just 0.66% of the bond portfolio, the delinquency rate on mortgage loans dropped to 0.29% and the occupancy rate of the real estate portfolio remains high at 90.1%. In 2015, the Company continued to have very little direct exposure to oil producers.

The following table shows the main investment quality indices.

Investment Quality Indices

	As at December 31	
(In millions of dollars, unless otherwise indicated)	2015	2014
Net impaired investments	14.2	18.7
Net impaired investments as a % of total investments	0.05%	0.07%
Bonds – Proportion rated BB and lower	0.66%	0.74%
Mortgage loans – Delinquency rate	0.29%	0.41%
Investment properties – Occupancy rate	90.1%	91.0%

Sensitivity Analysis[1]

The analysis of the Company's sensitivity to macroeconomic fluctuations was updated at the end of 2015. The main results are shown in the table below and explanations on the results of this analysis are provided under "Investment Risk" in the Risk Management section of this Management's Discussion and Analysis.

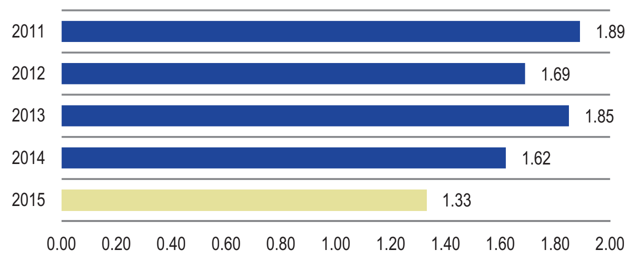
Sensitivity Analysis

	As at December 31	
(In millions of dollars, unless otherwise indicated)	2015	2014
Drop in the S&P/TSX[2] index requiring a strengthening of the provisions for future policy benefits for stocks matched to long-term liabilities	27%	32%
Drop in the S&P/TSX[2] index that would decrease the solvency ratio to 175%	39%	39%
Drop in the S&P/TSX[2] index that would decrease the solvency ratio to 150%	53%	51%
Impact on net income of a sudden 10% drop in the stock markets (impact for a full year)	(28)	(28)
Impact on net income of a 10 basis point decrease in the initial reinvestment rate (IRR)	(31)	(35)
Impact on net income of a 10 basis point decrease in the ultimate reinvestment rate (URR)	(60)	(59)

Value of New Business[1]

The value of new business enables a judgment to be made about the profitability of the products and services offered by a life insurance company and the productivity of its distribution networks. The Company's value of new business amounted to $135.5 million in 2015, or $1.33 per common share, compared to $164.0 million in 2014. The year-over-year decrease can be explained by assumption changes and pricing adjustments in the Individual Insurance sector, and by the reduction of management fees on certain segregated funds as well as additional hedging in the Individual Wealth Management sector.

Value of New Business per Common Share ($)



Acquisitions and Partnerships in 2015

The Company announced the acquisition of five companies during the year: three brokerage firms (Planifax, Burgeonvest Bick Corporation and BBA Financial Group), one securities company (FIN-XO) and one company specializing in non-traditional financing (CTL Corp). These acquisitions will enable iA Financial Group to increase its distribution capacity and expand its product offering.

Market Guidance for 2016

Return on common shareholders' equity – Maintain the 11.0% to 12.5% target range.

Earnings per common share – New target of $4.20 to $4.60.

Solvency ratio – Maintain the 175% to 200% target range.

Dividend payout ratio – Maintain the 25% to 35% target range in the medium term. The Company expects the ratio to be in the middle of this range in 2016.

Effective tax rate – Maintain the 18% to 20% target range.

New business strain – New target of 15% (±5%) of sales in Individual Insurance.

The guidance for the return on equity and earnings per share exclude any variations that could result from changes in actuarial assumptions in 2016.

Outlook for 2016

Earnings growth in 2016 is expected to come from various sources, in particular a decrease in new business strain, normal growth in expected profit on in-force business, the increased contribution of target market niches and improved Group Insurance results.

The Company expects interest rates and inflation to remain low in 2016. It also expects ongoing tension in the financial markets due to geopolitical issues and the oil industry, which in turn will put continued pressure on insurance companies.

Even though the markets can be volatile, the aging population combined with weak economic growth means that clients have an ongoing need for protection and security. They will continue to look for investment solutions, protection against disability and health care coverage.

1 Sensitivity analysis and value of new business include measures that have no IFRS equivalents.
2 Decrease compared to the actual index values at December 31 of the indicated years.

With this in mind, iA Financial Group is confident of its continued success. The Company has the resources it needs to adapt to its environment and continue to grow both organically and through acquisitions.

iA Financial Group offers a diverse range of financial services and holds dominant positions in the Canadian retail markets. In addition to its target clientele, the Company is well positioned to meet the special needs of certain high-yield niche markets.

As its distribution capacity continues to grow, iA Financial Group will continue to take advantage of company-wide synergies.

Profitability

2015 Highlights

The Company ended the year with net income attributed to common shareholders of $364.4 million, down $36.0 million from 2014. The decrease is essentially due to a $107.9 million strengthening of provisions for future policy benefits at the end of 2015. Diluted net earnings per common share (EPS) was $3.57 ($3.97 in 2014) and return on common shareholders' equity was 10.2% (12.4% in 2014).

Profitability

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Income attributed to shareholders	386.4	432.9	384.5	333.7	127.2
Less: dividends attributed to preferred shares	18.0	28.5	34.6	30.1	23.9
Less: redemption premium on preferred shares	4.0	4.0	---	---	---
Net income attributed to common shareholders	**364.4**	**400.4**	**349.9**	**303.6**	**103.3**
Net earnings per common share					
Basic	$3.59	$4.01	$3.60	$3.35	$1.20
Diluted	$3.57	$3.97	$3.57	$3.22[1]	$1.18
Return on common shareholders' equity[2]	10.2%	12.4%	12.6%	12.8%	4.7%

A few specific items had a bearing on 2015 results. These items can be summed up as follows:

- *Changes in actuarial assumptions* – At December 31, 2015, these changes led to a $107.9 million (after tax) strengthening of the provisions for future policy benefits. This strengthening was primarily due to a revision of the lapse assumption in the Individual Insurance sector. The lapse assumption was subject to an in-depth review in 2015 following a study published by the Canadian Institute of Actuaries in the fall. The amount of the strengthening is net of certain favourable items that were recognized during the high-level analysis of the valuation parameters. These favourable items include steps taken by management during the year (regarding investments) and the revision of the other policyholder and expense assumptions.
- *Income tax* – A $35.4 million gain (+$0.35 per common share) was generated by a decrease in the income tax expense. This gain was mainly due to the higher percentage of income from non-taxable investments and to net changes in certain tax-related estimates, including the true-up of prior tax estimates to tax filings.
- *Hedging program* – This program generated a gain of $9.9 million after tax in 2015 ($0.09 per share) compared to expectations. This program is primarily designed to reduce the sensitivity of net income to the volatility of the financial markets with respect to the capital guarantees offered on certain segregated funds. The gain in 2015 is largely due to the fairly low market volatility in the first half of the year and the favourable variance of certain funds compared to their benchmark index.
- *Redemption of preferred shares* – The redemption of Series F preferred shares on March 31, 2015 led to the payment of a $4.0 million premium, reducing diluted EPS by $0.04 per share.

The 2015 profitability results are explained in more detail in the remainder of this section.

Additional Comments on the Financial Results

Growth in net income attributed to shareholders by line of business

Individual Insurance – At $182.1 million, net income attributed to shareholders was down $90.1 million in 2015. This reflects the year-end strengthening of the provisions for future policy benefits.

Individual Wealth Management – Net income amounted to $136.1 million in 2015 (an increase of $23.9 million over 2014).

The variations observed in this sector reflect the growth in various items during the year, including net premiums paid into the general fund, amounts collected for segregated funds and fees for assets under management and administration, which are included in "Other Revenues" on the consolidated income statement.

Group Insurance – At $41.4 million, net income was up $11.8 million over 2014. The growth in income is primarily due to a decrease in claims and settlements in the sector's three divisions.

Group Savings and Retirement – The sector generated net income of $26.8 million, up $7.9 million over 2014. This increase reflects the growth in assets under management, which in turn impacts the fees that are recognized under "Other Revenues" on the consolidated income statement.

Net Income Attributed to Shareholders by Line of Business

(In millions of dollars)	2015	2014	Variation
Net income attributed to shareholders			
Individual Insurance	182.1	272.2	(90.1)
Individual Wealth Management	136.1	112.2	23.9
Group Insurance	41.4	29.6	11.8
Group Savings and Retirement	26.8	18.9	7.9
Total	386.4	432.9	(46.5)
Less: dividends attributed to preferred shares	18.0	28.5	(10.5)
Less: redemption premium on preferred shares	4.0	4.0	--
Net income attributed to common shareholders	**364.4**	**400.4**	**(36.0)**

Comments According to Sources of Earnings

The profitability analysis according to sources of earnings below presents the primary sources of variance between the Company's real and expected net income. The measures presented in this analysis are not IFRS measures. They supplement the other information presented in the Additional Comments on the Financial Results section above and provide additional indicators for evaluating financial performance.

The table and comments that follow highlight the main items that had an impact on the financial results for the year in comparison with management's expectations.

1 Diluted EPS was $3.34 in 2012 excluding the dilution for the Industrial Alliance Trust Securities (*IATS*), which were redeemed on June 30, 2013.
2 This measure has no IFRS equivalent.

Expected profit on in-force – Expected profit on in-force amounted to $518.9 million in 2015, a year-over-year increase of $61.9 million before tax. The increase primarily comes from the Individual Insurance sector.

The expected profit on in-force reflects the best estimates determined by management when the 2015 budget was prepared. The expected profit for the savings sectors is updated quarterly to reflect the evolution of the stock markets and net fund entries.

Experience gains (losses) compared to expected profit – Experience gains or losses represent the difference between the expected profit on in-force and the realized profit. These gains or losses emerge when actual results differ from those derived from the assumptions used to calculate expected profit.

The Company ended the year with experience gains of $45.2 million before tax, compared to experience losses of $16.5 million in 2014. The gains recorded in 2015 primarily came from the Individual Insurance sector. Nevertheless, the Group Insurance sector had a strong recovery, posting gains in 2015 compared to losses the year before. The paragraphs that follow comment on the experience gains (losses) for each line of business.

- *Individual Insurance* – The sector posted a positive variance of $37.1 million before tax ($27.2 million after tax or $0.27 per common share) compared to estimates. This variance is the result of several gains realized during the year, particularly with respect to policyholder mortality and morbidity, the growth of Universal Life policy funds (higher returns than the benchmark indices) and investment income.
- *Individual Wealth Management* – An experience gain of $3.9 million before tax was recorded in 2015 ($2.9 million after tax or $0.03 per common share). The sector benefited from some favourable items arising primarily from the hedging program and annuitant longevity. These gains were reduced, however, by higher expenses and a less substantial contribution from the distribution subsidiaries.
- *Group Insurance* – Before tax, the sector posted a gain of $2.4 million in 2015 compared to a loss of $22.2 million the year before. After tax, the gain realized in 2015 was $1.8 million or $0.02 per share. The Employee Plans division posted favourable results for long-term disability and life insurance, but came in below expectations for short-term disability and health and dental care benefits. The sector's other divisions, namely Dealer Services and Special Markets Solutions, both realized experience gains in 2015 compared to experience losses the year before.
- *Group Savings and Retirement* – This sector's results came in slightly above expectations (positive variance of $1.8 million before tax). This positive variance is primarily due to annuitant longevity.

Sources of Earnings[1]

	Individual Insurance		Individual Wealth Management		Group Insurance		Group Savings and Retirement		Total	
(In millions of dollars)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Expected profit on in-force	291.4	236.8	160.8	149.2	46.2	49.2	20.5	21.8	518.9	457.0
Experience gains (losses)	37.1	6.4	3.9	(0.2)	2.4	(22.2)	1.8	(0.5)	45.2	(16.5)
Gain (strain) on sales	(66.1)	(58.7)	(1.7)	(1.6)	0.0	0.0	(2.1)	(1.8)	(69.9)	(62.1)
Changes in assumptions	(166.2)	(2.9)	11.8	(0.7)	(2.1)	(0.7)	9.3	(0.7)	(147.2)	(5.0)
Operating profit	96.2	181.6	174.8	146.7	46.5	26.3	29.5	18.8	347.0	373.4
Income on capital	77.0	82.2	(8.9)	(3.2)	6.7	8.6	2.7	3.8	77.5	91.4
Income taxes	8.9	8.4	(29.8)	(31.3)	(11.8)	(5.3)	(5.4)	(3.7)	(38.1)	(31.9)
Net income attributed to shareholders	182.1	272.2	136.1	112.2	41.4	29.6	26.8	18.9	386.4	432.9
Less: preferred share dividends	12.4	19.7	3.5	5.3	1.5	2.5	0.6	1.0	18.0	28.5
Less: premium on preferred share redemption	2.8	2.9	0.7	0.7	0.4	0.3	0.1	0.1	4.0	4.0
Net income attributed to common shareholders	**166.9**	**249.6**	**131.9**	**106.2**	**39.5**	**26.8**	**26.1**	**17.8**	**364.4**	**400.4**
Additional information according to the financial statements:										
Net premiums (excluding general insurance)[2]	1,578.5	1,495.1	1,711.6	1,464.5	1,328.3	1,343.3	1,204.5	919.5	5,822.9	5,222.4
Net income attributed to shareholders	182.1	272.2	136.1	112.2	41.4	29.6	26.8	18.9	386.4	432.9
Less: preferred share dividends	12.4	19.7	3.5	5.3	1.5	2.5	0.6	1.0	18.0	28.5
Less: premium on preferred share redemption	2.8	2.9	0.7	0.7	0.4	0.3	0.1	0.1	4.0	4.0
Net income attributed to common shareholders	**166.9**	**249.6**	**131.9**	**106.2**	**39.5**	**26.8**	**26.1**	**17.8**	**364.4**	**400.4**

1 The operating profit and income taxes presented in this table are not defined by IFRS. Operating profit is an important additional tool to help investors better understand the source of shareholder value creation. A reconciliation between non-IFRS financial measures and IFRS is presented in the Accounting Matters and Additional Information section of this Management's Discussion and Analysis. Comments for each line of business are also presented in other sections of this Management's Discussion and Analysis that describe each sector's activities in detail.

2 Certain items were reclassified in 2014 between General Insurance and Group Insurance.

Gain (strain) on sales – In a life insurance company, sales can produce a gain or strain that can affect profits for a given fiscal year. Strain emerges when the provisions for adverse deviation incorporated into the provisions for future policy benefits are higher than the profit margins incorporated into product prices. Sales of insurance products generally produce a strain, particularly in the Individual Insurance sector, where commitments can extend over very long periods. Furthermore, certain products offered in this sector have features that make them more strain intensive than others. Over the years, the provisions for adverse deviation are recovered in the form of profits as the assumptions used for pricing materialize.

In the Individual Insurance sector, new business strain was $66.1 million in 2015, 13% higher than the previous year. The strain expressed as a percentage of sales (measured in terms of first-year annualized premiums) was 26% in 2015, compared to 27% in 2014. As such, strain continued to be at the lower end of the target range given as guidance to the markets for 2015 (target of 30% (±5%)).

Changes in assumptions – At the end of each quarter, the Company ensures the adequacy of its provisions given the existing economic environment. It also does a complete update of all of its valuation assumptions at the end of each year to take into account the most recent developments in the economic and financial environment as well as its own experience in terms of mortality, morbidity, lapse rates, unit costs and other factors.

Following the update carried out at the end of 2015, the Company strengthened its provisions for future policy benefits by $147.2 million before tax, which is equal to $107.9 million after tax. As explained earlier, this strengthening was mainly due to the revision of the lapse assumption.

Income on capital – Income on capital represents the income derived from the investments backing the Company's capital, minus any expenses incurred to generate this income. The Company also includes the net profits of subsidiaries that do not operate in one of its four lines of business.

Income on capital amounted to $77.5 million before tax in 2015, down $13.9 million or 15% from the previous year. This decrease is primarily the result of decreased earnings from the iAAH subsidiary.

Income taxes – Income taxes represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. They are considered to be an expense for the purpose of calculating the operating profit.

Income taxes amounted to $38.1 million in 2015, compared to $31.9 million in 2014. The effective tax rate of 9% for 2015 continues to be below the 18% to 20% target range given as guidance to the markets for the reasons described earlier in this section.

Capitalization and Solvency

Capitalization

iA Financial Group's capital structure can be divided into three categories: equity, debentures, and the participating policyholders' account. At December 31, 2015, the Company's capital reached $5.0 billion, a year-over-year increase of 11.0%, with equity accounting for 82% of total capital.

The two main reasons for the increase were the contribution of retained earnings (resulting from the profits realized during the year, net of dividends paid to common shareholders) and the issue and redemption of financial instruments as discussed in the Redemption and Issue of Financial Instruments section below.

Capital Structure

	As at December 31				
(In millions of dollars)	**2015**	**2014**	**2013**	**2012**	**2011**
Equity					
Common shares	1,310.5	1,243.5	1,183.5	878.6	860.7
Preferred shares	375.0	475.0	575.0	675.0	425.0
Retained earnings	2,374.0	2,081.9	1,857.4	1,553.5	1,418.6
Contributed surplus	21.4	21.1	19.8	23.5	23.6
AOCI[1]	58.1	63.6	(15.3)	39.3	64.4
Subtotal	4,139.0	3,885.1	3,620.4	3,169.9	2,792.3
Debentures	846.1	597.2	498.5	757.9	747.7
Participating policyholders' account	45.0	49.4	47.1	44.2	41.3
Total	**5,030.1**	**4,531.7**	**4,166.0**	**3,972.0**	**3,581.3**

Financial Leverage and Coverage Ratio

The debt ratio, measured by debentures over the capital structure, was 16.8% at December 31, 2015. If the preferred shares are added to the debentures, the ratio was 24.3%. The slight increase over the 23.7% ratio twelve months earlier stems from the issue and redemption of financial instruments as discussed in the Redemption and Issue of Financial Instruments section below.

At December 31, 2015, the coverage ratio was 8.2x, compared to 7.9x at December 31, 2014. In 2015, the ratio benefited from the positive impact of the financing strategy discussed in the Redemption and Issue of Financial Instruments section below. The coverage ratio represents the Company's earnings for the last twelve months before interest and income tax expenses divided by its interest and dividend expenses.

Debt Ratios and Coverage Ratio

	As at December 31				
	2015	**2014**	**2013**	**2012**	**2011**
Debt ratios					
Debentures/capital structure	16.8%	13.2%	12.0%	18.9%	21.2%
Debentures and preferred shares/capital structure	24.3%	23.7%	25.8%	35.9%	33.3%
Coverage ratio (number of times)	8.2	7.9	6.2	6.1	2.8

[1] AOCI: Accumulated other comprehensive income

Solvency

The solvency ratio[2] was 213% at December 31, 2015, 4 percentage points above the December 31, 2014 ratio and still above the Company's 175% to 200% target range.

This change can be explained by four items:

- The issuance of subordinated debentures for a nominal value of $250 million and the redemption of preferred shares for a nominal value of $100 million in the first quarter of 2015 combined to increase the solvency ratio by 7 percentage points.
- Recurring items, including the contribution of net income to available capital plus a few other items, had a combined positive impact of 6 percentage points.
- The various acquisitions in the fourth quarter of 2015, including CTL Corp., decreased the solvency ratio by 7 percentage points.
- Macroeconomic changes, primarily through their impact on required capital for segregated funds, decreased the solvency ratio by 2 percentage points.

Solvency

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2015**	**2014**	**2013**	**2012**	**2011**
Available capital					
Tier 1 (net)	3,426.8	3,217.0	3,166.3	2,956.1	2,461.7
Tier 2 (net)	870.6	667.4	496.7	640.0	587.4
Total	4,297.4	3,884.4	3,663.0	3,596.1	3,049.1
Required capital	2,014.0	1,860.6	1,687.2	1,657.7	1,613.8
Solvency ratio[2]	**213%**	**209%**	**217%**	**217%**	**189%**

Dividends

In 2015, iA Financial Group increased the dividend per common share by more than 7%. The Company paid out $0.2800 per common share in each of the first two quarters and $0.3000 per common share in the last two quarters. As a result, the dividend for 2015 totalled $1.16 per common share. In total, the Company paid out $117.6 million in dividends to common shareholders in 2015 and the dividend payout ratio for the year was 32% of the net income attributed to common shareholders. Excluding the strengthening of the actuarial reserves, this ratio was 25%.

Dividends

	2015	**2014**	**2013**	**2012**	**2011**
Dividends paid per common share	$1.16	$1.06	$0.98	$0.98	$0.98
Dividend payout ratio	32%	26%	27%	29%	82%

[2] This measure, which has no IFRS equivalent, is established in accordance with regulatory requirements.

Outstanding Shares

The Company has only one class of common shares and all common shares contain a single voting right. In addition, no shareholder may acquire, directly or indirectly, 10% or more of the Company's voting shares. The common shares of Industrial Alliance are traded on the Toronto Stock Exchange under the ticker symbol IAG.

The number of issued and outstanding common shares at December 31, 2015 was 102,434,942 an increase of 1,660,018 compared to December 31, 2014. This increase is explained by two items: the issuance of 515,000 common shares following the exercise of options under the Stock Option Plan for executives and the issuance of 1,145,018 common shares under the Dividend Reinvestment and Share Purchase Plan.

The Company did not buy back any of its common shares in 2015.

Common Shares

	As at December 31				
(In millions)	2015	2014	2013	2012	2011
Number of common shares outstanding	102.4	100.8	99.3	91.0	90.4

Stock Price and Market Capitalization

Industrial Alliance became a stock company in February 2000. The Company's stock began trading on the Toronto Stock Exchange on February 3, 2000, at a price of $7.88, taking into account the two-for-one split of the Company's common shares, which took place on May 16, 2005.

The Company's stock closed the year at $44.13, for a market capitalization of over $4.5 billion.

Stock Price and Market Capitalization

	End of period				
(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Stock price	$44.13	$44.43	$46.95	$31.38	$26.29
Market capitalization	4,520.5	4,477.4	4,664.1	2,856.3	2,376.2

Book Value per Common Share

The book value per common share was $36.76 at the end of 2015, up 9% during the year. This increase stems mainly from the contribution of retained earnings and the issue and redemption of financial instruments as discussed in the Redemption and Issue of Financial Instruments section below.

Book Value per Common Share

	As at December 31				
	2015	2014	2013	2012	2011
Book value per common share	$36.76	$33.83	$30.67	$27.45	$26.19

Redemption and Issue of Financial Instruments

The Company issued subordinated debentures at 2.64% on February 23, 2015 that will mature on February 23, 2027, for a nominal value of $250 million. A portion of the proceeds from this issue was used to buy back, on March 31, 2015, all the Class A Preferred Shares – Series F for a nominal value of $100 million yielding 5.90% per annum. The Class A Preferred Shares – Series F were bought back for a cash consideration of $104 million, which included a redemption premium of $4 million. The net proceeds of these two transactions were added to the Company's general fund and used for general business purposes.

Preferred Shares

In 2015, the Company paid $18.0 million in dividends to preferred shareholders with Class A Shares, Series B, F and G. As indicated earlier, Series F was bought back at the end of the first quarter. The Company's capital currently includes two series of Class A Preferred Shares, as shown in the table on the following page.

Debentures

The Company had four series of debentures on its balance sheet at December 31, 2015, with a total book value of $846.1 million, as shown in the table on the following page. These debentures were classified as financial liabilities at amortized cost. The debentures represent direct unsecured obligations of the Company that are subordinate to those of the Company's policyholders and other creditors. In 2015, the financing expense, made up of interest only, amounted to $27.8 million.

Stock Option Plan

In accordance with the Stock Option Plan adopted by the Board of Directors in 2001, the Human Resources and Governance Committee granted 513,000 new share purchase options in 2015. These new options, which will expire in 2025, were granted at an average weighted exercise price of $40.16. The issue, net of the options exercised and cancelled during the year, brings the number of share purchase options outstanding to 3,345,750, or 3.3% of the number of issued and outstanding shares at December 31, 2015.

Dividend Reinvestment and Share Purchase Plan for Common Shareholders

The Dividend Reinvestment and Share Purchase Plan for Common Shareholders allows participants to have their dividend payments automatically reinvested in Industrial Alliance common shares and to make cash purchases of additional common shares from the Company. This plan led to the issuance of 1,145,018 common shares in 2015.

Preferred Shares and Debentures

Class A Preferred Shares – Series B	
Number:	5,000,000
Nominal value:	$125.0 million
Book value:	Shares recognized at their acquisition value
Dividend:	Fixed non-cumulative quarterly dividend of $0.2875 per preferred share
Voting rights:	No voting rights
Conversion:	Not convertible into common shares
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the Autorité des marchés financiers (AMF), on or after March 31, 2011
Class A Preferred Shares – Series G	
Number:	10,000,000
Nominal value:	$250.0 million
Book value:	Shares recognized at their acquisition value
Dividend:	Non-cumulative 5-year rate reset quarterly dividend in cash at an initial annual rate of $1.0750 per preferred share
Voting rights:	No voting rights
Conversion:	Convertible at the option of the holder to Class A Preferred Shares – Series H on or after June 30, 2017 and on June 30 every 5 years thereafter
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on or after June 30, 2017
Subordinated debentures issued on December 14, 2011 and maturing on December 14, 2021	
Nominal value:	$250.0 million
Book value:	$248.9 million
Interest:	4.75% until December 14, 2016. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR (Canadian Dollar Offered Rate), plus 3.20% for the last five years, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after December 14, 2016, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.3 million.
Subordinated debentures issued on August 1, 2008 and maturing on August 1, 2023	
Nominal value:	$100.0 million
Book value:	$99.9 million
Interest:	For the principal debenture of $88.0 million: 5.63% payable semi-annually until August 1, 2018; for the secondary debenture of $12.0 million: 7.00% payable semi-annually until August 1, 2013, and interest of 5.63% payable semi-annually until August 1, 2018. After that date, the interest rate on the principal and secondary debentures will be equal to the 90-day Bankers' Acceptance rate plus 1%, adjusted on the last day of the quarter, and payable semi-annually.
Redemption and repayment:	Redeemable at par by the Company on or after August 1, 2018, in whole but not in part, subject to prior approval by the AMF.
Subordinated debentures issued on May 16, 2014 and maturing on May 16, 2024	
Nominal value:	$250.0 million
Book value:	$248.7 million
Interest:	2.80% until May 16, 2019. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR (Canadian Dollar Offered Rate), plus 0.79%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after May 16, 2019, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.4 million.
Subordinated debentures issued on February 23, 2015 and maturing on February 23, 2027	
Nominal value:	$250.0 million
Book value:	$248.6 million
Interest:	2.64% until February 23, 2022. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR (Canadian Dollar Offered Rate), plus 1.08%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 23, 2022, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.4 million.

More information about the features of the preferred shares and debentures can be found in the prospectus documents, which are available on the Company's website at ia.ca in the *Investor Relations* section under *About iA*.

Declaration of Fourth Quarter Dividends

Following are the amounts and dates of payment and closing of registers for the Company's common shares and the various categories of its preferred shares.

The Board of Directors has declared the payment of a quarterly dividend of $0.3000 per common share. The dividend is payable in cash on March 15, 2016, to the common shareholders of record as at February 26, 2016.

The Board of Directors has declared the payment of a quarterly dividend of $0.2875 per non-cumulative Class A Preferred Share – Series B. The dividend is payable in cash on March 31, 2016, to the preferred shareholders of record as at February 29, 2016.

The Board of Directors has declared the payment of a quarterly dividend of $0.26875 per non-cumulative Class A Preferred Share – Series G. The dividend is payable in cash on March 31, 2016, to the preferred shareholders of record as at February 29, 2016.

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation, all dividends paid by the Company on its common and preferred shares are considered to be eligible dividends.

Credit Ratings

The Company receives credit ratings from three independent rating agencies. These ratings confirm the Company's financial strength and its ability to meet its commitments to policyholders and creditors.

In 2015, the credit ratings assigned by Standard & Poor's, DBRS and A.M. Best remained unchanged, with a stable outlook. Note that DBRS modified its rating model but this change had no impact on the Company.

Credit Ratings

Agency	Type of Evaluation	Rating
Standard & Poor's	Financial Strength	A+ (Strong)
	Issuer Credit Rating	A+ (Strong)
	Subordinated Debentures	A
	Preferred Shares	
	Canadian scale	P-1 (Low)
	Global scale	A-
DBRS	Financial Strength	A (high)[1]
	Subordinated Debentures	A
	Preferred Shares	Pfd-2 (high)
A.M. Best	Financial Strength	A+ (Superior)
	Issuer Credit Rating	aa-
	Subordinated Debentures	a
	Preferred Shares	a-

[1] In 2015, the IC-2 rating (DBRS) representing the Company's claims paying ability was replaced by the A (high) rating representing financial strength.

Personal Financial Services

iA Financial Group offers insurance and wealth management products to individuals through two major lines of business: Individual Insurance and Individual Wealth Management. It also markets its auto and home insurance products in Quebec through its iA Auto and Home Insurance subsidiary.

Individual Insurance

Description of Sector

The Individual Insurance sector generated 53% of the Company's operating profit[1] in 2015 (before changes in assumptions), the largest contribution of the four business lines.

In this sector, iA Financial Group has some large subsidiaries in the U.S. and Canada, including iA Excellence. The Company also relies on an extensive network of representatives, enabling it to serve a vast client base.

The Company distributes a wide range of life insurance (universal, permanent and term), critical illness insurance, disability insurance and mortgage insurance products. This wide range of products plays a key role in the Company's success. The Company regularly fine-tunes its service offer to ensure that it remains competitive and profitable.

In September, the Company launched a new Universal Life insurance product called EquiBuild. This product offers an annual bonus that can be used to augment the face amount or to increase the savings portion, making it a good alternative to participating insurance products, which have been gaining popularity in the last few years. This product was also designed to minimize the impact on the Company of long-term interest rate fluctuations.

Business Growth

Individual Insurance Business Growth

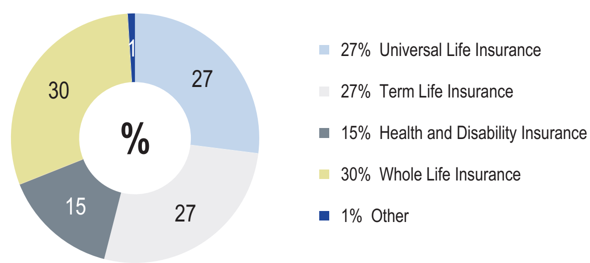
(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Sales[2]					
Minimum premiums[3]	232.4	195.1	193.7	200.9	174.4
Excess premiums[3,4]	21.9	20.9	40.6	42.4	35.0
Total	**254.3**	**216.0**	**234.3**	**243.3**	**209.4**
Growth	18%	(8%)	(4%)	16%	12%
Number of policies	108,643	100,848	105,927	112,618	114,046
Growth	8%	(5%)	(6%)	(1%)	(3%)
Premiums	1,578.5	1,495.1	1,425.2	1,339.3	1,248.2
Growth	6%	5%	6%	7%	12%

The sector ended the year with $254.3 million in sales, up 18% from the previous year. This positive performance can be explained by:

- Sustained sales momentum in the U.S., where sales were up 43% in Canadian dollars or 24% on a constant currency basis.
- The 9% increase in Canadian sales, primarily due to the iA Excellence subsidiary, whose sales were up 18%.
- The number of policies sold, which was up 8%.
- The 5% increase in excess premiums paid into Universal Life policies, a good improvement after the slowdown observed in 2014.

Carried by new sales and good business persistency, premium income grew 6% in 2015 to surpass the $1.5 billion mark. Premium income is the key long-term profitability driver for the sector.

Sales by Product 2015



Sales of whole life insurance were up 30% over 2014 and now account for 30% of the sector's sales, making it the Company's biggest seller. U.S. sales accounted for over half of whole life insurance sales in 2015.

Universal Life insurance had a good year, with sales increasing by 8% in 2015. Term insurance sales were up 23%, accounting for 27% of the sector's sales. The U.S. subsidiaries played a major role in this growth.

In terms of health and disability insurance, sales grew by 8% in 2015 due to the good results obtained by the iA Excellence subsidiary, which is responsible for marketing disability insurance products across Canada.

On an industry basis, according to the Canadian data published by LIMRA for the first nine months of the year, iA Financial Group ranked:

- Fourth for life insurance sales with a market share of 8.4%.
- Third for Universal Life insurance sales with a market share of 13.7%.
- Second for critical illness insurance sales with a market share of 18.3%.
- First for guaranteed renewal disability product sales with a market share of 23.1%.

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1 Operating profit is derived from the sources of earnings analysis and is not an IFRS measure. The Company considers this measure an important additional tool to help investors better understand the source of shareholder value creation.

2 Sales are not an IFRS measure. Sales are defined as fund entries on new business written during the period. They measure the Company's ability to generate new business. In the Individual Insurance sector, sales are defined as first-year annualized premiums. The net premiums presented in the Consolidated Financial Statements include both fund entries on new business written during the period and on in-force contracts and are reduced by premiums ceded to reinsurers.

3 Minimum premiums are the portion of the premium used to cover the insurance risks under an individual insurance contract and are an important way to measure the sector's performance. Excess premiums are the portion of the premium allocated to additional savings. The option to pay an excess premium is only available with Universal Life insurance products.

4 The 2014 figure was corrected downward by $9.5 million.

Profitability

Net income attributed to shareholders for the Individual Insurance sector amounted to $182.1 million in 2015, compared to $272.2 million the year before. The observed decrease in 2015 primarily reflects a strengthening of provisions for future policy benefits carried out at year's end. For more details, refer to the Profitability section of this Management's Discussion and Analysis.

Individual Wealth Management

Description of Sector

In the Individual Wealth Management sector, the Company offers a broad range of savings and retirement products, including mutual funds, segregated funds (investment funds with guaranteed capital at death or at maturity), securities, guaranteed interest investments, life annuities and fixed-term annuities. Clients can invest in these products through registered retirement savings plans (RRSPs), registered education savings plans (RESPs), tax-free savings accounts (TFSAs), registered retirement income funds (RRIFs) or non-registered plans.

Business Growth

Segregated fund sales[1] clearly stole the spotlight in 2015, in terms of both gross and net sales. However, this success was clouded by a decline in mutual fund sales. In total, gross sales for the Individual Wealth Management sector amounted to $3.1 billion in 2015, down 7% from the previous year. By product category:

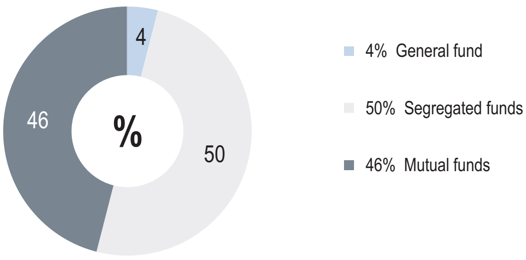
- Sales of guaranteed return products (essentially guaranteed interest accumulation products and annuities), which are found in the Company's general fund, were up 17%, primarily due to competitive repositioning.
- Gross segregated fund sales were also up 17% from 2014. Continual improvements to the product lineup and the addition of new sales teams to promote segregated fund products are responsible for this record annual result. In December, two Prestige series for high net worth clients were added to the IAG Savings and Retirement Plan, the Company's main segregated fund product. These innovative new series automatically qualify clients for a reduction in the management expense ratio (MER).
- Gross mutual fund sales were down 25% from 2014. This is due to a number of factors: the residual impact of terminated distribution agreements, changes to management mandates, certain deficiencies in the overall offer and the underperformance of specific funds. In 2015, a number of steps were taken to resolve these deficiencies. In particular, the iA Clarington subsidiary made some fund manager changes, improved its offer for high net worth clients through its Elite Program and added some new funds.

Individual Wealth Management Sales[1]

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
General fund	130.4	111.9	119.2	325.1	403.6
Segregated funds	1,581.2	1,352.6	987.7	1,126.0	1,362.3
Mutual funds	1,428.5	1,897.6	2,251.9	1,649.5	1,777.7
Total	**3,140.1**	**3,362.1**	**3,358.8**	**3,100.6**	**3,543.6**
Growth	(7%)	0%	8%	(13%)	(4%)

The following chart shows the breakdown of gross sales by product.

Gross Sales by Product 2015



Net sales[2] are made up of gross sales minus fund outflows. By product category:

- Net segregated fund sales posted a solid performance at $422.4 million in 2015, continuing the strong growth that began at the end of 2013.
- Net mutual fund sales were negative in 2015. Significant fund outflows were generated for the same reasons that explain the decrease in gross sales.

Investment Funds Net Sales[2]

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Segregated funds	422.4	288.7	(88.7)	308.7	768.6
Mutual funds	(995.3)	(119.3)	673.9	455.7	729.5
Total	**(572.9)**	**169.4**	**585.2**	**764.4**	**1,498.1**
As a percentage of sales	(19%)	5%	18%	28%	48%

The sector's total assets amounted to $64.4 billion at December 31, 2015, up 5% from the end of the previous year. There was no growth in the portion of these assets under management in 2015 due to significant mutual fund outflows.

As a result, the growth in total assets comes from the 13% growth in the portion under administration, which essentially includes the assets from the distribution subsidiaries (Investia, FundEX and iA Securities). These subsidiaries had a good year in 2015 due to asset transfers from acquisitions and the recruitment of new agents.

[1] Sales are not an IFRS measure. Sales are defined as fund entries on new business written during the period. They measure the Company's ability to generate new business. In the Individual Wealth Management sector, total sales (or gross sales) for general fund and segregated fund products correspond to the net premiums presented in the Consolidated Financial Statements. Sales for mutual funds are defined as deposits.

[2] Net sales are not an IFRS measure. In the Individual Wealth Management sector, net sales are a useful measure because they provide a more detailed understanding of the source of asset under management growth. The change in assets under management is important because it determines the level of management fees recorded in the Consolidated Income Statements under "Other revenues". Sales for segregated funds and mutual funds correspond to net fund entries (gross sales less withdrawals and transfers).

The Other category of funds under management mainly includes assets from the Company's private management activities through the T.E. Investment, Leon Frazer and Forstrong Global Asset Management subsidiaries.

Lastly, as at December 31, 2015, the Company was ranked second in Canada for net segregated fund sales, just short of first place, and third for assets, with 11.2% of the market (10.9% at December 31, 2014), up one position from the previous year. For mutual funds, the Company was ranked 16th in terms of assets at the end of the year (16th in 2014).[1]

Individual Wealth Management
Funds Under Management and Administration

(In millions of dollars, unless otherwise indicated)	As at December 31				
	2015	**2014**	**2013**	**2012**	**2011**
Funds under management					
General fund	1,089.0	1,162.0	1,226.9	1,274.5	1,848.9
Segregated funds	12,292.2	11,826.0	10,809.0	9,858.1	9,098.7
Mutual funds[2]	10,428.3	11,832.9	11,413.2	8,978.9	8,138.6
Other[2]	3,709.3	3,576.6	3,061.7	---	---
Subtotal	**27,518.8**	**28,397.5**	**26,510.8**	**20,111.5**	**19,086.2**
Growth	(3%)	7%	32%	5%	
Funds under administration[2,3]	**36,881.1**	**32,659.2**	**29,264.6**	**23,813.8**	**21,843.6**
Growth	13%	12%	23%	9%	
Total	**64,399.9**	**61,056.7**	**55,775.4**	**43,925.3**	**40,929.8**
Growth	5%	9%	27%	7%	

Growth in assets under management, which is reliant on gross sales, in-force business persistency and the return on assets, is the key long-term profitability driver for the sector.

Profitability

The Individual Wealth Management sector generated net income attributed to shareholders of $136.1 million in 2015, an increase of $23.9 million compared to 2014. The growth in funds under management and administration in 2015 contributed to this increase. For more details, refer to the Profitability section of this Management's Discussion and Analysis.

Auto and Home Insurance Operations

Description of Activities

iA Financial Group markets its auto and home insurance products in Quebec through its iA Auto and Home Insurance (iAAH) subsidiary.

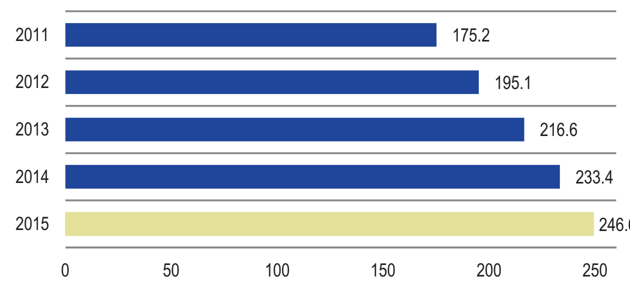
One of the advantages that sets iAAH apart is the referral of clients by iA Financial Group's distribution networks, providing a business development opportunity that's unique in the industry.

The highlight of 2015 was creating an auto and home insurance subsidiary under iAAH called Prysm General Insurance Inc. The first policies were underwritten in November. Through this subsidiary, preferred distributors can sell auto and home insurance products to their clients under their own banner. This approach paved the way for Prysm's first big partnership entered into with CAA-Quebec, a well-known organization with a solid, trusted brand.

Business Growth

For the last five years, composite average growth in direct written premiums was close to 10% (compared to 2% for the industry), bringing iAAH business volume to $246.6 million in 2015, up 6% over the previous year.

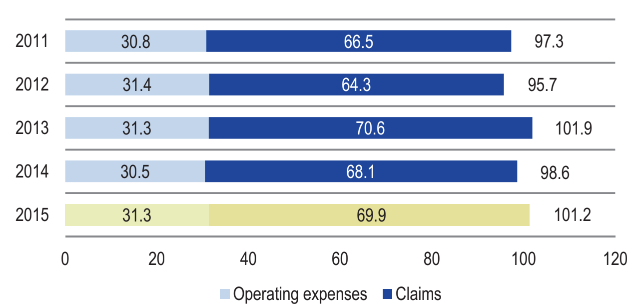
Direct Written Premiums
(Excluding Warranties and Replacement Insurance) **($Million)**



Profitability

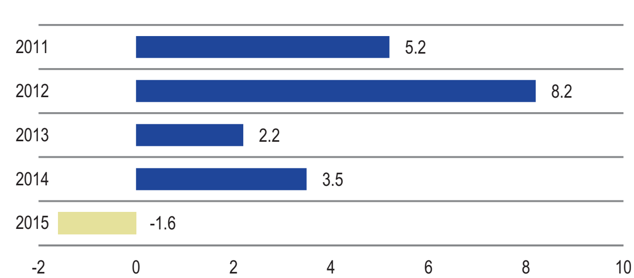
A record cold winter resulted in very high auto insurance claims in the first quarter of 2015. On the home insurance front, there was an exceptionally high number of serious fires in the fall. These events pushed the claims ratio up and brought the combined ratio (claims plus expenses) to above 100%.

Combined Ratio **(%)**



Given the startup costs for the new Prysm subsidiary and, to a lesser extent, the increase in claims, iAAH ended the year with a loss of $1.6 million. This is the first negative result for iAAH in over ten years. Note that the loss is included in the Company's income on capital since iAAH is not a separate line of business for financial reporting purposes.

Net Income (Loss)[4] **($Million)**



[1] Sources: Investor Economics and IFIC
[2] Includes assets acquired with Jovian Capital Corporation on October 1, 2013.
[3] Includes assets related to affiliated dealers.

[4] Before accumulated other comprehensive income

Group Products and Services

The Company offers a wide range of products to businesses and groups through the Group Insurance sector, which includes three divisions (Employee Plans, Dealer Services and Special Markets Solutions), and through the Group Savings and Retirement sector.

In 2015, three of these entities (Employee Plans, Special Markets Solutions and Group Savings and Retirement) were combined under common leadership in order to maximize synergies for the marketing and distribution of products and services.

Group Insurance Employee Plans

Description of Division

The Company's Group Insurance Employee Plans division distributes a broad range of life and health insurance, accidental death and dismemberment (AD&D) insurance, dental care insurance, short and long-term disability insurance, critical illness and home care insurance, and out-of-Canada medical insurance. In addition, a suite of optional insurance products is available to plan members, making it easy for them to enrol in additional life, AD&D and critical illness coverage.

The products are marketed Canada-wide through specialized brokers and actuarial consulting firms. The division has nearly 500 employees, has signed agreements with some 1,600 groups, and serves over 500,000 plan members.

To help manage plans more effectively and promote the health and wellness of insureds, the Company offers a number of services and technology tools for plan administrators, members and benefits advisors. These include a workforce management program and a tool for managing claims. In addition, the division's transactional site gives members access to WebRx, an online tool that members can use to check their drug coverage, locate pharmacies, compare drug prices, estimate their reimbursement amount and get personalized money-saving tips.

Business Growth

Total sales[1] for the Group Insurance Employee Plans division amounted to $68.0 million in 2015, down slightly from the previous year.

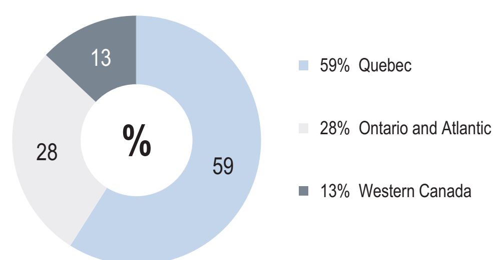
Premiums, premium equivalents and investment contracts totalled $932.4 million in 2015, slightly higher than in 2014. Growth in premiums and premium equivalents is a key long-term profitability driver and is a function of the increase in gross sales, in-force business persistency and growth in premiums from renewed contracts.

Group Insurance – Employee Plans
Business Growth

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Sales[1]	68.0	70.2	59.4	46.1	131.9
Growth	(3%)	18%	29%	(65%)	83%
Premiums	818.4	801.6	809.0	788.7	788.3
Premium equivalents[2]	42.8	42.0	43.9	48.2	43.9
Investment contracts[3]	71.2	70.6	73.0	128.1	122.7
Total	**932.4**	**914.2**	**925.9**	**965.0**	**954.9**
Growth	2%	(1%)	(4%)	1%	8%

The following chart shows a breakdown of the Company's sales by region in Canada, dominated by Quebec and Ontario.

Sales by Region in Canada 2015



For the first nine months of the year, industry sales[4] for groups with 50 to 1,000 employees, the market closest to the division's target market, were up 13%. This left iA Financial Group in fifth position, with 7% of the market (seventh in 2014, with 4% of the market).

Profitability

The division's profitability improved considerably in 2015. Results were favourable in long-term disability and life insurance. However, profit growth was slowed by less favourable results in health, dental care and short-term disability insurance. Note that claims for expensive new drugs to treat specific illnesses like Hepatitis C had a negative impact on results and will be monitored closely in 2016.

1 Sales are not an IFRS measure. Sales are defined as fund entries on new business written during the period. They measure the Company's ability to generate new business. In the Group Insurance Employee Plans division, sales are defined as first-year annualized premiums, including premium equivalents (Administrative Services Only). The net premiums presented in the Consolidated Financial Statements are net of reinsurance and include both fund entries on new business written during the period and on in-force contracts. Net premiums for the Employee Plans division are included in the net premiums for the Group Insurance sector, along with those of the sector's two other divisions, Dealer Services and Special Markets Solutions.

2 Premium equivalents are income from administrative services only (ASO) contracts.
3 Premiums from Hold Harmless Agreements
4 Source: LIMRA

Group Insurance
Dealer Services

Description of Division

The Dealer Services division distributes creditor insurance products (life, disability and critical illness), car loan financing and property and casualty (P&C) protections, including extended warranties, replacement insurance and a full range of P&C ancillary products.

The Dealer Services division has over 360 employees, has signed agreements with more than 3,100 organizations and insures over 2.1 million individuals. The products are offered through an exclusive Canada-wide direct distribution network to automobile and other motor vehicle dealers.

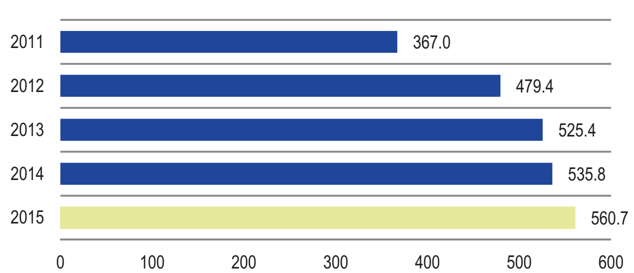
The division's success is based on several competitive advantages, including an excellent reputation, strong brand recognition, an extensive distribution network, low unit costs and a comprehensive range of products, services and training programs. Dealers and distributors demand "one-stop shopping" for their aftermarket needs and iA is one of the few companies that can meet this demand. The division also benefits from synergies with other iA entities.

Through the 2015 acquisition of CTL Corporation, a non-traditional credit lender, iA expanded the breadth of financial and insurance products currently offered through car dealers. This acquisition is expected to accelerate the development of the Dealer Services division across Canada.

Business Growth

Dealer Services division sales totalled $560.7 million, up 5% from 2014. Creditor insurance sales amounted to $363.0 million and P&C generated sales were $197.7 million.

Dealer Services – Creditor Insurance and P&C Total Sales[1] **($Million)**



Dealer Services – Creditor Insurance[2]

Creditor insurance sales decreased slightly in 2015 compared to 2014, totalling $363.0 million. Sales growth underperformed auto industry growth, which is explained by lower market penetration and the loss of a few large dealers. The Canadian light vehicle industry shows light vehicle sales up 3.8%[3] compared to 2014.

Dealer Services – Creditor Insurance
Business Growth

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Sales	**363.0**	**378.6**	**382.4**	**351.7**	**284.8**
Growth	(4%)	(1%)	9%	23%	41%
Net premiums	252.5	292.6	303.9	286.5	230.5

Dealer Services – P&C

P&C sales with motor vehicle dealers were very strong in 2015, up 26% from 2014 to reach $197.7 million. New distribution agreements have been the major driver of the strong sales growth.

Dealer Services – P&C[4]
Business Growth

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Underwritten	192.0	151.9	138.4	122.8	77.0
Non-Underwritten	5.7	5.3	4.6	4.9	5.2
Total	**197.7**	**157.2**	**143.0**	**127.7**	**82.2**
Growth	26%	10%	12%	55%	38%

Profitability

Sales growth is the main profitability driver for the Dealer Services division. Sales are mainly reliant on the number of new vehicles sold, the expansion of the distribution network and, to a lesser degree, the demand for credit products. The profitability of the division increased in 2015, driven mainly by the P&C business and, to a lesser extent, by the CTL acquisition. CTL was acquired in late 2015 and is expected to make a larger contribution in 2016.

Group Insurance
Special Markets Solutions

Description of Division

Special Markets Solutions is a division of iA Financial Group that specializes in niche insurance markets that are underserved by traditional group insurance carriers. The division primarily offers accidental death & dismemberment (AD&D) insurance and other specialized insurance products (to employers and associations), as well as travel and health insurance (through distribution partners), creditor insurance (primarily through mortgage broker organizations) and term life insurance (to alumni associations and other affinity groups).

[1] Sales are not an IFRS measure. Sales are defined as fund entries on new business written during the period. They measure the Company's ability to generate new business. Creditor insurance sales are defined as premiums before reinsurance and cancellations. P&C sales are defined as direct written premiums (before reinsurance).

[2] Includes all creditor insurance business sold by the Company.
[3] Source: DesRosiers Automotive Consultants Inc., December 2015 year-to-date information.
[4] P&C premiums include replacement insurance business, which was underwritten by iAAH from October 2010 to April 2013.

Special Markets Solutions has over 70 employees, has signed agreements with over 4,000 groups and associations, and insures millions of Canadians.

Business Growth

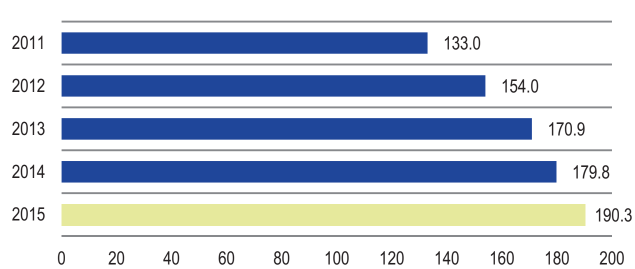
Special Markets Solutions achieved $190.3 million in sales in 2015, which represents 6% growth over the prior year. The travel medical, critical illness, group medical and disability lines all performed well in 2015, contributing to the $10.5 million growth. Similarly, net sales, defined as gross premiums net of reinsurance, experienced 5% growth in 2015.

As part of an ongoing effort to maintain a competitive edge, 2015 has been busy with enhancements to the product offer, successful Lean events and marketing activities such as initiatives to achieve better customer retention.

Special Markets Solutions Business Growth

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Sales (gross premiums)[1]	190.3	179.8	170.9	154.0	133.0
Growth	6%	5%	11%	16%	0%
Net sales[2]	176.9	167.8	159.7	143.8	123.1

Sales (Gross Premiums)[1] ($Million)



Profitability

Profitability was positive in 2015 for Special Markets Solutions with nearly all business segments posting high profit ratios. Only the life insurance segment suffered a minimal loss. Sales in conjunction with solid underwriting and AD&D claims experience are the main profitability drivers for the Special Markets Solutions division.

Profitability for Entire Group Insurance Sector

The Group Insurance sector ended the year with net income attributed to shareholders of $41.4 million compared to $29.6 million the year before. The sector's three divisions all benefitted from a reduction in benefits and claims over the past year. For more information, refer to the Profitability section of this Management's Discussion and Analysis.

[1] Sales (gross premiums) are before reinsurance.
[2] Net sales in Special Markets Solutions are equivalent to net premiums (an IFRS measure). Net premiums for this division are included in the net premiums for the Group Insurance sector.

Group Savings and Retirement

Description of Sector

The Group Savings and Retirement sector offers a wide range of products and services that are adapted to the needs of companies and their employees. The products offered can be broken down into two categories: accumulation products (savings products, such as defined contribution or defined benefit plans, and institutional money management services) and disbursement products (essentially insured annuities).

The business line's products are marketed Canada-wide through specialized brokers, actuarial consulting firms and representatives from the Career and Managing General Agents networks (in the Personal Financial Services sectors).

The Group Savings and Retirement sector has approximately 200 employees, has signed agreements with nearly 10,300 groups and serves approximately 330,000 plan members. The Company has sales offices in Halifax, Quebec City, Montreal, Toronto, Calgary and Vancouver.

The sector's efforts to improve competitiveness in 2015 included updating the investment solutions offered, improving processes and technology tools and enhancing the SecurOption – Lifetime Retirement Income product.

Lastly, the sector was awarded the highest distinction (Best of Show Award) in the printed materials category by the Insurance & Financial Communicators Association (IFCA) for a financial education tool.

Business Growth

Group Savings and Retirement ended the year with $1,316.2 million in sales, an increase of 33% over the previous year.

Group Savings and Retirement Premiums (Sales)[3]

(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Accumulation Products					
Recurring premiums	638.8	582.5	550.7	482.9	435.2
Transfers	476.0	229.2	344.6	276.2	107.1
Premium equivalents	88.8	44.1	57.4	82.3	71.8
Subtotal	1,203.6	855.8	952.7	841.4	614.1
Insured Annuities	112.6	131.9	72.3	27.0	114.6
Total	**1,316.2**	**987.7**	**1,025.0**	**868.4**	**728.7**
Growth	33%	(4%)	18%	19%	1%

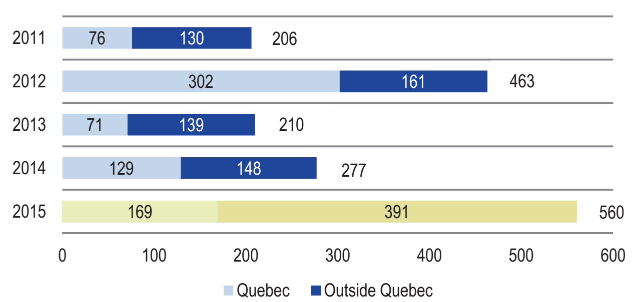
Accumulation Products

At $1,203.6 million, accumulation product sales were up considerably from 2014. New group transfers and premium equivalents more than doubled while recurring premiums were up 10%. Recurring premiums are the core of the sector's strategy, since they represent sustainable business development. They correspond to regular member contributions, which are collected from in-force group clients.

[3] Sales are not an IFRS measure. Sales are defined as fund entries on new business written during the period. They measure the Company's ability to generate new business. In the Group Savings and Retirement sector, sales include gross premiums (before reinsurance) and premium equivalents, or deposits. The net premiums presented in the Consolidated Financial Statements are after reinsurance and exclude premium equivalents.

For the sector to successfully grow its business volume, it is essential to sell new plans and maintain existing ones. New plan sales were up considerably in 2015, totalling $559.6 million in annualized premiums,[1] more than double the previous year's sales.

Accumulation Products
New Plan Sales[1] **($Million)**



Net fund entries totalled $235.6 million in 2015, compared to net fund disbursements in 2014. This is explained by the increase in fund entries from new groups.

Accumulation Products
Net Fund Entries[2]

(In millions of dollars)	2015	2014	2013	2012	2011
Entries	1,203.6	855.8	952.7	841.4	614.1
Disbursements	968.0	896.3	632.5	604.1	597.9
Net entries	**235.6**	**(40.5)**	**320.2**	**237.3**	**16.2**

Insured Annuities

In the insured annuities segment, the year ended with $112.6 million in sales, compared to $131.9 million in 2014. The Company continues to aim for selective, prudent growth by focusing on appropriate risk management, primarily in terms of longevity.

Funds Under Management

Funds under management totalled nearly $11.8 billion at year-end, an increase of 4% over the previous year. This is primarily due to realized returns and net fund entries. Growth in assets under management is important because it is the key long-term profitability driver for the sector.

Group Savings and Retirement
Funds Under Management

	As at December 31				
(In millions of dollars, unless otherwise indicated)	2015	2014	2013	2012	2011
Accumulation Products	8,544.5	8,070.0	7,234.6	6,285.4	5,350.0
Insured Annuities	3,213.0	3,213.3	2,998.4	3,128.7	3,147.8
Total	**11,757.5**	**11,283.3**	**10,233.0**	**9,414.1**	**8,497.8**
Growth	4%	10%	9%	11%	2%

1 New plan sales are measured by first-year annualized premiums, which equal the total of the initial asset transfer and recurring first-year annualized premiums.
2 Net fund entries are not an IFRS measure. In the Group Savings and Retirement sector, net fund entries are a useful measure because they provide a more detailed understanding of the source of asset under management growth. The change in assets under management is important because it determines the level of management fees recorded in the Consolidated Financial Statements under "Other revenues".

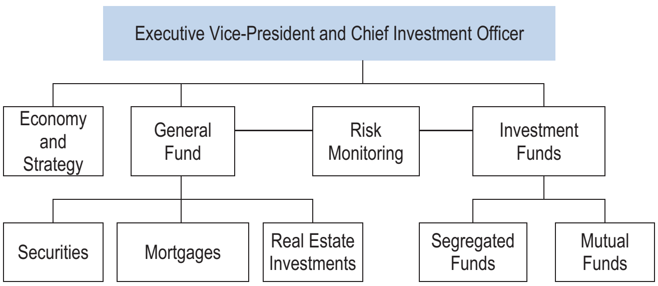
Profitability

The sector recorded net income attributed to shareholders of $26.8 million in 2015, compared to $18.9 million the year before. The increase in 2015 in part reflects the growth of funds under management. For more details, refer to the Profitability section of this Management's Discussion and Analysis.

Investments

Description of Sector

The Investments sector has two main functions: managing the Company's general fund investments and managing the segregated and mutual fund investments offered to its clients. All of iA Financial Group's investment activities, including those associated with the U.S. business, are combined under a single authority and share a common philosophy. The investment management structure is illustrated below.



The general fund experts manage a diverse range of investments, including bonds, stocks, residential and commercial mortgage loans, real estate investments, short-term investments and derivatives.

The risk monitoring team is responsible for developing a global vision for the control and monitoring of the various investment risks (interest rate, stock market, foreign exchange, credit, liquidity, etc.). In addition to quantifying the risks, the team helps develop strategies for managing these risks effectively.

Most of iA Financial Group's investment professionals work for iA Investment Management, where they look after asset allocation and securities selection for the general fund and for a number of segregated and mutual funds, in addition to overseeing all external fund managers.

Assets Under Management and Administration

At December 31, 2015, iA Financial Group had $115.8 billion in assets under management and administration, an increase of $6.3 billion, or 6%, over the previous year.

Assets under management, which are made up of amounts in the general fund, segregated funds and mutual funds, as well as certain assets managed for third parties (classified as "Other"), were up $2.1 billion (+3%) in 2015. All components of assets under management, except mutual funds, contributed to this growth.

Assets under administration were up $4.2 billion (+13%) thanks to the positive contribution of the financial product subsidiaries. Assets under administration primarily include third-party assets that are administered through the mutual fund brokerage companies (Investia Financial Services and FundEX Investments), the securities brokerage company (iA Securities) and the trust company (iA Trust). As of the end of 2013, assets under administration also include amounts that were formerly administered by Jovian's financial services companies.

Assets Under Management and Administration

	As at December 31				
(In millions of dollars)	**2015**	**2014**	**2013**	**2012**	**2011**
Assets under management					
General fund[1]	33,161.4	31,591.2	27,195.5	26,697.3	23,718.1
Segregated funds	19,776.7	18,748.2	16,921.4	15,021.2	13,722.9
Mutual funds[2]	10,428.3	11,832.9	11,413.2	8,978.9	8,151.0
Other[2]	15,526.1	14,621.3	13,960.5	8,934.5	6,199.8
Subtotal	78,892.5	76,793.6	69,490.6	59,631.9	51,791.8
Assets under administration[2]	36,920.8	32,687.2	29,289.7	23,833.3	21,858.1
Total	**115,813.3**	**109,480.8**	**98,780.3**	**83,465.2**	**73,649.9**

Evolution of Financial Markets in 2015

The financial markets saw a number of major developments in 2015, but a few in particular stole the spotlight.

The Bank of Canada made headlines in January when it announced the first of two reductions in the key interest rate (the second took place in July). This announcement spurred the rapid decline of the loonie in 2015 and boosted Canadians' return on foreign investments. In Europe, January marked the beginning of a quantitative easing program, a key driver of European stock market performance at the beginning of the year.

But the real action was in the U.S. For the first time since 2011, the U.S. stock market experienced a correction of over 10% in the summer amid fears that China's stock market bubble could burst. The market quickly rebounded in October. Then in mid-December, after postponing the move three months earlier, the U.S. Federal Reserve announced its first interest rate hike since 2006, marking the beginning of a return to normalcy for its monetary policy.

Despite the correction observed in the summer, the U.S. stock market once again delivered a return for Canadian investors of over 20% in 2015, largely owing to the devaluation of our currency. Including dividends, the S&P 500 Index ended the year with a total return of 21.0% in Canadian dollars but only 1.4% in local currency.

The Canadian stock market, represented by the S&P/TSX Index, also experienced a correction in 2015 but didn't benefit from the same rebound as the U.S. market. From its most recent high in September 2014, the index dropped almost 19% to its most recent low in December 2015. The difference from the U.S. market largely stems from the weighting of the Energy and Materials sectors, which account for nearly 29% of Canada's market capitalization. OPEC's major strategy change continued to put strain on the oil market and, incidentally, additional pressure on Canadian energy companies. With its total return down 8.3% in 2015, the Canadian market underperformed the U.S. market for the fifth consecutive year.

1 At December 31, 2014, an adjustment was made to recognize the deferred income taxes related to certain intangible asset items. This adjustment, which increased the goodwill and future income tax liability by an equivalent amount, was reflected retroactively to January 1, 2013. Years prior to 2013 were not adjusted.

2 Includes assets acquired with Jovian Capital Corporation on October 1, 2013.

Outside North America, stock markets delivered mixed returns. Japan's Nikkei Index posted a return of 11.0% (32.0% in Canadian dollars), driven by Japan's quantitative easing program. European stock markets had a positive year, with a 4.9% gain in the MSCI Europe Index (16.5% in Canadian dollars). Emerging markets, which were also impacted by dropping energy and natural resource prices, were down 5.4% (-1.9% in Canadian dollars).

The Canadian bond market showed considerable volatility in 2015, reacting to the Bank of Canada's rate cut with significant gains in the first quarter, followed by a sharp decline in the second quarter. As a result, the FTSE TMX Universe Bond Index posted a gain of 3.5% in 2015, corporate bonds were up 2.7% and short-term bonds were up 2.6%. Long-term bonds posted a return of 3.8%.

General Fund

General Fund Investments

The Company uses a prudent, disciplined approach to investing and aims to achieve an optimal balance between risk and return. In addition to ensuring that its investments are well diversified among issuers and operating sectors, as well as geographically, the Company closely monitors its asset/liability matching and maintains a sufficient level of liquidity at all times. For more information about liquidity risk and how it is managed and about the asset/liability matching process and the measures used by the Company to reduce the risks associated with this process, refer to the Risk Management section of this Management's Discussion and Analysis.

Most of the assets related to the Company's insurance and annuity operations are invested in fixed-income securities, such as bonds and mortgages, and to a lesser extent, in equity securities (stocks). The assets related to the Company's capital are solely invested in fixed-income securities and preferred shares.

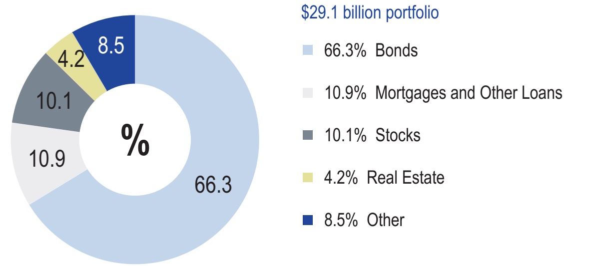
Composition of General Fund Investments

At the end of 2015, 66.3% of the Company's investments were invested in bonds and 10.9% in mortgages and other loans, for a total of 77.2% in fixed-income securities. The proportion of fixed-income securities has fluctuated between 75% and 78% over the last five years, while stocks have varied between 10% and 14%.

General Fund Investments

	As at December 31				
(In millions of dollars)	**2015**	**2014**	**2013**	**2012**	**2011**
Bonds	19,278.1	18,575.3	15,106.7	14,643.1	13,676.8
Mortgages and other loans	3,169.3	2,886.0	2,596.6	2,603.6	3,251.4
Stocks	2,924.1	3,242.0	3,120.2	2,794.6	2,408.5
Real estate	1,215.9	1,190.1	1,079.2	953.1	788.5
Other invested assets	2,479.1	1,515.7	1,287.1	1,989.1	1,589.4
Total	**29,066.5**	**27,409.1**	**23,189.8**	**22,983.5**	**21,714.6**

Investments by Asset Category As at December 31, 2015



Overall Quality of Investments

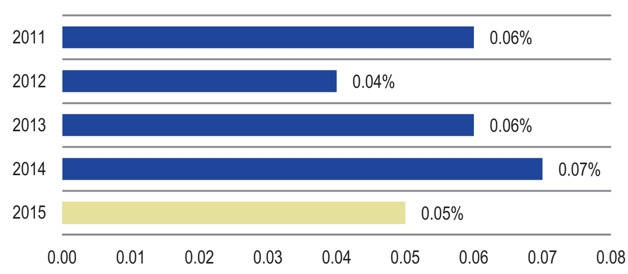
The overall quality of investments continued to be very good in 2015. Net impaired investments decreased from $18.7 million at December 31, 2014 to $14.2 million at December 31, 2015. On a $29.1 billion portfolio, they represent just 0.05% of total investments (0.07% at December 31, 2014).

Net Impaired Investments (Excluding Insured Loans)

	As at December 31				
(In millions of dollars)	**2015**	**2014**	**2013**	**2012**	**2011**
Bonds	6.0	7.2	7.3	8.0	8.4
Mortgages	8.2	11.5	6.5	1.0	4.7
Total	**14.2**	**18.7**	**13.8**	**9.0**	**13.1**

Net impaired investments are made up of bonds and conventional mortgage loans that are three or more months in arrears, as well as restructured loans and other defaulted investment securities, taking into account any provisions for losses set up in consideration of these assets.

Net Impaired Investments as a Percentage of Total Investments As at December 31



The Company's exposure to the oil and gas industry remained fairly stable over the last year. At December 31, 2015, the majority of its exposure (94%) was indirect since it is concentrated in the pipelines market, which is less sensitive to fluctuations in the price of oil. The Company's direct exposure was limited to just 0.3% of the total bond portfolio. In addition, 99% of the Company's exposure to the energy sector is made up of investment grade bonds (rated BBB or higher).

For the investment portfolio as a whole, unrealized losses on corporate fixed-income securities classified as "available for sale" amounted to $5.7 million at December 31, 2015 ($0.9 million at December 31, 2014).

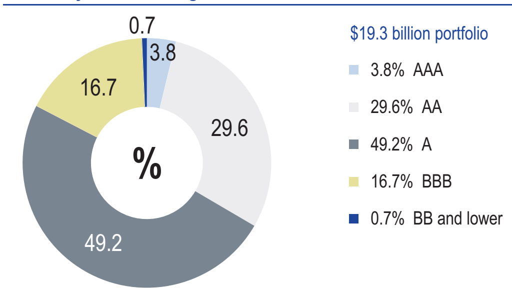
Bond Portfolio

The quality of the Company's bond portfolio is very good, totalling $19.3 billion at December 31, 2015. No new bonds had defaulted as of that date.

In accordance with the rules defined in the investment policies, the Company largely invests in bonds whose credit rating from a recognized rating agency is BBB low or higher at the time of acquisition. In the event no evaluation is available from a recognized rating agency, the Company uses an in-house method to evaluate the quality of the bonds in question.

The proportion of bonds rated A or higher represented 82.6% of the portfolio at the end of 2015, compared to 83.9% at the end of 2014. At December 31, 2015, bonds rated BB and lower (high-yield bonds) represented just $128.1 million (0.7% of the portfolio), compared to $136.9 million at December 31, 2014 (0.7% of the portfolio). None of these high-yield bonds were directly exposed to oil producers.

Bonds by Credit Rating — As at December 31, 2015



In addition to investing in bonds issued through public placements (government bonds and bonds of public corporations), the Company also invests in bonds issued through private placements. These bonds offer investment opportunities that are generally not available on the public market, and offer performance and risk features that are suitable for the operations of a life insurance company. They also provide greater access to information from issuers. However, bonds issued through private placements do not have the same level of liquidity and could be affected by changing credit conditions in the market. At December 31, 2015, private issue bonds totalled $3.6 billion, which represents 18.9% of the bond portfolio ($3.3 billion or 17.7% of the bond portfolio at December 31, 2014).

Bond Portfolio

	As at December 31				
	2015	**2014**	**2013**	**2012**	**2011**
Book value of the portfolio ($Million)	19,278.1	18,575.3	15,106.7	14,643.1	13,676.8
Distribution by category of issuer (%)					
Governments[1]	50.0	49.7	55.2	60.5	59.0
Municipalities	5.2	5.2	4.1	3.9	3.0
Corporates – Public issues	25.9	27.4	24.2	20.3	23.6
Corporates – Private issues	18.9	17.7	16.5	15.3	14.4
Total	100.0	100.0	100.0	100.0	100.0
Delinquency rate (%)	0.00	0.00	0.00	0.01	0.01

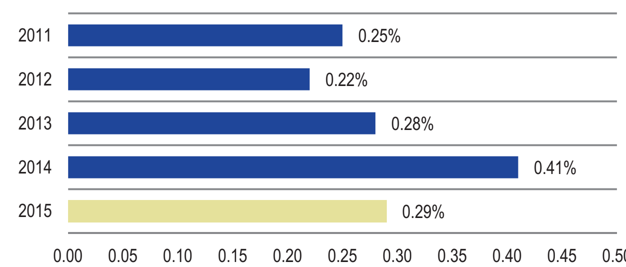
[1] Government issuers and those with an equivalent direct or indirect guarantee, excluding municipal issuers.

Mortgages and Other Loans Portfolio

The mortgages and other loans portfolio amounted to $3.2 billion at December 31, 2015, a $283.3 million increase over December 31, 2014.

Mortgages as such totalled $2.9 billion at the end of 2015, and they were of excellent quality. The delinquency rate decreased during the year, from 0.41% at December 31, 2014 to 0.29% at December 31, 2015. In total, delinquent mortgages represented just $8.5 million at December 31, 2015 ($11.4 million at December 31, 2014). The delinquency rate data includes both insured and uninsured mortgages.

Delinquency Rate as a Percentage of Mortgage Loans — As at December 31



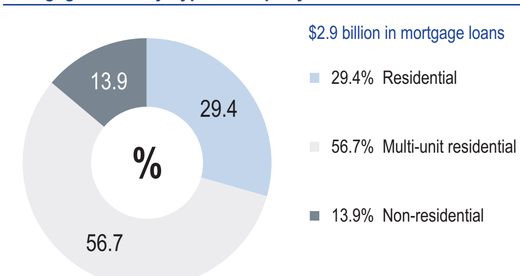
As shown in the table below, insured mortgages have represented approximately three-quarters of total mortgages in recent years (76.0% in 2015).

Mortgages and Other Loans Portfolio

	As at December 31				
	2015	**2014**	**2013**	**2012**	**2011**
Book value of the portfolio ($Million)					
Mortgages	2,877.2	2,759.7	2,537.8	2,589.0	3,251.4
Other loans	292.1	126.3	58.8	14.6	--
Total	3,169.3	2,886.0	2,596.6	2,603.6	3,251.4
Distribution of mortgages by type of loan (%)					
Insured loans	76.0	75.9	74.7	73.4	64.8
Conventional loans	24.0	24.1	25.3	26.6	35.2
Total	100.0	100.0	100.0	100.0	100.0
Delinquency rate (%)	0.29	0.41	0.28	0.22	0.25

At December 31, 2015, the proportion of mortgages secured by single-family and multi-unit residential properties was 86.1% (84.3% at December 31, 2014). This number has been above 80% for several years.

Mortgage Loans by Type of Property — As at December 31, 2015



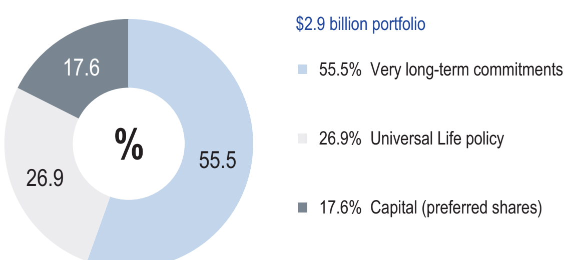
In addition to its mortgages and other loans, the Company also manages assets for third parties. In total, the Company's portfolio of mortgages and other loans plus assets managed for third parties amounted to $12.0 billion at December 31, 2015 ($10.8 billion at December 31, 2014). Loans managed for third parties have grown considerably in the past few years as the Company capitalizes on its underwriting, compliance, customer service and management expertise.

Stock Portfolio

At December 31, 2015, investments in equity securities amounted to $2.9 billion, or 10.1% of the Company's total investments, compared to $3.2 billion or 11.8% a year earlier.

Investments in equity securities are used to match long-term insurance contract liabilities and to cover the commitments on certain Universal Life policies. Preferred shares are used to invest a portion of the Company's capital. Although the Company's preferred shares decreased in value in 2015, they fared much better than the market overall. The decrease did not stem from credit problems with the issuers, but from general market conditions in 2015, in particular the anticipation of interest rate cuts in Canada and the issue of new securities offering attractive returns.

Stock Portfolio by Type of Matching — As at December 31, 2015



The management strategy used for the stock portfolio aims to optimize the return through investments in preferred shares, high dividend shares, market indices and investment funds. The Company favours a policy of diversification by industrial sector and by issuer to limit its exposure to concentration risk and to participate in the growth of all primary economic sectors.

Stock Portfolio

	As at December 31				
	2015	2014	2013	2012	2011
Book value of the portfolio ($Million)	2,924.1	3,242.0	3,120.2	2,794.6	2,408.5
Distribution by category of stock (%)					
Common shares and investment fund units	50.3	59.4	60.4	59.8	58.4
Preferred shares	19.1	16.6	16.7	15.5	8.3
Market indices	13.0	14.2	18.4	21.2	30.2
Private equities	17.6	9.8	4.5	3.5	3.1
Total	100.0	100.0	100.0	100.0	100.0

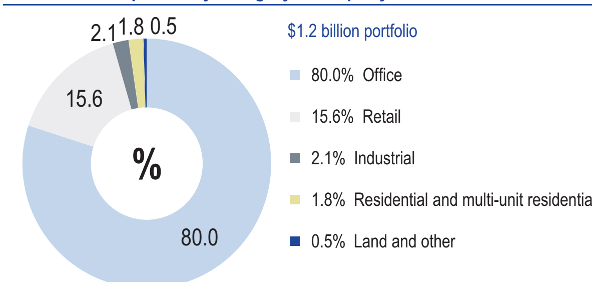
Real Estate Portfolio

The Company recognizes investment properties at fair value. The book value of investment properties increased by $25.8 million in the past year to reach $1.2 billion at December 31, 2015. Changes in the book value are normally due to the net amount of acquisitions and dispositions, the increase in the fair value of investment properties that were reappraised during the year and any renovations to the properties. Real estate investments represented 4.2% of total investments at December 31, 2015, compared with 4.3% at December 31, 2014.

The occupancy rate of investment properties decreased slightly during the year (90.1% at December 31, 2015, compared to 91.0% at December 31, 2014). Nevertheless, it continues to compare very favourably with that of commercial rental properties in large Canadian cities.

Office buildings account for over 80% of the Company's real estate investments.

Investment Properties by Category of Property — As at December 31, 2015



Investment Properties

(In millions of dollars, unless otherwise indicated)	As at December 31				
	2015	2014	2013	2012	2011
Book value of the portfolio	1,215.9	1,190.1	1,079.2	953.1	788.5
Occupancy rate	90.1%	91.0%	93.5%	95.2%	94.6%

Derivative Financial Instruments

The Company uses derivative financial instruments in the normal course of managing its exposure to fluctuations in interest rates, equity markets, currencies and credit. These instruments are primarily made up of interest rate, equity and foreign exchange swaps, as well as futures and forward contracts.

Derivative financial instruments are used primarily as part of the Company's hedging program. This program aims to alleviate the sensitivity of the capital guarantees on certain segregated fund products to interest rate and stock market fluctuations.

The Company also uses derivatives in the implementation of strategies to improve the long-term return on the investment portfolio and to hedge the risk associated with the Universal Life policy funds.

The table below presents certain values pertaining to the Company's financial instruments. For more information, refer to note 8 of the Company's consolidated financial statements.

Derivative Financial Instruments – Fair Value and Exposure

	As at December 31	
(In millions of dollars)	2015	2014
Net fair value[1]	(66)	8
Notional amount[2]	12,199	10,797

Other Invested Assets

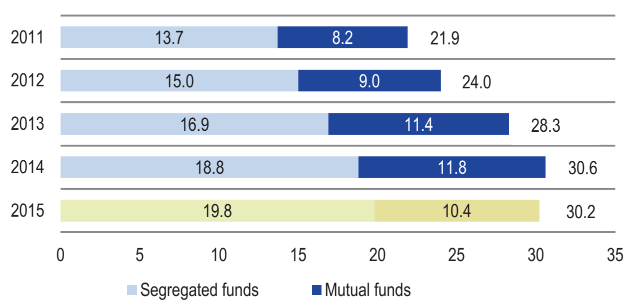
The Other Invested Assets category is made up of cash and cash equivalents, policy loans (most insurance contracts, except for term insurance contracts, allow policyholders to obtain a loan on the surrender value of their contracts), derivatives, short-term investments and other investments. These investments totalled $2.5 billion at December 31, 2015, compared to $1.5 billion at December 31, 2014. The increase in 2015 is partially due to the variation in cash and cash equivalents.

Investment Funds
(Segregated Funds and Mutual Funds)

Investment Fund Assets

Investment fund assets for iA Financial Group totalled $30.2 billion at December 31, 2015 ($19.8 billion in segregated funds and $10.4 billion in mutual funds), down 1% from the previous year. This decrease is explained by unfavourable financial markets and net mutual fund outflows.

Segregated Fund and Mutual Fund Assets as at December 31 ($Billion)



Range of Funds

iA Financial Group offers a broad, diverse range of investment funds. At December 31, 2015, the Company offered over 200 funds to its individual and group clients. Over half of the assets in these funds are managed in-house.

The Company continued to redesign its offer in 2015 to provide greater diversity and more complementary management styles. Some innovative new options were also introduced for certain market segments, in particular high net worth clients.

On the mutual fund front, iA Clarington made some fund manager changes at the beginning of the year. These changes affected three funds in the Balanced and Fixed Income categories. iA Clarington also launched some new funds during the year and enhanced its Elite Program for high net worth clients.

Lastly, in the Group Savings and Retirement sector, the Company added a number of funds in the most frequently purchased categories and made numerous improvements to its biggest, most popular plans.

iA Financial Group's Active Investment Funds

	As at December 31, 2015	
	Assets ($Billion)	Distribution of assets
Segregated funds	19.8	66%
Mutual funds	10.4	34%
Total	**30.2**	**100%**

Investment Fund Performance

Stock market performance was mixed in 2015. Market observers saw a pullback in Canada, a slight increase in the U.S. and modest returns elsewhere in the world. However, the decline of the Canadian dollar over the past year drove foreign equity returns up, resulting in attractive nominal returns for some of the Company's investment funds.

Compared to the competition, the Company's returns were very good as a whole, and even exceptional for the in-house management team. Overall, more than 65% of the assets held in funds offered by the Company surpassed their respective medians.

The returns on all of the Company's investment funds and the detailed financial information associated with these funds are presented in the investment funds' financial reports prepared by iA Financial Group.

[1] Positive fair value of the derivative financial instruments presented under Assets in the Consolidated Statements of Financial Position, minus the negative fair value presented under Liabilities.
[2] Amount used to determine the contractual amount of the cash flows to be exchanged.

Risk Management

The Risk Management section of the Management's Discussion and Analysis contains certain information required under IFRS-7 *Financial Instruments: Disclosures* of the International Financial Reporting Standards (IFRS) regarding the nature and scope of the risks arising from financial instruments. This information, which appears in the shaded sections, is an integral part of the audited consolidated financial statements for the period ended December 31, 2015, given that the standard permits cross-references between the Notes to the Financial Statements and the Management's Discussion and Analysis. Because of the references made to the financial statements, the terminology used in this section is generally what is found in the financial statements.

As a financial institution, iA Financial Group assumes a variety of risks inherent in the conduct of its business. The Company's challenge is to manage these risks as effectively as possible in order to enhance long-term profitability and shareholder value, while continuing to meet the needs of policyholders and comply with regulatory requirements.

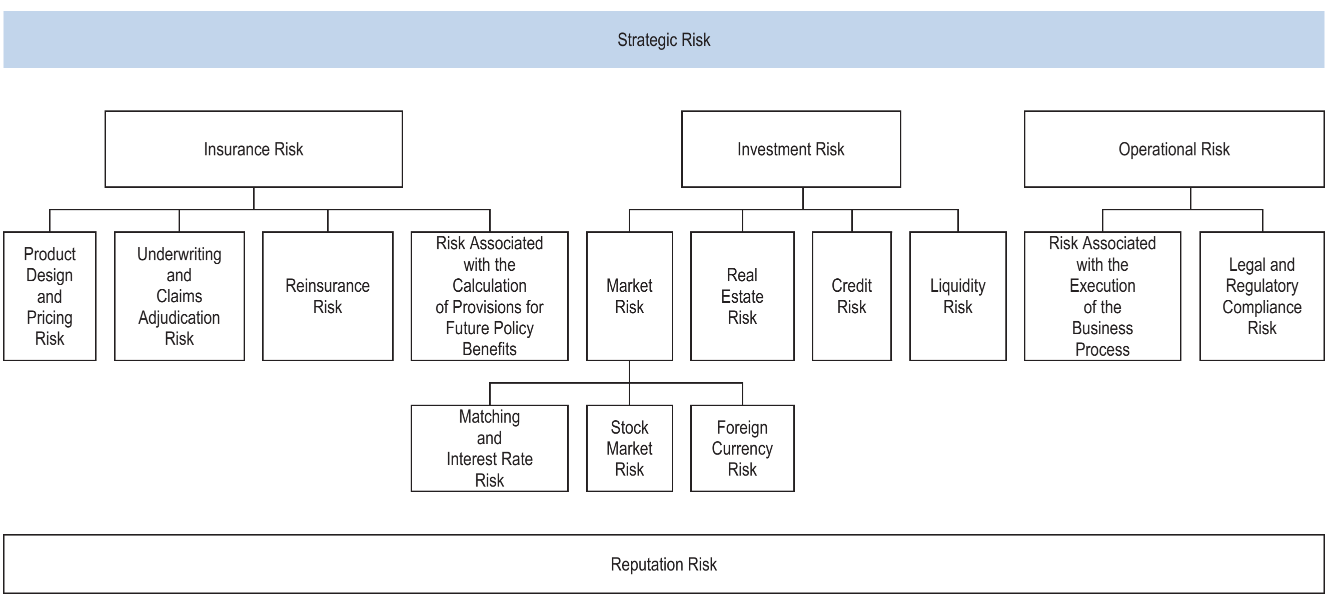
The Company maintains an overall vision and demonstrates prudence in implementing its strategies and business decisions in order to protect its reputation and the Company's value. The Company also places particular emphasis on its capital adequacy by maintaining a solvency ratio higher than that required by the regulatory authorities.

Risk Categories

One of the risks the Company must assume in the course of pursuing its financial goals is strategic risk. This risk may arise from a poor execution of the business plan, an inadequate business plan, or the Company's inability to adapt to changes in the competitive, economic, legal or political environment.

The Company is also exposed to reputation risk. This risk may result from negligence or unauthorized actions by employees or other individuals affiliated with the Company, inappropriate behaviour by one of its representatives, or other events that may, rightly or wrongly, have a negative impact on the public's perception of the Company and potentially lead to fewer clients, lost revenues or considerable litigation costs.

The diagram below illustrates the additional risks facing the Company. A summary of these risks and the process for managing them is outlined in the following pages.



Risk Management Principles and Responsibilities

Effective risk management rests on identifying, understanding and communicating the risks the Company is exposed to in the course of its operations.

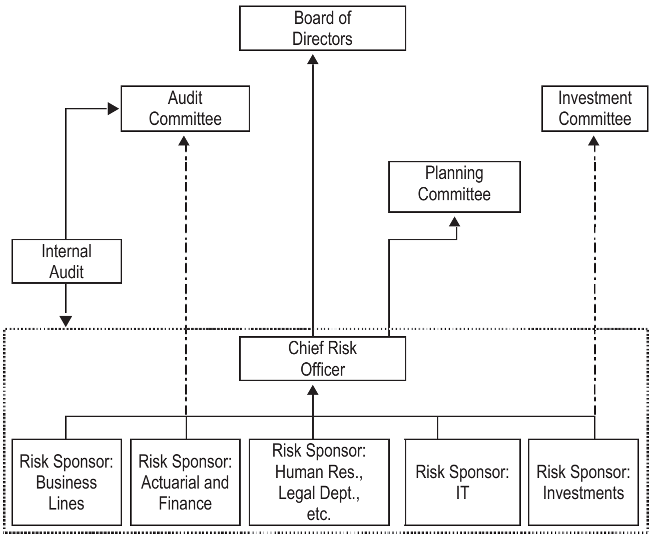
In accordance with this principle, the Company has implemented an enterprise risk management program that is consistently applied and that is taken into account in developing the Company's business strategies and in all of its operations.

The goal of the enterprise risk management program is to identify, assess, manage and monitor the risks the Company is exposed to in the course of its operations and to ensure that any pertinent information regarding these risks is communicated and shared on a regular and timely basis with the various people involved in the program.

The enterprise risk management program is also designed to provide the Board of Directors with reasonable assurance that sufficient resources and appropriate procedures are in place within the Company to ensure sound risk management.

The program is governed by a global policy designed to classify and define the risks the Company is exposed to, outline the risk management organizational structure, including the roles and responsibilities of the various people involved in the risk management process, and identify the key steps in the process, particularly in terms of identifying, assessing, communicating and monitoring the risks.

The diagram that follows illustrates the responsibility levels with respect to enterprise risk management within the Company.



The risk sponsors are made up of senior managers who are responsible for the various organizational units such as the business lines and the Actuarial and Finance, Human Resources, Legal, Investment and IT departments. These people are responsible for managing the risks that could adversely affect the achievement of the objectives identified in their respective areas of responsibility. The risk sponsors are responsible for producing a report at regular intervals on the material risks to which the Company is exposed. Ongoing communication with the Risk Management Facilitator is also established to ensure that the entire Company manages risk in an appropriate, effective and consistent manner.

The Chief Risk Officer is responsible for coordinating the program within the Company and ensuring that appropriate policies and procedures are defined and implemented by the risk sponsors. He is also responsible for summarizing and communicating the risk-related information to the Board of Directors. The Chief Risk Officerand his team work closely with the risk sponsors to ensure effective management of the risks in their respective areas of responsibility. They also play a key role in ensuring good communication among the various managers and promoting a general culture of sound risk management. The Chief Risk Officer reports to the Chief Actuary.

The Planning Committee, which includes the President and Chief Executive Officer as well as the senior executives, ensures that the policies and procedures are enforced and keeps the Board of Directors apprised of the key risks to which the Company is exposed and the measures being taken to manage them. It also ensures that managers carefully assess the material risks to which the Company is exposed, and that they act with prudence and discipline within the established limits for risk tolerance.

The Board of Directors monitors the effectiveness of the risk management program. It verifies and approves the global policy governing this process as well as any changes that are made to it. The Board also approves the overall level of risk the Company is willing to take as well as how far the Company is willing to deviate financially from its objectives.

The internal auditors assess the effectiveness of the enterprise risk management program, recommend improvements to the people involved in the process and report on the situation to the Board of Directors' Audit Committee.

The enterprise risk management program is also applied in the Company's subsidiaries. The boards of directors of the subsidiaries, which are made up of members renowned for their expertise in their respective fields and may also include senior executives from the parent company, also play an important role in risk management.

Insurance Risk

Insurance risk is subdivided into four categories: product design and pricing risk, underwriting and claims adjudication risk, reinsurance risk and risk associated with the calculation of provisions for future policy benefits.

Product Design and Pricing Risk

Product design and pricing risk is the risk that the established price is or becomes insufficient to ensure an adequate return as compared to the Company's profitability objectives. This risk may be due to a poor estimate of the future experience of several factors, such as mortality, morbidity, lapse experience, expenses and taxes.

For certain types of contracts, all or part of this risk may be shared with or transferred to the policyholder through a dividend and experience refund policy, or through the fact that the Company can adjust the premiums or future benefits if experience turns out to be different than expected. For other types of contracts, the Company assumes the entire risk, thus the need to carry out a proper valuation of the commitments in this regard.

The Company has adopted a product design and pricing policy that establishes standards and guidelines on pricing methods, formulation of assumptions, profitability objectives, analysis of the sensitivity of this profitability according to various scenarios, documentation, and the accountability of the various people involved.

The risk is primarily managed by regularly analyzing the pricing adequacy of Company products as compared to recent experience. The pricing assumptions are revised as needed or the various options offered by the reinsurance market are utilized.

Underwriting and Claims Adjudication Risk

Underwriting and claims adjudication risk is the risk of financial loss resulting from the selection of risks to be insured, adjudication of claims and management of contract clauses.

Given the geographic diversity of its clients, the Company is not heavily exposed to concentration risk with respect to individuals or groups. The largest portion of the Company's mortality risk is in Canada.

The Company has established guidelines pertaining to underwriting and claims adjudication risk that specify the Company's retention limits. These retention limits vary according to the type of protection and the characteristics of the insureds, and are revised regularly according to the Company's capacity to manage and absorb the financial impact associated with unfavourable experience regarding each risk. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

Reinsurance Risk

In the normal course of business, the Company uses reinsurance agreements to limit its risk on every life insured. Maximum benefit amounts, which vary by line of business, are established for life and health insurance. Reinsurance risk is the risk of loss resulting from unfavourable changes in the reinsurance market, inadequate reinsurance coverage or the reinsurer's risk of insolvency.

Although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit risk associated with the amounts ceded to reinsurers. This risk category includes residual insurance risk, legal risk, counterparty risk and liquidity risk resulting from reinsurance operations.

The Company also has reinsurance agreements covering financial losses from multiple claims due to catastrophic events affecting multiple lives insured. These agreements apply to events that may produce losses in excess of $50 million, up to a maximum of $150 million, which is equivalent to a maximum claim of up to $100 million.

Risk Associated with the Calculation of Provisions for Future Policy Benefits

In any insurance company, calculating the provisions for future policy benefits is a complex process that relies on financial projection models and assumptions to determine the value of the amounts that will be paid in the future to policyholders and beneficiaries.

The risk associated with the calculation of provisions for future policy benefits represents the risk of financial loss that could occur due to inadequate use of experience results in establishing the assumptions or non-compliance with actuarial valuation standards. In order to minimize this risk, the Company has developed a policy that outlines the documentation and the control rules needed to ensure that the actuarial valuation standards defined by the Canadian Institute of Actuaries (or any other relevant body), as well as the Company's standards, are followed and applied consistently in all sectors and in all territories where the Company conducts business.

Every year, the appointed actuary ensures that the valuation of provisions for future policy benefits is carried out in accordance with accepted actuarial practice in Canada and that the selected assumptions and valuation methods are appropriate.

The Company's Sensitivity to Certain Insurance Risks

The table that follows provides an overview of the impact on the net income attributed to common shareholders of adverse deviations from assumptions with regard to certain insurance risks.

Decrease in Net Income Attributed to Common Shareholders Resulting from Adverse Deviations from the Assumptions

(In millions of dollars)	2015	2014
Insurance risk: adverse deviation of 5%		
Mortality rate[1]	169	162
Lapse rate[2]	144	167
Unit costs[3]	50	41
Morbidity rate[4]	55	41

Favourable variances from the assumptions would have the same impact, but in the opposite direction.

Investment Risk

The Company is exposed to various investment risks, i.e. the risk that its investments will sustain losses or will not produce the expected returns. The Company has established investment policies that contain a variety of quantitative measures designed to limit the impact of these risks. The investment policies are reviewed annually and any modifications are submitted to the Board of Directors for approval. Policy management and compliance is monitored regularly and the results are reported to the Board of Directors' Investment Committee at least quarterly.

Investment risk is subdivided into four main categories: market risk, real estate risk, credit risk and liquidity risk.

Market Risk

Market risk includes three types of risk: matching and interest rate risk, stock market risk and foreign currency risk.

Matching and Interest Rate Risk – One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits. In some cases—for death benefits and annuity payments, for instance—the maturity date may be uncertain and potentially a long time in the future. Matching and interest rate risk is the risk of financial loss that can occur if the asset cash flows cannot be reinvested at high enough interest rates compared to the interest rates on the corresponding liabilities, or if an asset needs to be liquidated in order to match the liability cash flows and a loss in market value of the liquidated asset occurs due to rising interest rates. This risk depends on asset allocation as well as external factors that have a bearing on the markets, the nature of the built-in product guarantees, and the policyholder options.

In order to mitigate this risk, the Company has developed a strict matching process that takes into account the characteristics of the financial liabilities associated with each type of annuity and insurance product. Some of the important factors considered in the matching process include the structure of projected cash flows and the degree of certainty with regard to their maturity, the type of return (fixed or variable), the existence of options or guarantees inherent in the assets and liabilities, and the availability of appropriate assets in the marketplace. Some liabilities can be immunized to a very large degree against interest rate fluctuations because they can be backed by assets offering a similar cash flow structure.

[1] The adverse deviation is expressed assuming 105% of the mortality rates, adjusted to reflect the adjustability of certain products.
[2] The adverse deviation is expressed assuming 95% of the expected lapse rates for lapse-supported products and 105% of the expected lapse rates for other products, adjusted to reflect the adjustability of certain products.
[3] Adjusted to reflect the adjustability of certain products.
[4] The adverse deviation is expressed assuming 95% of the termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active, adjusted to reflect the adjustability of certain products.

The Company's investment policy clearly defines the type of matching that is appropriate for each type of liability, as well as the constraints and guidelines to follow for choosing the assets. To illustrate the application of this policy, the liabilities are divided into three main categories, as presented below, based on the structure of the underlying financial commitments.

Net Liabilities According to Type of Matching

	As at December 31			
	2015		2014	
	$M	%	$M	%
Immunized liabilities				
On a cash flow basis	7,663	35%	7,279	35%
Universal Life policy accounts	1,477	7%	1,476	7%
Subtotal	9,140	42%	8,755	42%
Non-immunized liabilities	12,551	58%	12,003	58%
Total	**21,691**	**100%**	**20,758**	**100%**

1› Liabilities Immunized on a Cash Flow Basis

This category represents 42% of the policy liabilities and primarily reflects the commitments with regard to annuity and other insurance contracts with a maturity of less than thirty years.

For liabilities immunized on a cash flow basis, the primary objective of the matching is to minimize the volatility of the deviations that can occur between the returns realized on the assets and those expected for the liabilities. In terms of the liabilities, the expected returns include the interest rates credited to client contracts and the fluctuation margins set out in the actuarial valuation of the policy liabilities. To appropriately monitor matching, investments are segmented by blocks based on the cash flow structure of the liabilities, and these blocks are grouped together by line of business. A careful examination of these matching blocks is carried out once a month, and a number of techniques are used to assess the quality of the matching in order to guide the selection of investments.

To measure the sensitivity to interest rate fluctuations, the Company uses metrics recognized by immunization experts, such as duration and dispersion. The investment policy sets out a maximum spread between the result of the measures applied to the assets and the corresponding result obtained for the liabilities. These results are provided to the Investment Committee on a quarterly basis.

The Company also carries out sensitivity analyses to assess the financial impact that would result from various types of fluctuations in the interest rate yield curve. These analyses are carried out using stochastic scenarios that are used to quantify the residual risks that may remain in the portfolios. Simulations based on predefined scenarios are also analyzed to measure the impact of specific fluctuations. The sensitivity analyses are also used to assess the behaviour of the future fluctuation margins projected in the actuarial valuation of the policy liabilities. The matching policy sets limits as to the sensitivity of these margins.

In addition, in order to minimize the reinvestment risk that can arise when the maturity of the assets does not match the maturity of the corresponding liabilities, the investment policy also requires that an effort be made to ensure that the asset cash flows correspond to the liability cash flows. To this end, the policy sets relative and absolute limits regarding the size of the cumulative net cash flows, both for all the matching blocks combined and for each individual block.

For this liability category, the use of a very strict immunization approach means that the impact on net income of a decrease or increase in interest rates would be negligible.

2› Immunized Liabilities Linked to Universal Life Policy Accounts

This category represents 7% of policy liabilities, and includes all liabilities linked to Universal Life policy accounts. The returns on these liabilities may either be based on a guaranteed interest rate account, or determined on the basis of a market or portfolio index. For these liabilities, the matching is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, so as to strictly reproduce the returns credited to the underlying accounts.

For accounts where the return varies based on an index, the impact on net income of a change in the stock markets applied to the assets would be negligible, since an equivalent change would be applied to the corresponding liabilities.

3› Non-Immunized Liabilities

This category corresponds to 58% of the Company's policy liabilities and primarily encompasses individual insurance products whose cash flows have a specific structure and for which a classic immunization strategy cannot be applied. Therefore, for this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets by using the various types of leverage available to limit its exposure to reinvestment risk.

The Company uses high-quality assets, primarily made up of long-term fixed-income securities, equity securities (common and preferred shares, market indexes and investment fund units), and real estate. The asset class allocation aims to achieve an optimal return at maturity, taking into account capital requirements, expectations regarding the interest rate structure and performance of the stock markets. At the same time, the strategy takes into account the constraints imposed by the investment policy, particularly with regard to diversification of the portfolio.

The Company uses various types of leverage, including an inter-segment note program that allows cash flows to be exchanged among activity sectors and interest rate swaps to reduce the reinvestment risk.

For this liability category, a widespread decrease in interest rates could have an adverse impact on annual net income to common shareholders, primarily due to the attendant increase in policy liabilities. If interest rates were to decrease, the reinvested cash flows would generate lower investment income for the total duration of the investment. A decrease in interest rates could lead to a downward adjustment of the initial reinvestment rate (IRR) assumption or the ultimate reinvestment rate (URR) assumption used to calculate the policy liabilities.

During the period ended December 31, 2015, derivative financial instruments were used as part of the Company's strategy to optimize returns. To mitigate its risk related to interest rate variations, the Company used hedge accounting through derivative instruments with a nominal value of $380 million in 2015 ($138 million in 2014). For more information, refer to notes 7 and 8 of the Company's consolidated financial statements as at December 31, 2015.

The following tables provide a summary of the impact on net income attributed to common shareholders and on accumulated other comprehensive income of matching and interest rate risk.

Decrease in Net Income Attributed to Common Shareholders Resulting from Adverse Deviations

(In millions of dollars)	2015	2014
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR) [1]	78	88
10 basis point decrease in the ultimate reinvestment rate (URR)	60	59

Increase in Accumulated Other Comprehensive Income Resulting from Interest Rate Fluctuations

(In millions of dollars)	2015	2014
Interest rate risk		
25 basis point drop in interest rates[2]	(6)	3

Similar increases in the IRR, URR and interest rates would have the same impact as corresponding decreases, but in the opposite direction.

To test for market sensitivity, the Company uses an interest rate variance of 25 basis points for the IRR and 10 basis points for the URR because it believes these interest rate variances to be reasonable given market conditions as at December 31, 2015.

Stock Market Risk – Stock market risk represents the risk that a stock market downturn could have an adverse impact on the Company's results. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) the fee income collected on the investment funds managed by the Company, which are calculated based on assets under management; 2) the discounted future revenues on Universal Life policy funds; 3) a strengthening of provisions for future policy benefits; and 4) the income on capital generated by the assets backing the Company's capital. For these items, the Company estimates that a 10% drop in the markets as at December 31, 2015 would have led to a $28 million decrease in net income and a $38 million decrease in other comprehensive income. A 25% drop in the markets as at December 31, 2015 would have reduced net income by approximately $77 million, and other comprehensive income by $95 million.

If the markets were to drop more than 27% from their levels at December 31, 2015, all other things being equal, the Company would not have the leeway to absorb an additional drop in the markets without a significant impact on its provisions for future policy benefits related to individual insurance.

In addition to the impact on the Company's income, a stock market downturn could also have an impact on the Company's solvency ratio.

Sensitivity of the Solvency Ratio to Variances in the S&P/TSX Index

	2015	2014
Solvency ratio as at December 31	213%	209%
S&P/TSX Index as at December 31	13,010	14,632
Level of S&P/TSX index for the solvency ratio to be at 175%	7,900	8,900
Level of S&P/TSX index for the solvency ratio to be at 150%	6,100	7,100

In order to measure its market sensitivity, the Company examined the impact of a 10% market variance at the end of 2015, believing that this kind of variance was reasonable in the current market environment. However, to take into account the possibility that a market variance of more than 10% could have an impact that is not linearly proportional, the Company also measured the impact of a 25% market variance.

Segregated funds expose the Company to the risk of a stock market downturn. In order to mitigate some of the risk associated with this exposure, the Company has set up a hedging program, which is described a little later in this section.

A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Some products may also offer a guarantee for partial withdrawals. Because of the volatility inherent in the stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee is applied and that it will then have to compensate the investor for the difference in the form of a benefit. In order to get an overview of its exposure to the risk associated with the segregated fund guarantees, the Company determines the net amount at risk, which is the amount by which the guaranteed minimum value exceeds the market value for all contracts in this situation at a given point in time. The net amount at risk does not constitute a payable benefit as such, since in reality, benefits that might have to be paid in the future will depend on various eventualities, including market performance and contract holder longevity and behaviour.

The following table provides information on the segregated fund assets under management in the Individual Wealth Management sector.

[1] These estimates do not take into account any compensatory measures to alleviate the impact of an interest rate decrease. The Company could reconsider the investment allocation for each asset class backing the very long-term commitments.

[2] Excluding any downward adjustment of the IRR or URR.

Individual Wealth Management
Segregated Fund Assets Under Management

(In millions of dollars)		2015	2014
Assets under management	(a)	12,292	11,826
Guaranteed minimum value		11,009	10,016
Value of assets underlying the hedged guarantees	(b)	8,761	9,150
Value of assets underlying the minimum guarantees[1]	(c)	2,585	1,812
Proportion of assets under management covered by the hedging program	(b) ÷ ((a) – (c))	90%	91%

The hedging program involves short selling futures contracts on market indices traded on stock exchanges, as well as signing agreements for forward exchange contracts for currencies traded on stock exchanges, interest rate swaps and internal total-rate-of-return swaps on indices traded on stock exchanges. This program is used to hedge a good portion of the sensitivity of net income to the performance of the bond and equity funds and to the interest rate fluctuations arising from the segregated fund guarantees. In order for the Company's strategy to adequately cover the risks related to the hedged guarantees, a dynamic rebalancing of the hedging instruments is carried out based on changes in financial market conditions.

Hence, a large part of the variations in the economic worth of the liabilities are offset by variations in assets held under the hedging program. In the last eight quarters, the quarterly effectiveness of our hedging program fluctuated between 88% and 95% depending on the volatility of the financial markets. In addition, it has had a 93% effectiveness rate since it was implemented in October 2010, which is excellent.

Under the hedging program, the value of the liabilities associated with the guarantees is updated weekly to reflect differences between expected experience and actual results. In the process of calculating expected experience, the Company uses certain assumptions regarding policyholder longevity and future redemptions. The redemption assumption, however, has certain limitations. The timing and size of the withdrawals and fund transfers cannot be hedged using derivative financial instruments since these are factors decided by the contract holder, and adverse deviation from expected experience can alter the quality of the hedge.

The hedging program is not designed to completely eliminate the risks associated with the hedged guarantees. A number of factors can alter the quality of the hedge and potentially lead to a gain or loss on the income statement. The hedging program itself entails certain risks that may limit the program's effectiveness, in particular:

- The program is based on dynamic rebalancing of the derivative hedging instruments. A decrease in the liquidity of these instruments would have an adverse impact on the effectiveness of the program.
- The use of derivative hedging instruments entails a counterparty risk, which is mitigated by the presence of collateral agreements.
- There may be a favourable or unfavourable variance between the returns realized on the segregated funds and those realized on the hedge positions held to cover the guarantees associated with these funds.

In order to ensure sound management of the risk of a stock market downturn, the Company's investment policies clearly define quantitative and qualitative limits for the use of equity securities. The target asset mix in the form of equity securities is designed to maximize the Company's returns and reduce the potential risk concerning guaranteed minimum returns under long-term commitments.

The investment policy allows the Company to use derivative financial instruments. The use of these instruments, however, must comply with the risk tolerance limits and the prudential requirements set out in the investment policy, including a minimum credit rating for the counterparty financial institution.

During the period ended December 31, 2015, derivative financial instruments were used as part of the hedging program for segregated fund guarantees and to hedge the risk associated with Universal Life policy funds.

Foreign Currency Risk – Foreign currency risk represents the risk that the Company will have to assume losses due to exposure to foreign currency fluctuations. The Company has adopted a policy to avoid exposing itself to material currency risk. To this end, liabilities are generally matched with assets expressed in the same currency; otherwise, derivative financial instruments are used to reduce net currency exposure. As at December 31, 2015, the Company was not exposed to any material foreign currency risk.

Real Estate Risk

Real estate risk is the risk associated with the variation in the value of real estate and rental income losses.

The Company's investment policy authorizes prudent investments in the real estate market within certain clearly defined limits, both globally and by geographic region. Real estate investments are used to back long-term commitments for certain lines of business, like Individual Insurance, and help ensure sound diversification of the Company's investments.

Credit Risk

Credit risk corresponds to the possibility that the Company will sustain a financial loss if certain counterparties or debtors do not meet their commitments to the Company. This risk originates mainly from credit granted in the form of loans, private placements and corporate bonds, but also from exposure to derivative financial instruments.

The Company uses derivative products under its investment policy, primarily swaps and futures contracts. These contracts are not used for speculation purposes but for matching assets and liabilities and managing financial risk. They are primarily used to mitigate credit risk, as well as risks associated with fluctuations in interest rates, currencies and stock markets.

The derivative products used under the hedging program for segregated fund guarantees expose the Company to credit risk due to the presence of counterparties involved in the program. As indicated earlier, the counterparty financial institutions for derivative products must meet certain well-established criteria, and specific agreements have been reached with these institutions in order to minimize and control the credit risk.

[1] Represents the value of assets for which the risk of the guarantees is limited and which the Company decided not to include in the hedging program.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. More information about concentration risk is presented in note 7 of the consolidated financial statements as at December 31, 2015.

The Company's investment policies aim to mitigate concentration risk by promoting the sound diversification of investments, by limiting exposure to any one issuer and by seeking a relatively high quality of issuers. They also impose limits by groups of related issuers, by activity sector and by geographic region. These limits depend on the credit quality of the issuers.

The Company also has a specific credit policy for private placements and loans that stipulates the assignment of internal credit ratings for investments that do not have a credit rating assigned by a recognized rating agency. The policy and procedures in place establish certain selection criteria and define the credit authorization limits based on the scope and degree of risk. In order to manage the credit risk associated with these investments, the Company may require collateral, particularly for real estate, residential or commercial mortgages.

Liquidity Risk

Liquidity risk represents the possibility that the Company will not be able to raise the necessary funds, at the appropriate time and under reasonable conditions, to honour its financial commitments.

This risk is managed through strict matching of assets with financial liabilities, and strict cash flow management. Moreover, to maintain an appropriate level of liquidity, the Company makes sure it holds a good proportion of its assets in marketable securities. One of the tools used to monitor the liquidity risk is a report prepared by the Investment department's managers once a month, which indicates the liquidity adequacy according to different adverse scenarios. This report is sent to the Investment Committee on a quarterly basis.

The use of derivatives requires that securities be sent as collateral to clearing houses and derivative counterparties in order to mitigate the credit risk. Simulations are carried out to measure the liquidity needs that could arise due to interest rate and stock market turmoil in order to assess the liquidity that needs to be maintained to meet those requirements.

In addition to the requirements mentioned above, the Company needs to have additional liquidity available for possible surrenders and contract terminations. A number of scenarios are analyzed in order to plan for all eventualities.

The Company also carries out additional simulations to take into account a potential stock market crisis. These simulations take into account a lower level of liquidity for certain asset categories that are normally considered very liquid. For each combination of asset and liability scenarios, the Company calculates a liquidity ratio and ensures that this ratio is higher than a certain minimum ratio.

Given the quality of its investment portfolio, and despite the financial market volatility, the Company does not believe its current liquidity level to be an issue.

Operational Risk

Operational risk includes risk associated with the execution of the business process, and legal and regulatory compliance risk.

Risk Associated with the Execution of the Business Process

Risk associated with the execution of the business process means the risk of loss that can arise from faulty or inadequate internal processes, human error or external events. This risk is present in all the Company's activities and can come from different sources: the Company's breach of duties or obligations as a trustee, technology failure, interruption of activities, an unsuccessful integration of a newly acquired company, inappropriate modelling, inadequate management of human resources, failure to be environmentally responsible, breach of contract, a legal dispute, theft or fraud, and damage to property. The risk can take the form of financial losses, loss of competitive position or injury to reputation.

To manage the risk associated with the execution of the business process, the Company emphasizes proactive management practices by ensuring that appropriate and effective internal controls are implemented, and by utilizing competent, well-trained employees at all levels. The Company also makes it a priority to revise its policies and develop stricter standards, where necessary, in light of any new expertise it acquires in the course of its operations.

In addition, through its enterprise risk management program, the Company makes all managers accountable by asking them to confirm their sector's compliance with procedures, describe the processes in place for ensuring this compliance, and confirm that policies and procedures are up to date. The risks that could arise are also assessed and quantified, as well as the measures taken to manage the most material risks.

Reliable, secure and sophisticated information and communications technologies (ICTs) are essential for the successful execution of the business process, and the Company places special emphasis on this aspect. In fact, it has set up a comprehensive plan for controlling the risk of ICT failure. Inspired by the ISO international standard on information technologies, the Company has broken down the main risks that could adversely affect its operations into four main categories: risk associated with the non-availability of essential components (this risk is controlled by the implementation of technology solutions to ensure the availability of the components and by the development of a detailed business continuity plan); risk of loss of data integrity (this risk is controlled through malware management and the use of proven data management solutions); risk of unauthorized access to information (this risk is controlled by the strict management and periodic review of access privileges and clearance); and risk of outside penetration of systems (this risk is controlled by multiple ICT security and detection measures to protect ICTs from cyber attacks). The management of these risks is reviewed at regular intervals in order to adapt to changing technologies and Company needs.

The Company's crisis management structure for business continuity covers all the potential risks the Company may be exposed to, including the risk associated with the physical occupancy of the premises and disruptions in service in the event of a natural disaster, pandemic or other type of disaster. The Company has implemented an extensive business continuity plan and has procedures in place in its primary business offices to minimize service recovery wait times. Both the business continuity plan and the related procedures are reviewed and tested on a regular basis.

The Company has adopted a detailed communication plan designed to protect its corporate image in a crisis situation and to reassure the public about its ability to manage this kind of situation. The plan outlines the communication strategies to use in a crisis situation in order to notify the public of the causes and consequences of the crisis, the procedures in place to resolve it and the measures taken to reduce the risk of the same thing happening again. In addition, the Company continually monitors the Web for elements that could have a negative impact on the Company's reputation and produces a report on the subject once a year. It also keeps a log of complaints found on social media.

Preserving the environment is of fundamental importance to the Company. An environmental policy has been developed and programs have been set up to achieve a balance between the changing ecological and economic factors that are necessary to the Company's growth.

The competency of human resources is an essential factor in implementing business strategies. In this regard, the Company has well defined policies with respect to compensation, recruiting, training, employment equity and occupational health and safety. Designed to attract and retain the best candidates at every level of the Company, these policies are kept up to date and submitted for approval to the Human Resources and Governance Committee of the Board of Directors. The Company shows its concern for its employees' quality of life by offering programs that promote a healthy lifestyle and adopting various measures designed to improve the work environment.

Legal and Regulatory Compliance Risk

The Company and its subsidiaries are subject to regulation and supervision by the provinces and territories of Canada and by the states where they conduct business.

Legal and regulatory compliance risk arises from the probability that instances of non-compliance with laws, regulations and regulator guidelines will occur.

The Company has adopted a *Regulatory Risk Management Policy* that is used as a basis for the Regulatory Risk Management Program. In the interest of diligence and continuous improvement, the Company recently revised this program to ensure more consistent and standardized management of legal and regulatory compliance risk.

The Company's sound management of compliance risk enables it to understand the impacts of non-compliance with the regulations and the effect this could have on the operations and reputation of the Company and its subsidiaries, so it can then put strategies in place to mitigate these impacts. It uses a methodology that focuses on identifying and assessing risk and putting effective, efficient and appropriate controls in place in its day-to-day operations.

Legal and regulatory compliance risk is analyzed using common tools and criteria. The controls help to proactively mitigate the risk of regulatory non-compliance as much as possible. The Company also emphasizes regular communication to remind employees about the importance of legal and regulatory compliance issues.

The Company's Legal department plays an important role in managing legal and regulatory compliance risk by monitoring new regulatory risks and working with the business lines to ensure that the procedures required to comply with any new legislation or guidelines and to analyze or process the execution of contracts are implemented at the appropriate time.

The Company also maintains an ongoing control evaluation program in order to issue the certification required by the regulatory authorities with respect to the financial information presented in the Company's annual and interim filings (certification under Multilateral Instrument 52-109). This program uses a "risk-based" approach where the level of attention received by the Company's activities is proportional to their relative level of risk. Under this program, the managers of each business line of the parent company and its subsidiaries evaluate and test the controls in their sector, following which a designated team verifies the quality of the controls and the conclusion of the managers' evaluation. A summary report is submitted annually to the Audit Committee, which then reports the results of the evaluation to the Board of Directors. The certification of the financial information presented in the annual and interim filings is submitted quarterly in the prescribed format. This certification is available on SEDAR and on the Company's website.

Accounting Matters and Additional Information

Fourth Quarter 2015

In the fourth quarter, the Company posted net income attributed to common shareholders of $4.2 million, compared to a net income of $112.4 million in the fourth quarter of 2014. Diluted earnings per common share (EPS) amounted to $0.04 ($1.11 in the fourth quarter of 2014). The annualized return on common shareholders' equity was 0.4% for the quarter, compared to 13.4% in the fourth quarter of 2014.

The decrease in net income in the fourth quarter is largely due to the Company's strengthening of its provisions for future policy benefits.

In terms of business growth, net premiums, deposits and premium equivalents were up 11% in the fourth quarter compared to the same period in 2014.

Highlights

	Fourth quarter		Year	
(In millions of dollars, unless otherwise indicated)	**2015**	**2014**	**2015**	**2014**
Net income attributed to shareholders	8.3	123.7	386.4	432.9
Less: dividends on preferred shares	4.1	7.3	18.0	28.5
Less: premium on preferred share redemption	---	4.0	4.0	4.0
Net income attributed to common shareholders	4.2	112.4	364.4	400.4
Earnings per common share (diluted)	$0.04	$1.11	$3.57	$3.97
Return on common shareholders' equity[1]	0.4%	13.4%	10.2%	12.4%
Net premiums, premium equivalents and deposits	2,004.7	1,802.1	7,672.3	7,480.5

	December 31, 2015	December 31, 2014	December 31, 2013
Assets under management and administration	115,813.3	109,480.8	98,780.3

Quarterly Results

Following is a summary of the Company's quarterly results, taken from the financial statements for the last eight quarters. Generally speaking, the terminology used in the following sections is the same terminology used in the financial statements.

Net premiums (which include the amounts invested by insureds in the Company's segregated funds, but exclude those invested by clients in mutual funds) are generally higher in the first quarter of each year due to the tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of each calendar year. However, other factors can cause premiums to fluctuate from one quarter to another, including stock market behaviour and the signing of new agreements with large groups in the sectors that distribute their products to groups and businesses.

Net premiums amounted to $1.7 billion in the fourth quarter, a year-over-year increase of 24%. This increase is primarily due to the increase in segregated fund premiums. At year-end, net premiums were up 11% over 2014.

In the fourth quarter of 2015, investment income was down $527.2 million from 2014. This decrease is primarily due to the variation in the fair value of bond investments, which was not as significant in the fourth quarter of 2015 as in the fourth quarter of 2014. The fair value of investments varies based on changes in interest rates, the stock markets and issuer spreads, particularly for bonds, equities and derivatives. Generally speaking, the variation in the fair value of investments is largely responsible for the variation in investment income from one period to another. 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. Investment income is made up of investment income as such (including interest income, dividends and rental income from real estate), gains realized and losses sustained on the disposition of assets available for sale and changes in the fair value of assets designated at fair value through profit or loss.

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 varied between $281.2 million and $295.8 million for the four quarters of the year, totalling $1,158.4 million in 2015 compared to $1,084.0 million in 2014. This increase is essentially due to higher fees generated by the growth in assets under management and administration.

[1] Annualized for the quarter. Trailing twelve months for the year.

Quarterly Results

	2015				2014			
(In millions of dollars, unless otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues								
Net premiums	1,670.5	1,402.9	1,491.5	1,476.1	1,345.9	1,356.1	1,259.5	1,464.7
Investment income	412.6	66.8	(721.8)	1,278.2	939.8	482.0	809.4	938.8
Other revenues	289.9	281.2	291.5	295.8	270.5	270.9	272.1	270.5
Total	2,373.0	1,750.9	1,061.2	3,050.1	2,556.2	2,109.0	2,341.0	2,674.0
Income before income taxes	(7.9)	145.9	166.2	117.1	106.9	119.4	98.9	109.8
Income taxes	(10.9)	28.4	19.9	1.9	(17.9)	20.9	(22.5)	19.3
Net income	3.0	117.5	146.3	115.2	124.8	98.5	121.4	90.5
Less: net income attributed to participating policyholders	(5.3)	(0.1)	0.2	0.8	1.1	0.0	0.7	0.5
Net income attributed to shareholders	8.3	117.6	146.1	114.4	123.7	98.5	120.7	90.0
Less: dividends attributed to preferred shares	4.1	4.5	3.9	5.5	7.3	7.0	7.1	7.1
Less: redemption premium on preferred shares	---	---	---	4.0	4.0	---	---	---
Net income attributed to common shareholders	**4.2**	**113.1**	**142.2**	**104.9**	**112.4**	**91.5**	**113.6**	**82.9**
Earnings per common share								
Basic	$0.04	$1.11	$1.40	$1.04	$1.12	$0.91	$1.14	$0.83
Diluted	$0.04	$1.11	$1.40	$1.03	$1.11	$0.91	$1.13	$0.83
Net transfers to segregated funds	274.0	149.3	132.2	185.6	69.5	114.0	57.4	184.6
Increase (decrease) in insurance contract liabilities	273.5	(27.4)	(850.3)	1,118.3	660.3	408.5	722.6	780.5
Increase (decrease) in investment contract liabilities	7.0	1.1	(5.8)	19.1	6.9	8.3	12.2	10.8
Total general fund assets	33,161.4	32,604.8	32,335.6	33,427.7	31,591.2	30,352.5	29,432.1	28,210.6
Segregated fund net assets	19,776.7	19,112.4	19,632.4	19,795.8	18,748.2	18,557.6	18,236.8	17,756.0

Cash Flows

A review of the cash flows allows us to determine the Company's sources of funds and how these funds are used. The Company's main sources of funds are premiums collected under in-force insurance and annuity contracts, proceeds from the sale or recovery of investments, income collected on the investment portfolio and other revenues primarily composed of management fees for segregated funds and mutual funds.

The funds are primarily used for: claims that become payable under policies, including annuities and surrender values, the purchase of new investments, mortgage loan disbursements, net transfers from the general fund to segregated funds, the payment of dividends to policyholders and the payment of operating expenses, including income and other taxes. The table opposite summarizes the Company's consolidated cash flows.

In 2015, operating activities generated cash flows of $536.5 million compared to cash flows of $130.1 million generated in 2014. This difference reflects the normal evolution of working capital and regular investment activities (purchase and sale of securities) during the period.

Investing activities required net cash flows of $115.4 million in 2015, compared to $53.1 million in 2014, a difference of $62.3 million. Refer to the business acquisitions described in the "Acquisitions of Business in 2015" section.

Financing activities generated cash flows of $44.4 million in 2015, compared to $108.1 million used in 2014. The $152.5 million increase in generated cash flows can be explained by the redemption of debentures with a nominal value of $150.0 million in 2014.

Cash Flows

(In millions of dollars)	2015	2014
Cash flows related to the following activities:		
Operating	536.5	130.1
Investing	(115.4)	(53.1)
Financing	44.4	(108.1)
Foreign currency gains (losses) on cash	5.3	6.2
Increase (decrease) in cash and short-term investments	470.8	(24.9)
Cash and short-term investments at the beginning of the year	498.2	523.1
Cash and short-term investments at the end of the year	**969.0**	**498.2**

Related Party Transactions

The value of the related party transactions is presented in note 27 of the Company's consolidated financial statements.

Significant Accounting and Actuarial Policies

The Company's significant accounting policies are summarized in note 2 of the consolidated financial statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) while maintaining the specifics of each type of company included in the consolidation: life and health insurance companies, auto and home insurance companies, and mutual fund, securities and trust companies.

The preparation of the financial statements requires that management make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results may differ from management's estimates. The estimates and assumptions are revised periodically based on changes in relevant facts and circumstances. The changes are then accounted for in the period in which the revisions are made and in all subsequent periods affected by the revisions. The most significant estimates and judgments pertain to the classification of contracts and the determination of policy liabilities. These estimates are described below.

Policy Liabilities

Policy liabilities are determined using generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries. Policy liabilities represent the estimated value of assets that the Company must hold to be able to honour its future commitments to holders of all in-force policies and to pay the related expenses, commissions and other charges. The calculation of policy liabilities takes into account estimated future premiums, fees and investment income.

Policy liabilities are comprised of insurance contract liabilities and investment contract liabilities as presented in the financial statements.

The Company evaluates its provisions for future policy benefits using the Canadian Asset Liability Method, which is in accordance with accepted actuarial practice in Canada. This method involves the projection of future events and the use of the best estimate assumptions with respect to a certain number of key factors, including future mortality and morbidity rates, investment income, lapse rates, operating expenses, as well as certain taxes.

To account for the uncertainty involved in defining the best estimate assumptions and the potential deterioration in the expected claims experience, the Company applies a margin for adverse deviation to each of its assumptions. These margins lead to an increase in the provisions for future policy benefits and provide a reasonable degree of assurance that the amount of assets backing the liabilities is sufficient to honour the Company's future commitments. The margins for adverse deviation used by the Company are within the target range established by the Canadian Institute of Actuaries.

The margins for adverse deviation reduce the income that is recognized when a new contract is sold. Over time, the uncertainty regarding the estimates decreases and the provisions for adverse deviation that are no longer required are released to the income statement, thereby increasing the income recognized in future periods.

According to the standards established by the Canadian Institute of Actuaries, the assumptions and margins underlying the calculation of the provisions for future policy benefits are examined periodically and modified when deemed necessary and prudent, in light of the most recent trends in claims experience and any changes in the Company's risk profile.

Best Estimate Assumptions and Main Risk Factors

The Company uses a well-established method to determine the assumptions to be used in the valuation of policy liabilities. The nature of each risk factor and the process for setting the assumptions used for the valuation are analyzed below. A summary of the impact on the Company's net income of a variance in actual results compared to the assumptions is presented in the Risk Management section of this Management's Discussion and Analysis.

Mortality – Mortality refers to the occurrence of death in a given population. The Company establishes its mortality assumptions based on its own claims experience of the last few years and those of the insurance industry, and based on changes in mortality. The assumptions vary according to sex, risk category, policy type and geographic market. Actual mortality rates are compared to the assumptions separately for each sector. The calculation of the liabilities takes into account a future decrease in mortality rates.

In the normal course of business and risk management, the Company uses reinsurance to limit its risk on every life insured. Maximum benefit amounts, which vary by line of business, are established for life and health insurance. In addition, the longevity risk associated with the insured annuities portfolio is partially reinsured. The Company also has reinsurance treaties covering financial losses from multiple claims due to catastrophic events affecting multiple lives insured.

Reinsurance assets are posted on the balance sheet. These assets totalled $1,279.8 million at December 31, 2015, compared to $1,367.8 million at the end of 2014.

The Company's recent mortality studies show a significant decrease in mortality rates. The results of these studies are in line with the trends observed in the most recent work done by the industry, including work by the Canadian Institute of Actuaries. This decrease in mortality rates has major, but diverging effects on the Company's various blocks of business, benefiting the Individual Insurance business, but adversely affecting the annuity business (Group Savings and Retirement and Individual Wealth Management). Overall, since the Company's insurance operations are much larger than its annuity operations, the Company benefits from lower mortality rates. The Company also retains a higher proportion of mortality risk than the industry, which adds to the income that the Company draws from improved life expectancy. The sensitivity of the Company's net income to a variance in actual results compared to the assumptions is presented in the Risk Management section of this Management's Discussion and Analysis.

Morbidity – Morbidity refers to the occurrence of accidents and sickness in a given population. The Company uses industry morbidity experience tables appropriate to its type of business, modified to reflect Company experience. Compared to the assumptions, the Company's morbidity experience in 2015 was slightly negative in Individual Insurance and Group Insurance Employee Plans.

Lapse – Lapse refers to the lapse rate of contracts, or in other words, the termination of policies due to non-payment of premiums. Policies may also be terminated by their policyholders through a policy surrender. Lapse rate assumptions are generally based on the Company's recent lapse experience. These assumptions are adjusted, however, to take into account industry experience where the Company's experience is limited, and include margins for conservatism. The assumptions are determined based on the type of product contained in each policy. Overall, 2015 lapse results were unfavourable in comparison with the Company's assumptions. The sensitivity of the Company's net income to a variance in actual results compared to the assumptions is presented in the Risk Management section of this Management's Discussion and Analysis.

Expenses and Taxes – The operating expense assumptions reflect the projected costs for servicing and maintaining in-force policies, including any associated overhead expenses. The expenses are calculated based on the Company's internal expense studies.

Expenses are projected based on a provision for inflation, whereas no productivity gains are projected. Actual expenses are compared to the assumptions separately for each sector. Overall, 2015 results were favourable in comparison with the Company's assumptions. The sensitivity of the Company's net income to a variance in actual results compared to the assumptions is presented in the Risk Management section of this Management's Discussion and Analysis.

Taxes reflect the assumptions regarding future premium taxes, as well as other non-income related taxes. Moreover, given that the Company's accounting treatment of its income taxes is based on the deferred income tax liability method, and that it holds assets to back the deferred income tax liability recorded in its balance sheet, the policy liabilities are reduced to take into consideration the investment income related to these assets. This reduction in the policy liabilities complies with the standards of the Canadian Institute of Actuaries. For more details concerning the Company's accounting method for income taxes, refer to note 22 of Industrial Alliance's consolidated financial statements.

Investment Return – The Company segments the assets backing liabilities by sector and geographic market, and establishes investment strategies appropriate to each liability segment. The projected cash flows from these assets are combined with the projected cash flows from the future asset purchases/sales to determine expected rates of return for future periods. The reinvestment strategies are based on the Company's target investment policies for each segment, and are derived from current market rates for fixed interest investments and the Company's projected outlook for non-fixed interest assets. Investment return assumptions include expected future credit losses on fixed-income assets. In 2015, the losses on mortgages and defaults on bonds were lower than those projected in the Company's assumptions.

A decrease in interest rates or a stock market downturn can have a negative impact on the Company's income. Overall, the impact of interest rates and the stock markets on the Company's 2015 income was unfavourable compared to the assumptions. The sensitivity of the Company's net income to an unfavourable variance in interest rates or the stock markets compared to the assumptions is described in the Risk Management section of this Management's Discussion and Analysis.

Adjustable Features of Contracts – When policies have features that allow the impact of changes in experience to be passed on to the policyholders through dividends, experience rating refunds, credited rates or other adjustable features, the projected benefits used to evaluate policy liabilities are adjusted accordingly.

Accounting Standards and Policies

Changes to Accounting Methods in 2015 and Future Changes in Accounting

The International Accounting Standards Board (IASB) issued a number of amendments and new standards that took effect on January 1, 2015. None of these standards had an impact on the Company's financial statements. For more information on the impact of these amendments and new standards, refer to note 3 of the consolidated financial statements, entitled "Changes in Accounting Policies".

Reconciliation of Certain Non-IFRS Measures With IFRS Measures

The following table reconciles the operating profit and income taxes indicated in the Sources of Earnings table in the Profitability section of this report with IFRS.

Reconciliation of the Sources of Earnings with IFRS

(In millions of dollars)	2015	2014
Components of earnings before taxes:		
Operating profit (according to sources of earnings)	347.0	373.4
Income on capital (according to sources of earnings)	77.5	91.4
Income attributable to participating contracts and other items	(6.5)	2.3
Tax items reallocated for sources of earnings and other items	3.3	(32.1)
Earnings before taxes according to the financial statements	**421.3**	**435.0**
Income taxes:		
On the operating profit and on income on capital	(38.1)	(31.9)
Amount for participating contracts and other items	2.1	--
Tax items reallocated for sources of earnings and other items	(3.3)	32.1
Income taxes according to financial statements	**(39.3)**	**0.2**
Net income according to financial statements	**382.0**	435.2

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported in a timely fashion to senior management, in particular the President and Chief Executive Officer and the Senior Vice-President and Chief Actuary (acting as Chief Financial Officer), in order that appropriate decisions may be made regarding disclosure. These controls and procedures are also designed to ensure that the information is gathered, recorded, processed, condensed and reported within the time frames prescribed by the Canadian Securities Act.

The Company's President and Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the controls and procedures for disclosing the Company's information. Following an evaluation carried out by these senior officers as at December 31, 2015, the Company's disclosure controls and procedures were deemed to be effective.

Internal Control Over Financial Reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance that the Company's financial reporting is reliable and that, for the purposes of publishing its financial information, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Company's President and Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Company's internal control over financial reporting as defined in Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings). As at December 31, 2015, they evaluated the effectiveness of the internal control over financial reporting using the framework and criteria established in the Internal Control – Integrated Framework report published by the Committee of Sponsoring Organizations of the Treadway Commission. Following this evaluation, they concluded that the internal control over financial reporting was effective. During the period, no changes had, or are reasonably likely to have had, a material impact on internal control over financial reporting.

Long-Term Financial Liabilities

The following table presents information taken from Industrial Alliance's consolidated financial statements.

Long-Term Financial Liabilities

	As at December 31		
(In millions of dollars)	2015	2014	2013
Debentures	846.1	597.2	498.5
Preferred shares	375.0	475.0	575.0
Total	**1,221.1**	**1,072.2**	**1,073.5**

Acquisitions of Business in 2015

On December 1, 2015, the Company acquired 100% of the shares in Burgeonvest Bick Corporation which, through its subsidiaries, operates an insurance brokerage firm and an IIROC-member securities brokerage firm.

On December 1, 2015, the Company acquired, through its exclusive wholly-owned subsidiary Investia Financial Services Inc., the assets of BBA Financial Group, a brokerage firm specializing in the distribution of life and health insurance products.

On October 1, 2015, the Company acquired 100% of the shares of FIN-XO Securities, a securities brokerage firm.

On October 2, 2015, the Company acquired 100% of the shares of CTL Corp, a privately-owned consumer vehicle finance company in Canada.

For more information on acquisitions, refer to note 4 of Industrial Alliance's consolidated financial statements.

Dispositions of Business in 2015

No major dispositions were made during the period.

Business Mergers in 2015

No major mergers took place during the year.

Guarantees, Commitments and Contingencies

In the normal course of business, the Company frequently signs various types of contracts or agreements which, in certain cases, can be considered to be guarantees, commitments or contingencies.

As at December 31, 2015, the Company's contractual obligations and commitments were as follows:

Contractual Obligations
Payments Due by Period

	As at December 31, 2015			
(In millions of dollars)	Total	Less than 1 year	1 to 5 years	More than 5 years
Debentures[1]	846.1	---	---	846.1
Capital lease	1.2	0.4	0.8	---
Operating lease	64.7	20.0	36.4	8.3
Purchasing commitments	180.2	47.3	100.5	32.4
Other long-term commitments[2]	4,223.1	1,706.3	997.8	1,519.0
Total of contractual obligations	**5,315.3**	**1,774.0**	**1,135.5**	**2,405.8**

The Company has a commitment to a third party for one of its subsidiaries for a maximum amount of $57.0 million ($74.3 million in 2014). The Company also has third-party commitments to guarantee the funds offered by one of its subsidiaries.

The Company has lines of credit to facilitate the financing of its day-to-day operations and meet its temporary working capital requirements. At December 31, 2015, the maximum amount authorized for these lines of credit was $56.7 million ($57.1 million at December 31, 2014). As at December 31, 2015, none of the lines of credit had been used.

In the normal course of business, the Company concludes investment commitments that are not recognized in the consolidated financial statements. At the end of 2015, these investment commitments totalled $466.1 million ($522.6 million in 2014), including $242.8 million that will be maturing in the next year ($342.8 million in 2014), and $223.3 million that will be maturing in more than one year ($179.8 million in 2014).

Preferred Shares

On March 31, 2015, the Company bought back 4,000,000 Class A Preferred Shares, Series F for a cash amount of $104 million.

Outstanding Shares

On February 11, 2016, iA Financial Group had 102,510,942 issued and outstanding common shares.

For more information on these shares, refer to note 17 of Industrial Alliance's consolidated financial statements.

1 The debentures can be redeemed at the Company's option on various dates. Interest is payable semi-annually. Refer to note 16 of Industrial Alliance's consolidated financial statements for more information on debentures.
2 Includes long-term financial liabilities only.

Analysis of Income According to the Financial Statements

Following is the presentation of the Company's financial results according to the financial statements.

Consolidated Income Statement

(In millions of dollars, unless otherwise indicated)	2015	2014	2013
Revenues	8,235.2	9,680.2	6,022.7
Policy benefits and expenses	7,813.9	9,245.2	5,532.2
Income before income taxes	421.3	435.0	490.5
Less: income taxes	39.3	(0.2)	103.0
Net income	382.0	435.2	387.5
Less: net income attributed to participating policyholders	(4.4)	2.3	3.0
Net income attributed to shareholders	386.4	432.9	384.5
Less: dividends attributed to preferred shares	18.0	28.5	34.6
Less: redemption premium on preferred shares	4.0	4.0	---
Net income attributed to common shareholders	**364.4**	**400.4**	**349.9**
Earnings per common share			
Basic	$3.59	$4.01	$3.60
Diluted	$3.57	$3.97	$3.57

Revenues

Revenues, whose components are indicated in the following table, totalled nearly $8.2 billion in 2015, down 15% from the previous year. This decrease was primarily due to investment income, as explained below.

Revenues

(In millions of dollars)	2015	2014	2013
Net premiums	6,041.0	5,426.2	5,006.7
Investment income	1,035.8	3,170.0	84.7
Other revenues	1,158.4	1,084.0	931.3
Total	**8,235.2**	**9,680.2**	**6,022.7**

The following table provides more details about the composition of revenues by sector.

Revenues by Sector

	Year ended December 31, 2015					
(In millions of dollars)	Ind. Ins.	Ind. Wealth Mgmt	Grp Ins.	Grp Sav. and Rtrmt	Other[1]	Total
Net premiums	1,578.5	1,711.6	1,328.3	1,204.5	218.1	6,041.0
Variation vs. 2014	*83.4*	*247.1*	*(15.0)*	*285.0*	*14.3*	*614.8*
Investment income	525.9	141.0	81.4	160.5	127.0	1,035.8
Variation vs. 2014	*(1,841.9)*	*(85.0)*	*(41.5)*	*(160.4)*	*(5.4)*	*(2,134.2)*
Other revenues	148.1	998.4	53.6	68.9	(110.6)	1,158.4
Variation vs. 2014	*36.1*	*35.5*	*13.7*	*6.7*	*(17.6)*	*74.4*
Total	2,252.5	2,851.0	1,463.3	1,433.9	234.5	8,235.2
Variation vs. 2014	*(1,722.4)*	*197.6*	*(42.8)*	*131.3*	*(8.7)*	*(1,445.0)*

Net premiums totalled $6.0 billion in 2015, an increase of 11% over the previous year. This increase is primarily due to the increase in segregated fund premiums in Individual Wealth Management and Group Savings and Retirement.

Investment income amounted to $1.0 billion in 2015, compared to nearly $3.2 billion in 2014. This decrease for all sectors was primarily due to the variation in the fair value of investments as indicated in the table on investment income below. The fair value of investments varies based on changes in interest rates, the stock markets and issuer spreads, particularly for bonds, equities and derivatives. Generally speaking, variations in the fair value of investments are largely neutralized by corresponding variations in insurance contract liabilities so their impact on net income is fairly minimal.

Other revenues totalled $1,158.4 million in 2015, an increase of $74.4 million. This increase is mainly explained by higher income from the brokerage subsidiaries in Individual Wealth Management and Individual Insurance. Other revenues are made up of fees earned from the management of investment funds (segregated funds and mutual funds), income from administrative services only (ASO) contracts as well as fee income from the Company's brokerage subsidiaries and loans managed for third parties.

The tables below provide an overview of the composition of net premiums and investment income.

Net Premiums

(In millions of dollars)	2015	2014	2013
Net premiums			
General fund	3,382.9	3,290.8	3,167.6
Segregated funds	2,658.1	2,135.4	1,839.1
Total	**6,041.0**	**5,426.2**	**5,006.7**

Investment Income

(In millions of dollars)	2015	2014	2013
Investment income	1,083.7	992.3	909.6
Variation in the fair value of investment properties	13.4	(0.8)	43.6
Realized profits on available-for-sale assets	17.1	14.8	15.8
Variation in the fair value of assets designated at fair value through profit or loss	(74.6)	2,163.7	(882.4)
Change in provisions for losses	(3.8)	0.0	(1.9)
Total	**1,035.8**	**3,170.0**	**84.7**

Policy Benefits and Expenses

Policy benefits and expenses totalled $7.8 billion in 2015, down $1.4 billion from the previous year. Policy benefits and expenses are made up of the items shown in the table below.

Policy Benefits and Expenses

(In millions of dollars)	2015	2014	2013
Net policy benefits	3,933.7	3,741.4	3,527.5
Net transfers to segregated funds	741.1	425.5	208.7
Increase (decrease) in insurance contract liabilities	514.1	2,571.9	(678.5)
Increase (decrease) in investment contract liabilities	21.4	38.2	8.7
Decrease (increase) in reinsurance assets	265.9	316.5	465.8
Commissions	1,196.6	1,118.9	1,038.3
General expenses	972.7	897.9	815.7
Other	168.4	134.9	146.0
Total	**7,813.9**	**9,245.2**	**5,532.2**

[1] Includes general insurance revenues, revenues from car insurance, subsidiaries not related to the insurance sector, and assets and liabilities unallocated and allocated to the surplus as well as eliminations and consolidation entries.

Net policy benefits in 2015 were $192.3 million higher than in 2014, which reflects the normal course of business. Net policy benefits include benefits paid due to death, disability, illness or contract terminations, as well as annuity payments.

Net transfers to segregated funds totalled $741.1 million in 2015, an increase of $315.6 million compared to 2014. Net transfers to segregated funds can fluctuate for various reasons. Certain contracts contain funds that can be invested in segregated portfolios according to the choices made by policyholders. As a result, net transfers to segregated funds are made up of amounts invested in segregated portfolios, less any amounts withdrawn from these portfolios. Net transfers to segregated funds can vary from one period to another depending on the demand from clients, who at times favour products that generally offer guaranteed returns, and at other times are more attracted by segregated fund products, whose return fluctuates with the markets. Also, in a sector like Group Savings and Retirement, segregated fund deposits can fluctuate substantially from one quarter to another according to the size of the mandates granted by certain groups.

Insurance contract liabilities increased by $514.1 million in 2015 compared to a $2,571.9 million increase in 2014, which represents an expense variation of nearly $2.1 billion for this item on the consolidated income statement. The increase (decrease) in insurance contract liabilities can vary significantly from one period to another. The increase (decrease) 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 increase (decrease) in net policy premiums and benefits, net transfers to segregated funds and the strengthening (release) of the provisions for future policy benefits due to assumption changes.

Investment contract liabilities increased by $21.4 million in 2015, a $16.8 million decrease compared to 2014. This variation is the result of the normal evolution of business.

The Company reports reinsurance assets separately from insurance contract liabilities. However, the factors that have an impact on the change in insurance and investment contract liabilities generally impact reinsurance assets as well. In 2015, a positive amount of $265.9 million was posted as a change in reinsurance assets, compared to $316.5 million in 2014. This represents a difference of $50.6 million.

Commissions increased by $77.7 million in 2015, which primarily reflects the growth of the in-force block of business. Commissions correspond to the compensation of financial advisors for new sales and certain in-force contracts.

General expenses increased by $74.8 million compared to 2014, totalling $972.7 million in 2015. This increase reflects the increase in salaries and employee benefits that accompanies normal business growth.

Income Taxes

The consolidated financial statements indicate an income tax expense of $39.3 million in 2015 compared to an income tax gain of $0.2 million in 2014. These amounts represent the Company's tax expense net of all adjustments for prior years. During the year, the Company recognized tax benefits for certain investment income that was exempt from income tax under the Company's status as a multinational insurer, but for a smaller amount than the year before.

Ten-Year History

Years ended December 31 (in millions of dollars, unless otherwise indicated)	2015	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
PROFITABILITY										
Net income										
Net income	**382.0**	435.2	387.5	336.9	141.6	277.3	218.3	74.8	249.2	231.3
Less: net income (loss) attributed to participating policyholders	**(4.4)**	2.3	3.0	3.2	14.4	1.0	(1.3)	2.9	1.2	3.4
Net income attributed to shareholders	**386.4**	432.9	384.5	333.7	127.2	276.3	219.6	71.9	248.0	227.9
Less: preferred share dividends	**18.0**	28.5	34.6	30.1	23.9	22.9	13.8	5.8	5.8	4.9
Less: premium on preferred share redemption	**4.0**	4.0	---	---	---	---	---	---	---	---
Net income attributed to common shareholders	**364.4**	400.4	349.9	303.6	103.3	253.4	205.8	66.1	242.2	223.0
Less: gain on unusual items[3]	**---**	---	---	37.4	---	---	---	---	---	---
Net income attributed to common shareholders excluding unusual items	**364.4**	400.4	349.9	266.2	103.3	253.4	205.8	66.1	242.2	223.0
Earnings per common share										
Basic	**$3.59**	$4.01	$3.60	$3.35	$1.20	$3.04	$2.56	$0.82	$3.02	$2.77
Diluted	**$3.57**	$3.97	$3.57	$3.22	$1.18	$2.93	$2.55	$0.82	$2.99	$2.74
Diluted - adjusted for IATS[4]	**---**	---	---	$3.34	$1.19	$3.01	---	---	---	---
Diluted - adjusted for IATS[4] and unusual items[3]	**---**	---	---	$2.93	$1.19	$3.01	---	---	---	---
Return on common shareholders' equity[5]	**10.2%**	12.4%	12.6%	12.8%	4.7%	12.8%	11.9%	4.0%	15.1%	15.7%
Net income (loss) available to common shareholders by line of business										
Individual Insurance	**166.9**	249.6	191.9	151.6	(5.1)	123.5	166.2	(26.9)	106.3	85.8
Individual Wealth Management	**131.9**	106.2	100.9	116.8	69.5	69.4	22.9	57.3	72.1	72.9
Group Insurance	**39.5**	26.8	36.0	20.4	22.4	42.4	34.8	42.6	45.3	46.8
Group Savings and Retirement	**26.1**	17.8	21.1	14.8	16.5	18.1	(18.1)	(6.9)	18.5	17.5
Total	**364.4**	400.4	349.9	303.6	103.3	253.4	205.8	66.1	242.2	223.0
SPECIFIED ITEMS										
Impact on net income to common shareholders										
Impact of credit										
Provision on investments	**---**	---	---	---	---	---	(2.6)	(3.6)	---	---
Permanent loss in value on investments (net of realized gains or losses on previously devalued investments)	**---**	---	---	---	---	---	(0.1)	(10.8)	---	---
Decrease in value of non-bank-sponsored ABCP[6]	**---**	---	---	---	---	---	---	(10.6)	(7.3)	---
Impact of market on expected earnings[7,8]										
Increase (decrease) in income on UL policies	**(1.0)**	6.9	12.0	2.7	(8.8)	2.2	3.8	(9.8)	---	---
Higher (lower) than expected management fees	**1.7**	3.8	10.4	(2.2)	(9.8)	(1.0)	8.7	(23.9)	---	---
Higher (lower) than expected income on capital	**---**	---	---	---	---	0.2	0.8	(4.6)	---	---
Impact of dynamic hedging	**9.9**	(2.5)	28.5	11.5	(8.9)	---	---	---	---	---
Other										
Net variation in the fair value of the debentures and the underlying assets	**---**	---	---	---	---	---	(5.4)	7.6	0.6	---
Changes in assumptions and management actions	**(107.9)**	(3.2)	(6.1)	(21.2)	(152.3)	(8.4)	(0.8)	(138.2)	(0.7)	0.4
Restructuring charges[9]	**---**	---	(4.6)	---	---	---	---	---	---	(3.0)
Impact of the tax reduction on the future income tax liability	**---**	---	---	---	---	---	---	---	---	11.5
Impact on earnings per common share[10]										
Impact of credit										
Provision on investments	**---**	---	---	---	---	---	($0.04)	($0.04)	---	---
Permanent loss in value on investments (net of realized gains or losses on previously devalued investments)	**---**	---	---	---	---	---	---	($0.14)	---	---
Decrease in value of non-bank-sponsored ABCP[6]	**---**	---	---	---	---	---	---	($0.13)	($0.09)	---

Years ended December 31 (in millions of dollars, unless otherwise indicated)	2015	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
SPECIFIED ITEMS (continued)										
Impact of market on expected earnings[7,8]										
Increase (decrease) in income on UL policies	**($0.01)**	$0.07	$0.12	$0.03	($0.10)	$0.03	$0.05	($0.12)	---	---
Higher (lower) than expected management fees	**$0.02**	$0.04	$0.11	($0.02)	($0.11)	($0.01)	$0.11	($0.30)	---	---
Higher (lower) than expected income on capital	**---**	---	---	---	---	---	$0.01	($0.05)	---	---
Impact of dynamic hedging	**$0.09**	($0.02)	$0.30	$0.13	($0.10)	---	---	---	---	---
Other										
Net variation in the fair value of the debentures and the underlying assets	**---**	---	---	---	---	---	($0.07)	$0.09	$0.01	---
Changes in assumptions and management actions	**($1.06)**	($0.03)	($0.06)	($0.22)	($1.65)	($0.10)	($0.01)	($1.71)	($0.01)	$0.01
Restructuring charges[9]	**---**	---	($0.05)	---	---	---	---	---	---	($0.04)
Impact of the tax reduction on the future income tax liability	**---**	---	---	---	---	---	---	---	---	$0.14
SOURCES OF EARNINGS BY LINE OF BUSINESS										
Individual Insurance										
Operating profit										
Expected profit on in-force	**291.4**	236.8	233.6	219.0	233.5	211.0	197.4	200.4	184.5	172.5
Experience gain (loss)	**37.1**	6.4	16.6	0.4	(27.4)	(4.7)	17.4	(34.2)	(8.9)	2.6
Strain on sales	**(66.1)**	(58.7)	(49.2)	(95.6)	(111.4)	(104.3)	(89.0)	(81.6)	(83.0)	(102.7)
Changes in assumptions and management actions	**(166.2)**	(2.9)	(2.8)	(39.8)	(194.1)	(2.2)	68.6	(175.6)	(1.6)	(1.7)
Total	**96.2**	181.6	198.2	84.0	(99.4)	99.8	194.4	(91.0)	91.0	70.7
Income on capital	**77.0**	82.2	59.6	84.0	89.3	80.5	51.3	41.5	57.2	50.6
Income taxes	**8.9**	8.4	(41.9)	(0.2)	23.5	(40.7)	(68.1)	17.8	(42.2)	(40.6)
Net income (loss) attributed to shareholders, before other items	**182.1**	272.2	215.9	167.8	13.4	139.6	177.6	(31.7)	106.0	80.7
Less: preferred share dividends	**12.4**	19.7	24.0	25.1	18.5	16.1	8.0	---	---	---
Less: premium on preferred share redemption	**2.8**	2.9	---	---	---	---	---	---	---	---
Net income (loss) attributed to common shareholders, before other items	**166.9**	249.6	191.9	142.7	(5.1)	123.5	169.6	(31.7)	106.0	80.7
Other items[11]	**---**	---	---	8.9	---	---	(3.4)	4.8	0.3	5.1
Net income (loss) attributed to common shareholders	**166.9**	249.6	191.9	151.6	(5.1)	123.5	166.2	(26.9)	106.3	85.8
Individual Wealth Management										
Operating profit										
Expected profit on in-force[8]	**160.8**	149.2	111.4	97.0	128.5	103.3	59.2	117.9	106.0	92.9
Experience gain (loss)	**3.9**	(0.2)	36.1	20.3	(15.9)	4.5	(4.4)	(32.1)	6.1	9.4
Strain on sales	**(1.7)**	(1.6)	(2.5)	(9.7)	(8.3)	(7.7)	(5.5)	(3.7)	(4.6)	(5.4)
Changes in assumptions and management actions	**11.8**	(0.7)	(0.3)	10.3	(16.5)	(6.8)	(16.9)	(1.9)	(0.9)	1.4
Total	**174.8**	146.7	144.7	117.9	87.8	93.3	32.4	80.2	106.6	98.3
Income on capital	**(8.9)**	(3.2)	2.1	(1.0)	0.2	2.4	8.4	5.9	5.4	4.8
Income taxes	**(29.8)**	(31.3)	(39.9)	(27.7)	(16.5)	(22.3)	(11.7)	(23.6)	(34.2)	(26.2)
Net income attributed to shareholders, before other items	**136.1**	112.2	106.9	89.2	71.5	73.4	29.1	62.5	77.8	76.9
Less: preferred share dividends	**3.5**	5.3	6.0	0.9	2.0	4.0	5.8	5.8	5.8	4.9
Less: premium on preferred share redemption	**0.7**	0.7	---	---	---	---	---	---	---	---
Net income attributed to common shareholders, before other items	**131.9**	106.2	100.9	88.3	69.5	69.4	23.3	56.7	72.0	72.0
Other items[11]	**---**	---	---	28.5	---	---	(0.4)	0.6	0.1	0.9
Net income attributed to common shareholders	**131.9**	106.2	100.9	116.8	69.5	69.4	22.9	57.3	72.1	72.9

Years ended December 31 (in millions of dollars, unless otherwise indicated)	2015	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
SOURCES OF EARNINGS BY LINE OF BUSINESS (continued)										
Group Insurance										
Operating profit										
Expected profit on in-force	**46.2**	49.2	37.7	47.1	45.7	39.1	48.1	53.4	46.0	40.5
Experience gain (loss)	**2.4**	(22.2)	4.3	(24.1)	(15.0)	11.1	(10.4)	(8.3)	0.4	5.3
Strain on sales	**---**	---	---	---	---	---	---	---	---	---
Changes in assumptions and management actions	**(2.1)**	(0.7)	(5.0)	(0.3)	(8.2)	(2.3)	(0.9)	(1.0)	1.5	1.3
Total	**46.5**	26.3	37.0	22.7	22.5	47.9	36.8	44.1	47.9	47.1
Income on capital	**6.7**	8.6	14.4	8.9	10.8	11.4	12.6	9.0	15.1	13.2
Income taxes	**(11.8)**	(5.3)	(12.4)	(8.5)	(8.8)	(15.3)	(13.6)	(11.9)	(17.8)	(16.1)
Net income attributed to shareholders, before other items	**41.4**	29.6	39.0	23.1	24.5	44.0	35.8	41.2	45.2	44.2
Less: preferred share dividends	**1.5**	2.5	3.0	2.7	2.1	1.6	---	---	---	---
Less: premium on preferred share redemption	**0.4**	0.3	---	---	---	---	---	---	---	---
Net income attributed to common shareholders, before other items	**39.5**	26.8	36.0	20.4	22.4	42.4	35.8	41.2	45.2	44.2
Other items[11]	**---**	---	---	---	---	---	(1.0)	1.4	0.1	2.6
Net income attributed to common shareholders	**39.5**	26.8	36.0	20.4	22.4	42.4	34.8	42.6	45.3	46.8
Group Savings and Retirement										
Operating profit (loss)										
Expected profit on in-force[8]	**20.5**	21.8	15.9	13.7	17.0	14.4	15.8	19.7	16.2	15.3
Experience gain (loss)	**1.8**	(0.5)	9.6	1.0	1.4	3.5	1.3	(17.8)	1.7	1.4
Strain on sales	**(2.1)**	(1.8)	(3.1)	(0.6)	(1.2)	(0.2)	(1.1)	(2.7)	(2.1)	(1.3)
Changes in assumptions and management actions	**9.3**	(0.7)	0.2	0.2	(0.9)	---	(51.9)	(16.7)	---	(0.4)
Total	**29.5**	18.8	22.6	14.3	16.3	17.7	(35.9)	(17.5)	15.8	15.0
Income on capital	**2.7**	3.8	7.8	7.0	5.9	8.2	7.4	6.0	9.2	9.4
Income taxes	**(5.4)**	(3.7)	(7.7)	(5.1)	(4.4)	(6.6)	11.0	3.8	(6.6)	(6.8)
Net income (loss) attributed to shareholders, before other items	**26.8**	18.9	22.7	16.2	17.8	19.3	(17.5)	(7.7)	18.4	17.6
Less: preferred share dividends	**0.6**	1.0	1.6	1.4	1.3	1.2	---	---	---	---
Less: premium on preferred share redemption	**0.1**	0.1	---	---	---	---	---	---	---	---
Net income (loss) attributed to common shareholders, before other items	**26.1**	17.8	21.1	14.8	16.5	18.1	(17.5)	(7.7)	18.4	17.6
Other items[11]	**---**	---	---	---	---	---	(0.6)	0.8	0.1	(0.1)
Net income (loss) attributed to common shareholders	**26.1**	17.8	21.1	14.8	16.5	18.1	(18.1)	(6.9)	18.5	17.5
Total company										
Operating profit										
Expected profit on in-force	**518.9**	457.0	398.6	376.8	424.7	367.8	320.5	391.4	352.7	321.2
Experience gain (loss)	**45.2**	(16.5)	66.6	(2.4)	(56.9)	14.4	3.9	(92.4)	(0.7)	18.7
Strain on sales	**(69.9)**	(62.1)	(54.8)	(105.9)	(120.9)	(112.2)	(95.6)	(88.0)	(89.7)	(109.4)
Changes in assumptions and management actions	**(147.2)**	(5.0)	(7.9)	(29.6)	(219.7)	(11.3)	(1.1)	(195.2)	(1.0)	0.6
Total	**347.0**	373.4	402.5	238.9	27.2	258.7	227.7	15.8	261.3	231.1
Income on capital	**77.5**	91.4	83.9	98.9	106.2	102.5	79.7	62.4	86.9	78.0
Income taxes	**(38.1)**	(31.9)	(101.9)	(41.5)	(6.2)	(84.9)	(82.4)	(13.9)	(100.8)	(89.7)
Net income attributed to shareholders, before other items	**386.4**	432.9	384.5	296.3	127.2	276.3	225.0	64.3	247.4	219.4
Less: preferred share dividends	**18.0**	28.5	34.6	30.1	23.9	22.9	13.8	5.8	5.8	4.9
Less: premium on preferred share redemption	**4.0**	4.0	---	---	---	---	---	---	---	---
Net income attributed to common shareholders, before other items	**364.4**	400.4	349.9	266.2	103.3	253.4	211.2	58.5	241.6	214.5
Other items[11]	**---**	---	---	37.4	---	---	(5.4)	7.6	0.6	8.5
Net income attributed to common shareholders	**364.4**	400.4	349.9	303.6	103.3	253.4	205.8	66.1	242.2	223.0

Years ended December 31 (in millions of dollars, unless otherwise indicated)	**2015**	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
BUSINESS GROWTH										
Net premiums, premium equivalents and deposits by line of business										
Individual Insurance	**1,578.5**	1,495.1	1,425.2	1,339.3	1,248.2	1,112.9	---	---	---	---
Individual Wealth Management	**3,140.1**	3,362.1	3,358.8	3,100.6	3,543.6	3,676.3	---	---	---	---
Group Insurance[12]	**1,442.3**	1,455.9	1,455.8	1,395.3	1,308.5	1,154.2	---	---	---	---
Group Savings and Retirement	**1,293.3**	963.6	1,001.0	848.9	708.6	657.1	---	---	---	---
General Insurance[12,13]	**218.1**	203.8	192.1	220.0	199.6	150.7	---	---	---	---
Total	**7,672.3**	7,480.5	7,432.9	6,904.1	7,008.5	6,751.2	---	---	---	---
Net premiums and deposits by line of business										
Individual Insurance	**---**	---	---	---	---	---	938.4	920.7	897.3	838.6
Individual Wealth Management	**---**	---	---	---	---	---	2,350.0	2,422.4	3,121.9	2,475.1
Group Insurance	**---**	---	---	---	---	---	962.4	956.5	860.5	749.6
Group Savings and Retirement	**---**	---	---	---	---	---	839.8	1,114.9	828.3	820.1
General Insurance	**---**	---	---	---	---	---	140.6	128.4	118.2	107.2
Total	**---**	---	---	---	---	---	5,231.2	5,542.9	5,826.2	4,990.6
Individual Insurance										
Sales[14]										
Canada	**176.9**	162.0[15]	192.7	199.6	178.2	170.8	145.6	145.8	155.1	147.6
United States	**77.4**	54.0	41.6	43.7	31.2	15.8	1.5	1.1	3.9	6.0
Total	**254.3**	216.0	234.3	243.3	209.4	186.6	147.1	146.9	159.0	153.6
Net premiums										
Canada	**1,363.0**	1,332.9	1,287.6	1,206.2	1,117.6	1,055.6	923.6	907.1	880.5	820.0
United States	**215.5**	162.2	137.6	133.1	130.6	57.3	14.8	13.6	16.8	18.6
Total	**1,578.5**	1,495.1	1,425.2	1,339.3	1,248.2	1,112.9	938.4	920.7	897.3	838.6
Individual Wealth Management										
Sales[14]										
General fund	**130.4**	111.9	119.2	325.1	403.6	441.1	404.3	345.5	334.4	289.2
Segregated funds	**1,581.2**	1,352.6	987.7	1,126.0	1,362.3	1,488.0	866.2	815.7	990.6	958.3
Mutual funds	**1,428.5**	1,897.6	2,251.9	1,649.5	1,777.7	1,747.2	1,079.5	1,261.2	1,796.9	1,227.6
Total	**3,140.1**	3,362.1	3,358.8	3,100.6	3,543.6	3,676.3	2,350.0	2,422.4	3,121.9	2,475.1
Net investment fund sales										
Segregated funds	**422.4**	288.7	(88.7)	308.7	768.6	925.0	476.4	322.9	578.7	607.6
Mutual funds	**(995.3)**	(119.3)	673.9	455.7	729.5	797.1	281.4	289.5	799.2	267.0
Total	**(572.9)**	169.4	585.2	764.4	1,498.1	1,722.1	757.8	612.4	1,377.9	874.6
Assets under management										
General fund	**1,089.0**	1,162.0	1,226.9	1,274.5	1,848.9	1,751.4	1,672.8	1,627.9	1,584.4	1,631.7
Segregated funds	**12,292.2**	11,826.0	10,809.0	9,858.1	9,098.7	8,794.6	7,204.5	5,562.1	6,695.9	6,046.8
Mutual funds[16,17]	**10,428.3**	11,832.9	11,413.2	8,978.9	8,138.6	8,124.1	6,601.9	5,264.0	6,834.7	6,281.2
Other[17]	**3,709.3**	3,576.6	3,061.7	---	---	---	---	---	---	---
Total	**27,518.8**	28,397.5	26,510.8	20,111.5	19,086.2	18,670.1	15,479.2	12,454.0	15,115.0	13,959.7
Assets under management[17,18]	**36,881.1**	32,659.2	29,264.6	23,813.8	21,843.6	---	---	---	---	---
Total	**64,399.9**	61,056.7	55,775.4	43,925.3	40,929.8	18,670.1	15,479.2	12,454.0	15,115.0	13,959.7
Group Insurance										
Sales[14]										
Employee Plans	**68.0**	70.2	59.4	46.1	131.9	72.2	75.0	92.9	72.0	70.8
Dealer Services - Creditor Insurance[19]	**363.0**	378.6	382.4	351.7	284.8	201.7	173.8	194.2	192.0	176.4
Dealer Services - P&C	**197.7**	157.2	143.0	127.7	82.2	59.5	49.6	34.4	n.a.	n.a.
Special Markets Solutions	**190.3**	179.8	170.9	154.0	133.0	133.2	118.2	117.3	109.4	100.2
Total	**819.0**	785.8	755.7	679.5	631.9	466.6	416.6	438.8	373.4	347.4

Years ended December 31 (in millions of dollars, unless otherwise indicated)	2015	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
BUSINESS GROWTH (continued)										
Group Insurance (continued)										
Net premiums and premium equivalents										
Employee Plans	**818.4**	801.6	809.0	788.7	788.3	714.6	727.7	684.1	594.8	509.2
Dealer Services - Creditor Insurance	**252.5**	292.6	303.9	286.5	230.5	148.8	121.5	159.5	161.3	147.8
Dealer Services - P&C[12]	**80.5**	81.3	66.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Special Markets Solutions	**176.9**	167.8	159.7	143.8	123.1	124.2	113.2	112.9	104.4	92.6
Total net premiums	**1,328.3**	1,343.3	1,338.9	1,219.0	1,141.9	987.6	962.4	956.6	860.4	749.6
Premium equivalents and deposits										
Administrative services only contracts (ASO)	**42.8**	42.0	43.9	48.2	43.9	51.0	115.9	101.9	94.7	124.1
Investment contracts	**71.2**	70.6	73.0	128.1	122.7	115.6	---	---	---	---
Total	**1,442.3**	1,455.9	1,455.8	1,395.3	1,308.5	1,154.2	1,078.3	1,058.4	955.2	873.7
Group Savings and Retirement										
Sales[14]										
Accumulation contracts										
General fund	**37.9**	28.9	43.9	34.4	26.6	34.0	33.9	18.1	20.9	29.2
Segregated funds	**1,076.9**	782.8	851.4	724.7	515.7	574.3	685.8	845.9	575.0	595.7
Total	**1,114.8**	811.7	895.3	759.1	542.3	608.3	719.7	864.0	595.9	624.9
Insured annuities (general fund)	**112.6**	131.9	72.3	27.0	114.6	56.2	120.1	250.9	232.4	195.2
Deposits	**88.8**	44.1	57.4	82.3	71.8	55.5	---	---	---	---
Total sales	**1,316.2**	987.7	1,025.0	868.4	728.7	720.0	839.8	1,114.9	828.3	820.1
Assets under management										
Accumulation contracts										
General fund	**229.5**	243.2	252.2	232.5	235.6	236.8	212.8	181.7	181.1	178.8
Segregated funds	**7,484.5**	6,922.2	6,109.2	5,161.1	4,620.5	4,646.3	4,126.8	3,261.3	3,379.5	3,041.5
Other[20]	**830.5**	904.6	873.2	891.8	493.9	473.0	---	---	---	---
Total	**8,544.5**	8,070.0	7,234.6	6,285.4	5,350.0	5,356.1	4,339.6	3,443.0	3,560.6	3,220.3
Insured annuities (general fund)	**3,213.0**	3,213.3	2,998.4	3,128.7	3,147.8	2,941.8	2,852.0	2,697.2	2,556.6	2,150.9
Total	**11,757.5**	11,283.3	10,233.0	9,414.1	8,497.8	8,297.9	7,191.6	6,140.2	6,117.2	5,371.2
General Insurance										
Sales[14]										
iAAH (Auto & Home)	**246.6**	233.4	216.6	195.1	175.2	154.7	135.6	112.0	113.9	n.a.
Distribution of net premiums, premium equivalents and deposits by region										
Atlantic provinces	**4.7%**	4.4%	4.7%	4.3%	4.0%	4.6%	4.6%	4.7%	5.8%	4.7%
Quebec	**42.0%**	41.0%	36.7%	41.9%	40.6%	39.8%	44.9%	42.8%	43.1%	43.3%
Ontario	**26.4%**	25.8%	30.2%	27.2%	30.0%	29.4%	29.4%	31.8%	30.9%	31.6%
Western provinces	**23.9%**	26.4%	26.4%	23.9%	22.2%	23.1%	19.5%	19.6%	19.1%	18.9%
Outside Canada	**3.0%**	2.4%	2.0%	2.7%	3.2%	3.1%	1.6%	1.1%	1.1%	1.5%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Assets under management and administration										
Assets under management										
General fund[21]	**33,161.4**	31,591.2	27,195.5	26,697.3	23,718.1	20,544.6	17,626.5	15,415.2	15,104.3	13,090.7
Segregated funds	**19,776.7**	18,748.2	16,921.4	15,021.2	13,722.9	13,563.7	11,450.3	8,924.2	10,210.9	9,204.1
Mutual funds[16,17]	**10,428.3**	11,832.9	11,413.2	8,978.9	8,151.0	7,922.4	6,615.7	5,277.7	6,846.9	6,295.4
Other[17,22]	**15,526.1**	14,621.3	13,960.5	8,934.5	6,199.8	5,010.6	563.3	596.7	630.6	501.3
Total	**78,892.5**	76,793.6	69,490.6	59,631.9	51,791.8	47,041.3	36,255.8	30,213.8	32,792.7	29,091.5
Assets under administration[16,17]	**36,920.8**	32,687.2	29,289.7	23,833.3	21,858.1	22,223.3	22,150.8	19,258.4	17,618.9	17,812.6
Total	**115,813.3**	109,480.8	98,780.3	83,465.2	73,649.9	69,264.6	58,406.6	49,472.2	50,411.6	46,904.1
Human resources										
Number of employees	**5,148**	5,019	4,810	4,314	4,109	3,777	3,478	3,427	2,947	2,819
Number of Career representatives	**2,023**	1,931	1,791	1,838	1,860	1,761	1,688	1,597	1,608	1,550

Years ended December 31 (in millions of dollars, unless otherwise indicated)	**2015**	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
INVESTED ASSETS										
Value and distribution of investments										
Book value of investment portfolio	**29,066.5**	27,409.1	23,189.8	22,983.5	21,714.6	18,723.7	16,490.2	14,396.3	14,214.3	12,256.2
Distribution of investments by financial instrument category										
Available for sale	**12.5%**	12.7%	13.0%	10.9%	12.6%	12.4%	11.6%	10.0%	8.7%	---
Fair value through profit or loss	**60.7%**	63.1%	62.0%	64.5%	59.8%	55.6%	53.9%	51.3%	58.6%	---
Loans and receivables	**21.9%**	19.8%	20.2%	20.5%	23.9%	28.2%	30.5%	34.2%	27.8%	---
Investment properties	**4.2%**	4.3%	4.7%	4.1%	3.6%	3.8%	3.9%	4.4%	3.4%	---
Other	**0.7%**	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%	1.5%	---
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	---
Distribution of investments by asset category										
Bonds	**66.3%**	67.9%	65.0%	63.7%	63.0%	59.6%	57.1%	55.2%	57.2%	58.6%
Mortgages and other loans	**10.9%**	10.5%	11.2%	11.3%	15.0%	17.8%	20.6%	24.3%	20.5%	20.1%
Stocks	**10.1%**	11.8%	13.5%	12.2%	11.1%	11.7%	11.5%	9.3%	12.4%	11.9%
Investment properties	**4.2%**	4.3%	4.7%	4.1%	3.6%	3.8%	3.9%	4.4%	3.4%	3.7%
Other	**8.5%**	5.5%	5.6%	8.7%	7.3%	7.1%	6.9%	6.8%	6.5%	5.7%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Distribution of investments by region										
Atlantic provinces	**3.9%**	4.5%	5.2%	5.6%	3.9%	4.0%	4.2%	3.9%	4.1%	3.9%
Quebec	**34.0%**	33.8%	34.5%	39.4%	42.5%	45.8%	46.9%	48.6%	48.1%	48.0%
Ontario	**29.1%**	29.8%	30.1%	26.6%	23.4%	21.0%	21.5%	20.5%	20.6%	20.6%
Western provinces	**16.2%**	16.4%	15.9%	16.4%	16.4%	16.9%	18.1%	17.5%	16.8%	16.6%
Outside Canada	**16.8%**	15.5%	14.3%	12.0%	13.8%	12.3%	9.3%	9.5%	10.4%	10.9%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Impaired investments and provisions										
Gross impaired investments (excluding insured loans)	**19.7**	22.5	17.6	11.2	17.8	25.6	16.7	14.0	20.7	95.2
Net impaired investments (excluding insured loans)										
Bonds	**6.0**	7.2	7.3	8.0	8.4	8.4	4.5	0.5	1.2	1.2
Mortgages	**8.2**	11.5	6.5	1.0	4.7	13.1	6.9	7.8	2.8	0.2
Real estate acquired to settle loans[23]	**---**	---	---	---	---	---	1.6	0.5	7.7	6.5
Total	**14.2**	18.7	13.8	9.0	13.1	21.5	13.0	8.8	11.7	7.9
Provisions for losses										
At beginning of period	**3.8**	3.8	2.2	4.7	4.1	3.7	5.2	9.0	87.3	89.2
Increase for the period	**5.6**	0.6	1.8	2.0	2.8	2.7	3.6	5.3	0.3	0.3
Decrease for the period	**(2.8)**	(0.6)	(0.2)	(4.5)	(2.2)	(2.3)	(5.1)	(7.3)	0.0	(2.2)
Impact of financial instrument as at January 1, 2007	**---**	---	---	---	---	---	---	---	(78.6)	---
Transfer of provisions to investments	**---**	---	---	---	---	---	---	(1.8)	---	---
At end of period	**6.6**	3.8	3.8	2.2	4.7	4.1	3.7	5.2	9.0	87.3
Provisions for losses by type of investments										
Bonds	**3.5**	2.5	2.5	2.0	2.9	2.9	3.0	5.0	5.2	4.8
Mortgages	**2.0**	1.3	1.3	0.2	1.8	1.2	0.7	0.2	0.1	0.8
Total	**5.5**	3.8	3.8	2.2	4.7	4.1	3.7	5.2	5.3	5.6
Other loans	**1.1**	---	---	---	---	---	---	---	---	---
Real estate acquired to settle loans[23]	**---**	---	---	---	---	---	---	---	3.7	3.7
Other	**---**	---	---	---	---	---	---	---	---	78.0
Total	**6.6**	3.8	3.8	2.2	4.7	4.1	3.7	5.2	9.0	87.3
Net impaired investments as a % of total investments	**0.05%**	0.07%	0.06%	0.04%	0.06%	0.11%	0.08%	0.06%	0.08%	0.06%
Provisions as a % of gross impaired investments	**27.9%**	17.1%	21.4%	19.6%	26.4%	16.0%	22.2%	37.5%	43.6%	91.7%
Real estate acquired to settle loans[23]										
Real estate held for resale	**11.2**	10.7	10.7	9.7	5.7	1.3	---	---	---	---

Years ended December 31 (in millions of dollars, unless otherwise indicated)	2015	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
INVESTED ASSETS (continued)										
Bonds										
Book value of the bond portfolio	**19,278.1**	18,575.3	15,106.7	14,643.1	13,676.8	11,121.2	9,409.5	7,942.2	8,127.2	7,189.4
Distribution by financial instrument category										
Available for sale	**17.2%**	16.9%	18.1%	15.6%	17.9%	18.1%	16.9%	14.7%	11.8%	---
Fair value through profit or loss	**72.7%**	74.5%	73.7%	76.5%	74.7%	72.9%	73.1%	74.7%	78.8%	---
Loans and receivables	**10.1%**	8.6%	8.2%	7.9%	7.4%	9.0%	10.0%	10.6%	9.4%	---
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	---
Distribution by credit rating										
Rating – AAA	**3.78%**	3.21%	2.83%	8.67%	8.84%	10.83%	11.30%	11.80%	13.70%	17.40%
Rating – AA	**29.65%**	31.26%	33.67%	23.12%	20.12%	16.68%	15.83%	18.24%	19.80%	17.93%
Rating – A	**49.21%**	49.42%	51.25%	58.55%	61.10%	65.37%	66.36%	63.06%	60.53%	58.25%
Rating – BBB	**16.70%**	15.37%	12.07%	9.56%	9.82%	7.00%	6.44%	6.67%	5.86%	6.11%
Rating – BB and lower	**0.66%**	0.74%	0.18%	0.10%	0.12%	0.12%	0.07%	0.23%	0.11%	0.31%
Total	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Distribution by category of issuer										
Governments	**50.0%**	49.7%	55.2%	60.5%	59.0%	63.2%	63.3%	61.1%	59.7%	56.9%
Municipalities	**5.2%**	5.2%	4.1%	3.9%	3.0%	1.5%	1.3%	1.4%	1.8%	1.7%
Corporates – Public issues	**25.9%**	27.4%	24.2%	20.3%	23.6%	21.1%	20.8%	21.6%	23.4%	26.1%
Corporates – Private issues	**18.9%**	17.7%	16.5%	15.3%	14.4%	14.2%	14.6%	15.9%	15.1%	15.3%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other quality measures										
Delinquency rate	**0.00%**	0.00%	0.00%	0.01%	0.01%	0.01%	0.00%	0.01%	0.02%	0.02%
Mortgages and other loans										
Book value of the mortgages and other loans portfolio	**3,169.3**	2,886.0	2,596.6	2,603.6	3,251.4	3,334.5	3,405.0	3,508.1	2,920.2	2,457.2
Book value of mortgages	**2,877.2**	2,759.7	2,537.8	2,589.0	3,251.4	3,334.5	3,405.0	3,508.1	2,920.2	2,457.2
Book value of other loans	**292.1**	126.3	58.8	14.6	---	---	---	---	---	---
Distribution by financial instrument category										
Loans and receivables	**99.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	---
Distribution by type of mortgage										
Residential	**29.4%**	29.1%	26.2%	21.8%	16.7%	19.3%	19.0%	19.4%	21.6%	20.4%
Multi-residential	**56.7%**	55.2%	57.0%	60.1%	63.6%	63.3%	65.2%	66.5%	60.2%	59.5%
Non-residential	**13.9%**	15.7%	16.8%	18.1%	19.7%	17.4%	15.8%	14.1%	18.2%	20.1%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Distribution by type of mortgage										
Insured	**76.0%**	75.9%	74.7%	73.4%	64.8%	68.4%	71.8%	71.3%	65.0%	60.2%
Conventional	**24.0%**	24.1%	25.3%	26.6%	35.2%	31.6%	28.2%	28.7%	35.0%	39.8%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other quality measures										
Delinquency rate of mortgages										
Insured loans	**0.05%**	0.04%	0.06%	0.24%	0.08%	0.06%	0.21%	0.08%	0.10%	0.09%
Conventional loans	**1.07%**	1.59%	1.17%	0.16%	0.57%	1.36%	0.72%	0.72%	0.27%	0.02%
Total	**0.29%**	0.41%	0.28%	0.22%	0.25%	0.47%	0.36%	0.26%	0.16%	0.06%
Delinquency rate, including real estate acquired to settle loans[23]	**0.68%**	0.80%	0.76%	0.59%	0.43%	0.51%	0.40%	0.28%	0.55%	0.48%
Stocks										
Book value of the stock portfolio	**2,924.1**	3,242.0	3,120.2	2,794.6	2,408.5	2,195.2	1,896.4	1,340.2	1,764.2	1,453.5
Distribution by financial instrument category										
Available for sale	**10.8%**	10.0%	9.2%	8.5%	12.4%	13.7%	17.5%	19.2%	15.6%	---
Fair value through profit or loss	**89.2%**	90.0%	90.8%	91.5%	87.6%	86.3%	82.5%	80.8%	84.4%	---
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	---

Years ended December 31 (in millions of dollars, unless otherwise indicated)	**2015**	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
INVESTED ASSETS (continued)										
Stocks (continued)										
Distribution by category										
Common shares	**52.9%**	51.6%	46.0%	44.9%	39.0%	22.3%	13.5%	18.8%[24]	5.7%	5.0%
Preferred shares	**19.9%**	16.6%	16.7%	15.5%	8.3%	8.6%	8.8%	10.3%	8.1%	10.9%
Market indices	**13.0%**	14.2%	18.4%	21.2%	30.2%	41.5%	43.2%	26.0%	25.6%	23.6%
Investment fund units and other	**14.2%**	17.6%	18.9%	18.4%	22.5%	27.6%	34.5%	44.9%[24]	60.6%	60.5%
Total	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Real estate (IFRS)										
Investment properties	**1,215.9**	1,190.1	1,079.2	953.1	788.5	716.1	---	---	---	---
Linearization of rents	**9.4**	9.3	9.4	11.0	10.9	9.9	---	---	---	---
Fair value of investment properties	**1,225.3**	1,199.4	1,088.6	964.1	799.4	726.0	---	---	---	---
Occupancy rate on investment properties	**90.1%**	91.0%	93.5%	95.2%	94.6%	92.9%	---	---	---	---
Real estate (CGAAP)										
Book value of the real estate portfolio	**---**	---	---	---	---	---	649.0	629.5	481.6	451.8
Market value of the real estate portfolio	**---**	---	---	---	---	---	823.5	814.6	623.7	530.5
Market value/book value	**---**	---	---	---	---	---	126.9%	129.4%	129.5%	117.4%
Occupancy rate on real estate portfolio	**---**	---	---	---	---	---	94.4%	94.0%	95.5%	95.5%
Other										
Provision for potential loss on fixed-income securities contained in the policy liabilities	**292.1**	315.0	235.5	234.7	204.6	138.0	95.8	83.4	78.3	73.1
SOLVENCY AND CAPITALIZATION										
Capital structure										
Debentures	**846.1**	597.2	498.5	757.9	747.7	499.1	519.8	385.9	309.8	310.1
Participating policyholders' account	**45.0**	49.4	47.1	44.2	41.3	26.9	25.7	27.0	24.1	23.1
Equity										
Common shares	**1,310.5**	1,243.5	1,183.5	878.6	860.7	652.5	545.7	541.0	513.1	507.7
Preferred shares	**375.0**	475.0	575.0	675.0	425.0	425.0	325.0	223.7	125.0	125.0
Contributed surplus	**21.4**	21.1	19.8	23.5	23.6	23.3	21.6	19.8	17.1	14.6
Retained earnings[1,5]	**2,374.0**	2,081.9	1,857.4	1,553.5	1,418.6	1,341.5	1,254.8	1,127.7	1,148.3	971.3
Accumulated other comprehensive income	**58.1**	63.6	(15.3)	39.3	64.4	59.3	10.5	(54.3)	(3.8)	---
Currency translation account	**---**	---	---	---	---	---	---	---	---	(6.8)
Total	**4,139.0**	3,885.1	3,620.4	3,169.9	2,792.3	2,501.6	2,157.6	1,857.9	1,799.7	1,611.8
Total capital structure	**5,030.1**	4,531.7	4,166.0	3,972.0	3,581.3	3,027.6	2,703.1	2,270.8	2,133.6	1,945.0
Debt measures[5]										
Debentures[25]/capital structure	**16.8%**	13.2%	12.0%	18.9%	21.2%	16.5%	19.2%	17.0%	14.5%	15.9%
Debentures[25] and preferred shares/capital structure	**24.3%**	23.7%	25.8%	35.9%	33.3%	30.5%	31.3%	26.8%	20.4%	22.4%
Coverage ratio (in number of times)[26]	**8.2**	7.9	6.2	6.1	2.8	6.2	6.3	3.9	12.2	12.1
Solvency ratio[5]										
Available capital										
Tier 1 (net)[27]	**3,426.8**	3,217.0	3,166.3	2,956.1	2,461.7	2,303.8	1,961.9	1,726.0	1,685.6	1,498.9
Tier 2 (net)	**870.6**	667.4	496.7	640.0	587.4	340.9	343.1	195.4	120.6	128.6
Total	**4,297.4**	3,884.4	3,663.0	3,596.1	3,049.1	2,644.7	2,305.0	1,921.4	1,806.2	1,627.5
Required capital	**2,014.0**	1,860.6	1,687.2	1,657.7	1,613.8	1,306.8	1,107.2	967.1	934.6	809.9
Solvency ratio	**213%**	209%	217%	217%	189%	202%	208%	199%	193%	201%
MISCELLANEOUS INFORMATION										
Market data										
Common shares										
Share price										
High	**$46.05**	$49.35	$49.99	$32.91	$42.02	$37.40	$32.70	$42.64	$43.75	$37.28
Low	**$38.33**	$40.78	$31.18	$20.55	$24.75	$29.69	$13.75	$19.50	$34.25	$29.14
Share price at end of period	**$44.13**	$44.43	$46.95	$31.38	$26.29	$36.81	$32.20	$23.31	$42.58	$36.14
Average share price	**$42.24**	$45.09	$40.05	$26.92	$34.22	$33.73	$24.63	$32.11	$38.28	$32.42
Number of common shares outstanding (in millions)	**102.4**	100.8	99.3	91.0	90.4	83.9	80.5	80.3	79.8	79.9
Weighted average number of common shares (in millions)										
Basic	**101.4**	99.9	97.2	90.6	85.9	83.1	80.3	80.2	80.1	80.5
Diluted	**102.0**	100.8	97.9	96.2	92.5	88.3	80.7	81.0	81.1	81.3
Diluted - adjusted for IATS[4]	**---**	---	---	90.8	86.5	83.9	---	---	---	---

Years ended December 31 (in millions of dollars, unless otherwise indicated)	**2015**	2014	2013	2012[1]	2011	2010[2]	2009	2008	2007[2]	2006
MISCELLANEOUS INFORMATION (continued)										
Dividends										
Dividends paid per common share	**$1.16**	$1.06	$0.98	$0.98	$0.98	$0.98	$0.98	$0.94	$0.76	$0.60
Dividend payout ratio	**32%**	26%	27%	29%	82%	32%	38%	115%	25%	22%
Company's worth										
Market capitalization	**4,520.5**	4,477.4	4,664.1	2,856.3	2,376.2	3,087.9	2,592.5	1,872.5	3,399.6	2,887.6
Book value per common share[5]	**$36.76**	$33.83	$30.67	$27.45	$26.19	$24.75	$22.77	$20.35	$20.98	$18.61
General expenses	**972.7**	897.9	815.7	764.5	663.3	611.6	399.9	358.4	333.5	314.0

For comparison purposes, certain previous data have been reclassified.

Cautionary Note regarding Non-IFRS Financial Measures

This document contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating profit", "solvency ratio", "embedded value", "sales", and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies.

Notes

1 Except for the coverage ratio and the solvency ratio, the 2012 amounts and measures have been adjusted for the adoption of the amendment to IAS-19 and the adoption of IFRS-10 in 2013.

2 Adoption of the new financial instruments accounting standards in 2007 and adoption of IFRS on January 1, 2010.

3 After-tax gain on the sale of the US annuity business.

4 Since 2013, the company no longer makes adjustments for the potential dilutive impact of its innovative Tier 1 debt instruments (IATS) since these instruments were redeemed on June 30, 2013.

5 The increase in retained earnings at January 1, 2011 with respect to the deferred income tax liability was reflected retroactively in the 2011-2012 financial statements and book value per outstanding common share. All other measures and amounts were not modified. The modification was carried out at December 31, 2012.

6 ABCP: Asset-backed commercial paper.

7 Approximate impact of market variations as compared to the expected net earnings that the Company would have earned under normal market conditions.

8 Beginning in 2014, expected profit on in-force for the wealth management businesses is updated on a quarterly basis to reflect market growth and net sales.

9 The restructuring charge for 2004, 2005 and 2006 results from integration of the operations of National Life with those of the parent company, and for 2013 from the acquisition of Jovian Capital Corporation on October 1.

10 Based on diluted weighted average number of common shares as of 2013. Based on diluted and adjusted weighted average number of common shares in 2010, 2011 and 2012 (see note 4 above).

11 Between 2007 and 2011, other items are composed of gains or losses related to the asymmetric evolution of the fair value of debt instruments and the underlying assets. In 2012, other items are composed of after tax-gain on the US annuity business mentioned in note 3.

12 Adjusted proactively through 2013 for the reclassification under Group Insurance of P&C premiums previously reported under General Insurance.

13 Includes iA Auto and Home premiums as well as some minor consolidation adjustments.

14 Sales are defined as follows: Individual Insurance: first-year annualized premiums; Individual Wealth Management: net premiums for the general fund and segregated funds and deposits for mutual funds; Group Insurance – Employee Plans: first-year annualized premiums, including administrative services only contracts (ASO); Dealer Services, Creditor Insurance: premiums before reinsurance and cancellations; Dealer Services, P&C Insurance: direct written premiums; Special Markets Solutions: gross premiums (premiums before reinsurance); Group Savings and Retirement: premiums, before reinsurance, and deposits; iA Auto and Home Insurance: direct written premiums.

15 2014 data revised downward by $9.5 million due to a correction related to reissued policies.

16 In 2013, a change in the interfund eliminations led to an adjustment reflected in 2010, 2011 and 2012.

17 Includes assets acquired with Jovian Capital Corporation on October 1, 2013.

18 Information presented through 2011 for comparison purposes.

19 As of 2013 and reflected until 2009, sales for Dealer Services – Creditor Insurance are now defined as premiums before reinsurance and cancellations. Includes all creditor insurance business sold by the Company.

20 Adjusted retroactively in 2013 to present an asset that was not previously presented.

21 At December 31, 2014, an adjustment was made to recognize the deferred income taxes related to certain intangible asset items. This adjustment, which increased the goodwill and future income tax liability by an equivalent amount, was reflected retroactively to January 1, 2013. Years prior to 2013 were not adjusted.

22 Mainly assets managed for third parties.

23 Since the conversion to IFRS on January 1, 2011, real estate acquired to settle loans is no longer included in the invested assets.

24 The variation is explained by the fact that some investments matching the savings portion of the UL policies have been transferred from investment fund units to common stocks. The Company's risk profile is unchanged.

25 Debt includes debentures.

26 The coverage ratio is obtained by dividing pre-tax income for the last twelve months, before financing expenses, by financing expenses.

27 The retained earnings are calculated according to the solvency rules. In 2013, the Company elected to take advantage of the transitional period in order to defer the impact of the amendment to IAS-19 accounting standards on available equity. The total value of the deferral was $79 million and was amortized over eight quarters, through December 31, 2014.

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Responsibility for Financial Statements

The consolidated financial statements of **Industrial Alliance Insurance and Financial Services Inc.**, which have been approved by the Board of Directors, were prepared by Management in accordance with International Financial Reporting Standards and contain certain amounts based on best judgment and estimates as their final determination is dependent upon subsequent events. It is the opinion of Management that the significant accounting policies utilized are appropriate in the circumstances and are adequate to reflect the financial position and the results of operations within reasonable limits of materiality. The financial information presented elsewhere in this annual report is consistent with the information contained in the financial statements.

In order to carry out its responsibilities with regard to the financial statements, Management maintains internal control systems that aim to provide a reasonable degree of certainty that transactions are duly authorized, that the assets are well protected, and that adequate records are kept. These internal control systems provide for communication of professional conduct rules and principles, using a professional code of ethics prepared by the Company for all organizational members. These internal control systems are reinforced by the work of a team of internal auditors, who make a periodic review of all material departments within the Company.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, ensures that Management assumes its responsibility in terms of financial statements.

The functions of the Audit Committee are to:

› Review the financial statements and recommend them for approval by the Board of Directors;
› Review the internal control systems and security;
› Recommend the appointment of the independent auditors and their fee arrangements to the Board of Directors;
› Review other accounting, financial, and security matters as required.

The Audit Committee meets regularly with Management, the internal auditors and independent auditors. The latter may, as they see fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

The Appointed Actuary is appointed by the Board of Directors pursuant to *An Act respecting insurance* (Quebec), and is responsible for ensuring that assumptions and methods used in the valuation of insurance contract liabilities are in accordance with the standards of practice of the Canadian Institute of Actuaries. The Appointed Actuary is required to express an opinion regarding the appropriateness of the insurance contract liabilities net of reinsurance assets at the Statement of Financial Position date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness analysis of Company assets for their ability to support the amount of insurance contract liabilities net of reinsurance assets are important elements of the work required to form this opinion.

The independent auditor is appointed to report to the shareholders regarding the fairness of presentation of the Company's consolidated financial statements. The independent auditor fulfils this responsibility by carrying out an independent audit of these statements in accordance with Canadian generally accepted auditing standards.

The Autorité des marchés financiers has the power to perform checks to ensure that the Company respects *An Act respecting insurance*, preserves the interests of the policyholders and pursues sound capitalization and good solvency.

On behalf of Management,

Yvon Charest
President and Chief Executive Officer
Quebec, February 11, 2016

Appointed Actuary's Report

To the policyholders and shareholders of **Industrial Alliance Insurance and Financial Services Inc.**

I have valued the policy liabilities and reinsurance recoverables of **Industrial Alliance Insurance and Financial Services Inc.** for its consolidated Statements of Financial Position as at December 31, 2015 and 2014 and their changes in the consolidated Income Statements for the years then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the Consolidated Financial Statements fairly present the results of the valuation.

René Chabot
Fellow of the Canadian Institute of Actuaries
Quebec, February 11, 2016

Independent Auditors' Report

To the Policyholders and Shareholders of **Industrial Alliance Insurance and Financial Services Inc.**

We have audited the accompanying consolidated financial statements of **Industrial Alliance Insurance and Financial Services Inc.**, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated income statements, consolidated comprehensive income statements, consolidated equity statements and consolidated cash flows statements for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Industrial Alliance Insurance and Financial Services Inc.** as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP [1]

February 11, 2016
Quebec City, Canada

[1] CPA auditor, CA, public accountancy permit No. A112991

Consolidated Income Statements

Years ended December 31 (in millions of dollars, unless otherwise indicated)	**2015**	2014
	$	$
Revenues		
Premiums		
Gross premiums	**6,564**	5,872
Premiums ceded	**(523)**	(446)
Net premiums (Note 23)	**6,041**	5,426
Investment income (Note 5)		
Interest and other investment income	**1,097**	1,007
Change in fair value of investments	**(61)**	2,163
	1,036	3,170
Other revenues	**1,158**	1,084
	8,235	9,680
Policy benefits and expenses		
Gross benefits and claims on contracts	**4,270**	4,156
Ceded benefits and claims on contracts	**(336)**	(415)
Net transfer to segregated funds	**741**	425
Increase (decrease) in insurance contract liabilities (Note 14)	**514**	2,572
Increase (decrease) in investment contract liabilities (Note 14)	**21**	38
Decrease (increase) in reinsurance assets (Note 14)	**266**	317
	5,476	7,093
Commissions	**1,197**	1,119
General expenses (Note 20)	**973**	898
Premium and other taxes	**106**	85
Financing charges (Note 21)	**62**	50
	7,814	9,245
Income before income taxes	**421**	435
Income taxes (Note 22)	**39**	---
Net income	**382**	435
Net income attributed to participating policyholders	**(4)**	2
Net income attributed to shareholders	**386**	433
Dividends attributed to preferred shares (Note 17)	**18**	29
Redemption premium on preferred shares (Note 17)	**4**	4
Net income attributed to common shareholders	**364**	400
Earnings per common share (in dollars) (Note 24)		
Basic	**3.59**	4.01
Diluted	**3.57**	3.97
Weighted average number of shares outstanding (in millions of units) (Note 24)		
Basic	**101.4**	99.9
Diluted	**102.0**	100.8
Dividends per common share (in dollars) (Note 17)	**1.16**	1.06

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

Consolidated Comprehensive Income Statements

Years ended December 31 (in millions of dollars)	2015	2014
	$	$
Net income	**382**	435
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	**(25)**	79
Reclassification of losses (gains) on available for sale financial assets included in net income	**(13)**	(11)
	(38)	68
Net investment hedge		
Unrealized gains (losses) on currency translation in foreign operations	**70**	32
Hedges of net investment in foreign operations	**(38)**	(21)
	32	11
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	**47**	(71)
Total other comprehensive income	**41**	8
Comprehensive income	**423**	443
Comprehensive income attributed to participating policyholders	**(4)**	2
Comprehensive income attributed to shareholders	**427**	441

Income Taxes Included in Other Comprehensive Income

Years ended December 31 (in millions of dollars)	2015	2014
	$	$
Income taxes related to:		
Items that may be reclassified subsequently to net income:		
Unrealized gains (losses) on available for sale financial assets	**10**	(29)
Reclassification of losses (gains) on available for sale financial assets included in net income	**4**	4
Hedges of net investment in foreign operations	**14**	8
	28	(17)
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	**(17)**	26
Total income taxes included in other comprehensive income	**11**	9

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

Consolidated Statements of Financial Position

As at December 31 (in millions of dollars)	2015	2014
	$	$
Assets		
Cash and short-term investments	**969**	498
Bonds	**19,278**	18,575
Stocks	**2,924**	3,242
Mortgages and other loans	**3,169**	2,886
Derivative financial instruments (Note 8)	**332**	225
Policy loans	**841**	713
Other invested assets	**337**	80
Investment properties	**1,216**	1,190
Total investments (Note 5)	**29,066**	27,409
Other assets (Note 9)	**1,649**	1,772
Reinsurance assets (Note 14)	**1,280**	1,368
Fixed assets (Note 10)	**178**	153
Deferred income tax assets (Note 22)	**31**	59
Intangible assets (Note 11)	**623**	560
Goodwill (Note 11)	**334**	270
General fund assets	**33,161**	31,591
Segregated funds net assets (Note 12)	**19,777**	18,748
Total assets	**52,938**	50,339
Liabilities		
Insurance contract liabilities (Note 14)	**22,848**	22,021
Investment contract liabilities (Note 14)	**655**	693
Derivative financial instruments (Note 8)	**398**	217
Other liabilities (Note 15)	**4,080**	3,893
Deferred income tax liabilities (Note 22)	**150**	235
Debentures (Note 16)	**846**	597
General fund liabilities	**28,977**	27,656
Segregated funds liabilities (Note 12)	**19,777**	18,748
Total liabilities	**48,754**	46,404
Equity		
Share capital and contributed surplus	**1,707**	1,740
Retained earnings and accumulated other comprehensive income	**2,432**	2,146
Participating policyholders' account	**45**	49
	4,184	3,935
Total liabilities and equity	**52,938**	50,339

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

Yvon Charest
President and Chief Executive Officer

L.G. Serge Gadbois
Chairman of Audit Committee

Consolidated Equity Statements

Years ended December 31 (in millions of dollars)

	Participating policyholders' account	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 17)	(Note 17)			(Note 18)	
	$	$	$	$	$	$	$
Balance as at December 31, 2013	47	1,184	575	20	1,857	(15)	3,668
Net income attributed to shareholders	---	---	---	---	433	---	433
Net income attributed to participating policyholders' account	2	---	---	---	---	---	2
Other comprehensive income	---	---	---	---	---	8	8
Comprehensive income for the year	2	---	---	---	433	8	443
Transfer of post-employment benefits	---	---	---	---	(71)	71	---
Other	---	---	---	---	2	---	2
Equity transactions							
Stock option plan (Note 25)	---	---	---	4	---	---	4
Stock options exercised	---	---	---	(3)	---	---	(3)
Common shares issued	---	60	---	---	---	---	60
Redemption of preferred shares	---	---	(100)	---	---	---	(100)
Redemption premium on preferred shares	---	---	---	---	(4)	---	(4)
Dividends on common shares	---	---	---	---	(106)	---	(106)
Dividends on preferred shares	---	---	---	---	(29)	---	(29)
Balance as at December 31, 2014	49	1,244	475	21	2,082	64	3,935
Net income attributed to shareholders	**---**	**---**	**---**	**---**	**386**	**---**	**386**
Net income attributed to participating policyholders' account	**(4)**	**---**	**---**	**---**	**---**	**---**	**(4)**
Other comprehensive income	**---**	**---**	**---**	**---**	**---**	**41**	**41**
Comprehensive income for the year	**(4)**	**---**	**---**	**---**	**386**	**41**	**423**
Transfer of post-employment benefits	**---**	**---**	**---**	**---**	**47**	**(47)**	**---**
Other	**---**	**---**	**---**	**---**	**(1)**	**---**	**(1)**
Equity transactions							
Stock option plan (Note 25)	**---**	**---**	**---**	**4**	**---**	**---**	**4**
Stock options exercised	**---**	**---**	**---**	**(4)**	**---**	**---**	**(4)**
Common shares issued	**---**	**67**	**---**	**---**	**---**	**---**	**67**
Redemption of preferred shares	**---**	**---**	**(100)**	**---**	**---**	**---**	**(100)**
Redemption premium on preferred shares	**---**	**---**	**---**	**---**	**(4)**	**---**	**(4)**
Dividends on common shares	**---**	**---**	**---**	**---**	**(118)**	**---**	**(118)**
Dividends on preferred shares	**---**	**---**	**---**	**---**	**(18)**	**---**	**(18)**
Balance as at December 31, 2015	**45**	**1,311**	**375**	**21**	**2,374**	**58**	**4,184**

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

Consolidated Cash Flows Statements

Years ended December 31 (in millions of dollars)	2015	2014
	$	$
Cash flows from operating activities		
Income before income taxes	**421**	435
Financing charges	**62**	50
Income taxes paid, net of refunds	**(109)**	(73)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	**525**	2,583
Increase (decrease) in investment contract liabilities	**(38)**	46
Decrease (increase) in reinsurance assets	**270**	315
Unrealized losses (gains) on investments	**64**	(2,161)
Provisions for losses	**4**	---
Amortization of premiums and discounts	**33**	30
Other depreciation	**68**	65
Other items not affecting cash	**5**	(50)
Operating activities affecting cash:		
Sales, maturities and repayments on investments	**21,572**	15,636
Purchases of investments	**(22,394)**	(17,551)
Realized (gains) losses on investment	**(29)**	(20)
Other items affecting cash	**83**	825
Net cash from (used in) operating activities	**537**	130
Cash flows from investing activities		
Acquisition of businesses, net of cash	**(49)**	(8)
Sales (purchases) of fixed and intangible assets	**(68)**	(51)
Other investment activities	**2**	6
Net cash from (used in) investing activities	**(115)**	(53)
Cash flows from financing activities		
Issuance of common shares	**17**	15
Issuance of debentures	**249**	248
Redemption of debentures	**---**	(150)
Redemption of preferred shares	**(100)**	(100)
Redemption premium on preferred shares	**(4)**	(4)
Dividends paid on common shares	**(72)**	(65)
Dividends paid on preferred shares	**(18)**	(29)
Interest paid on debentures	**(28)**	(23)
Net cash from (used in) financing activities	**44**	(108)
Foreign currency gains (losses) on cash	**5**	6
Increase (decrease) in cash and short-term investments	**471**	(25)
Cash and short-term investments at beginning	**498**	523
Cash and short-term investments at end	**969**	498
Supplementary information:		
Cash	**846**	424
Short-term investments	**123**	74
Total cash and short-term investments	**969**	498

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

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014 (in millions of dollars, unless otherwise indicated)

1 › General Information

Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company listed on the Toronto Stock Exchange, incorporated under the *Companies Act* (Quebec), governed by *An Act respecting insurance* and subject to the Autorité des marchés financiers (AMF). Industrial Alliance Insurance and Financial Services Inc. and its subsidiaries (the Company) offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, auto and home insurance, mortgage loans, 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.

Publication of these financial statements was authorized for issue by the Company's Board of Directors on February 11, 2016.

2 › Significant Accounting Policies

a) Basis of Presentation

The Company's financial statements are established according to International Financial Reporting Standards on December 31, 2015. The International Financial Reporting Standards (IFRS) are published by the International Accounting Standards Board (IASB) and are based on International Financial Reporting Standards, International Accounting Standards (IAS), and on interpretations developed by the IFRS Interpretations Committee (IFRS IC).

IFRS does not currently include an insurance contract measurement standard. Therefore, as permitted by IFRS-4 "Insurance Contracts", insurance contract liabilities are measured in accordance with accepted actuarial practice in Canada using the Canadian Asset Liability Method (CALM).

The financial statements are presented in millions of Canadian dollars. The Canadian dollar is the Company's functional and reporting currency. The presentation order of the items included in the Statements of Financial Position is based on liquidity. Each line item includes both current and non-current balances, if applicable.

b) Important Estimates

The preparation of financial statements requires management to use judgment, make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and complementary information. Management has exercised its judgment, made estimates and established the assumptions described below:

Classification of contracts	Note 2, section l) Insurance and Investment Contract Liabilities
Measurement of insurance contracts liabilities and investment contracts liabilities	Note 2, section l) Insurance and Investment Contract Liabilities Note 14 Insurance Contract Liabilities and Investment Contract Liabilities
Measurement of reinsurance assets	Note 2, section k) Reinsurance Assets Note 14 Insurance Contract Liabilities and Investment Contract Liabilities
Fair value of financial instruments and investment properties	Note 2, section d) Invested Assets and Investment Income Note 5 Invested Assets and Investment Income Note 6 Fair Value of Financial Instruments and Investment Properties
Derivative financial instruments and hedge accounting	Note 2, section d) Invested Assets and Investment Income Note 5 Invested Assets and Investment Income Note 6 Fair Value of Financial Instruments and Investment Properties
Impairment of goodwill and intangible assets	Note 2, section g) Intangible Assets Note 2, section i) Goodwill Note 11 Intangible Assets and Goodwill
Impairment of assets	Note 2, section d) Invested Assets and Investment Income Note 5 Invested Assets and Investment Income Note 7 Management of Risks Associated with Financial Instruments
Post-employment benefits	Note 2, section t) Post-Employment Benefits Note 26 Post-Employment Benefits
Determination of control for purposes of consolidation	Note 2, section c) Basis of Consolidation and Methods Note 7 Management of Risks Associated with Financial Instruments b) iii) Other information on Credit Risk – Interest in non-consolidated structured entities
Income taxes	Note 2, section n) Income Taxes Note 22 Income Taxes

Actual results could differ from management's best estimates. Estimates and assumptions are periodically reviewed according to changing circumstances and facts, and changes are recognized in the period in which the revision is made and future periods affected by this revision. The significant accounting policies, estimates and assumptions used are detailed in the following notes when it is meaningful and relevant.

c) Basis of Consolidation and Methods

Entities over which the Company exercises control are consolidated. Control is defined as being the exposure or the right to receive variable returns from the involvement with an entity and the ability to affect those returns through the power held over it. The Company holds the power when it has existing rights that give it the current ability to direct the relevant activities, that is, the activities that significantly affect the investee's returns. Entities are consolidated from the date control is obtained and deconsolidated on the date control ceases. The acquisition method is used to account for the acquisition of a subsidiary and the difference between the acquisition cost of the subsidiary and the fair value of the subsidiary's net identifiable assets acquired is recorded as goodwill. The Company uses uniform accounting methods in the consolidated financial statements for similar transactions and events. Intercompany balances, and revenues and expenses for intercompany transactions are eliminated on consolidation.

The Company uses the equity method to record joint arrangements and entities over which it has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control over those policies. Significant influence is presumed to exist by holding over 20% of the voting rights. The Company records its share of the entity's net assets and financial results using uniform accounting policies for similar transactions and events.

d) Invested Assets and Investment Income

Invested assets include financial assets (such as cash and short-term investments, bonds, stocks, mortgages and other loans, derivative financial instruments as well as policy loans) and investment properties.

Financial assets are classified into one of the following categories:

› assets at fair value through profit or loss, including assets held for trading and assets designated at fair value through profit or loss;
› assets held to maturity, carried at amortized cost;
› assets available for sale, carried at fair value and fair value variations are recognized in other comprehensive income;
› loans and receivables, carried at amortized cost using the effective interest method.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. The fair value option of designating financial assets in the category assets at fair value through profit or loss is used by the Company for its assets matching the insurance contract liabilities and investment contract liabilities, except for mortgages and other loans and bonds that are not quoted on an active market. Thus, any changes in the fair value of underlying assets matched to the insurance contract liabilities and investment contract liabilities are directly reflected in the insurance contract liabilities and investment contract liabilities. Changes in fair value of assets matching these liabilities and changes in corresponding insurance contract and investment contract liabilities are directly recognized in the Income Statement in order to avoid a mismatch that would otherwise arise.

Bonds and stocks that are not matched with insurance contract liabilities and investment contract liabilities are classified as available for sale. Mortgages and other loans, as well as bonds not quoted in an active market are classified as loans and receivables. The Company does not hold any financial assets in the category held to maturity.

The Company applies the trade date accounting method, which is the date on which the Company commits to purchase or sell assets. Transaction costs related to financial assets classified at fair value through profit or loss are recorded in the Income Statement as incurred. Transaction costs related to financial assets available for sale are capitalized to the asset and, in the case of bonds, these costs are amortized using the effective interest method. Transaction costs related to loans and receivables are capitalized to the asset and amortized in the Income Statement using the effective interest method.

Invested assets are accounted for using the methods described below.

i) Cash and Short-Term Investments

Cash and short-term investments consist of cash, payments in transit and fixed income securities held for short-term commitment. Cash and payments in transit are classified as loans and receivables and accounted for at amortized cost using the effective interest method. Fixed income securities are classified as held for trading and accounted for at fair value.

ii) Bonds

Designated at Fair Value Through Profit or Loss

Bonds designated at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income*.

Available for Sale

Bonds classified as available for sale are carried at fair value. Unrealized gains and losses are recognized in *Other comprehensive income*, except for the portion related to foreign exchange difference which is recorded in the Income Statement. Upon realization, gains or losses are reclassified to the Income Statement in *Interest and other investment income*. Interest as well as premiums and discounts are calculated according to the effective interest method and are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as available for sale are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation if it represents objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is impairment, the cumulative loss recorded in *Accumulated other comprehensive income* is reclassified as an impairment loss in the Income Statement under *Investment income*. Following impairment loss recognition, these bonds continue to be recorded at fair value. Subsequent decreases in fair value are recorded in the Income Statement and they are evaluated at each reporting date to determine whether there is a fair value increase. If there is a fair value increase, impairment loss recorded in the Income Statement could be reversed if the fair value increase can be objectively linked to an event occurring after the impairment loss was recognized.

Loans and Receivables
Private bonds not traded in an active market are classified as loans and receivables. These bonds are carried at amortized cost using the effective interest method. The interest calculated according to this method and the realized gains or losses on disposal of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as loans and receivables are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation if it represents objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is impairment, a provision for losses is recorded, which corresponds to the spread between the carrying value of the asset and the recoverable amount valuated according to the estimated future cash flows discounted at the initial effective interest rate. This provision is immediately recorded in the Income Statement. When the effects of the cause of the impairment begin to fade and future payments are reasonably assured, the provision is reduced or reversed and the changes related to provisions for losses are recorded in the Income Statement.

iii) Stocks
Designated at Fair Value Through Profit or Loss
Stocks designated at fair value through profit or loss are measured at fair value. Realized and unrealized gains and losses recognized immediately in *Change in fair value of investments* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the moment that the Company has the right to receive payment.

Available for Sale
Stocks classified as available for sale are carried at fair value. Unrealized gains and losses and variations of exchange rates are recognized in other comprehensive income. Upon realization, gains or losses are reclassified in *Interest and other investment income* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the moment that the Company has the right to receive payment.

On each reporting date, stocks classified as available for sale are tested for impairment. The Company records an impairment loss if evidence of impairment exists, such as observable data about the issuer's significant financial difficulty or changes in the economic, legal or technological environment that have a negative effect on the issuer. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. For stocks with similar characteristics and behavior to debt instruments, the Company records an impairment loss if evidence of impairment exists and considers that the amount invested will not be recovered.

When there is impairment, the cumulative losses previously accounted for in *Accumulated other comprehensive income* are reclassified as impairment losses under *Interest and other investment income* in the Income Statement. These stocks continue to be recorded at fair value. Any decline in value subsequent to impairment is recorded in the Income Statement, while increases are recorded in the other comprehensive income. An increase in value of an impaired security is only recorded in the Income Statement when the security is sold or derecognized.

iv) Mortgages and Other Loans
Loans and Receivables
Other loans consist of personal loans. Mortgages and other loans classified as loans and receivables are carried at amortized cost using the effective interest method, net of a provision for credit losses, if applicable. Interest and realized gains or losses on disposition of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, the Company performs an impairment test on each loan. A group test is then performed on groups of assets with similar risks, including loans valued individually and which had no indication of impairment. On a group basis, the Company considers similar risk characteristics that take into account the type of loan, the activity sector, geographic situation, potential late payment observed and other relevant factors. On an individual basis, the Company considers an impairment loss if it deems it unlikely that it will be able to recover the full amount of principal and interest at maturity due to objective evidence of impairment, including the borrower's financial difficulty, a bankruptcy or a default of payment of principal or interest. When there is impairment, a provision for losses is recorded, which corresponds to the spread between the carrying value of the loan and the recoverable amount valuated according to the estimated future cash flows, discounted at the initial effective interest rate. The estimated cash flows consider the fair value of any guarantee underlying the loans, less related costs. When the effects of the cause of the impairment begin to fade, and future payments are reasonably assured, the provision is reduced or reversed. When there is no longer a realistic probability of recovery or when the asset is derecognized after the guarantee is exercised or the asset is sold, the provision is written down and reduced by any recovery. All changes affecting the provision for losses are recorded in the Income Statement.

When an impairment loss is recognized on a loan, the future interest is recognized based on the interest rate used to discount the future cash flows in order to valuate the fair value loss. When contractual payments are more than 90 days in arrears, contractual interest is no longer recognized. Contractual interest is resumed once the contractual payments are no longer considered in arrears and are considered current.

Designated at Fair Value Through Profit or Loss
Mortgages and other loans designated at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income*.

Securitization of Mortgages and Other Loans
As part of the securitization of mortgages and other loans, since the Company conserves substantially all risks and rewards related to the transferred mortgages and other loans, the asset derecognition criteria are not met. The Company continues to recognize mortgages and other loans in the Statement of Financial Position and an obligation of a value equal to the amounts securitized is recorded in *Other liabilities*. Interest income on securitized loans continues to be recorded in *Interest and other investment income* in the Income Statement according to the effective interest method and interest expenses on liabilities are recorded in *Financing charges* in the Income Statement.

v) Investment Properties
Investment properties owned by the Company and which it does not primarily occupy for its own use are held to earn rental income or capital appreciation. Investment properties are recognized at the transaction price plus transaction costs upon acquisition. These properties are subsequently valued at fair value. It excludes the fair value of the linearization of rents which is recorded in *Other assets*. Changes in fair value are recognized in *Change in fair value of investments* in the Income Statement. Rental income is recognized in the Income Statement linearly according to the term of the lease, and operating expenses of properties are recorded in the general expenses.

vi) Policy Loans
Policy loans, classified as loans and receivables, correspond to the unpaid capital balance and are fully secured by the cash surrender value on the insurance contracts on which the respective loans are made.

vii) Other Invested Assets
Other invested assets include the investment in associates and joint ventures, notes receivable and cash in trust. Notes receivable and cash in trust are classified as loans and receivables and are accounted for at amortized cost using the effective interest method. Investments in associates and joint arrangements are accounted for according to the equity method as described in c) Basis of Consolidation and Methods.

viii) Derivative Financial Instruments
The Company uses derivative financial instruments to manage exposure to foreign currency, interest rates, credit risk and other market risks associated with specific assets and liabilities. Derivative financial instruments are classified as held for trading. Therefore, they are initially recorded at fair value on the acquisition date and subsequently revalued at their fair value. Derivative financial instruments with a positive fair value are recorded as assets while derivative financial instruments with a negative fair value are recorded as liabilities. Changes in fair value are recorded in *Change in fair value of investments* in the Income Statement unless the derivative financial instruments are part of a qualified hedging relationship, as described below.

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

Fair Value Hedging
Changes in fair value of hedging instruments and changes in fair value of assets arising from the hedged risk are recorded in *Change in fair value of investments* in the Income Statement. At the same time, the gain or loss on the inefficient portion of the hedge is recorded in the net income.

Hedging of Cash Flows
The effective portion of changes in fair value of hedging instruments is recognized in Other comprehensive income, net of income taxes. Gains or losses on the ineffective portion are immediately recorded in the Income Statement in *Change in fair value of investments*. Cumulative gains and losses in other comprehensive income are reclassified in the Income Statement in the period in which the hedged items have an impact on the net income.

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

ix) Embedded Derivative Financial Instruments

Embedded derivative financial instruments are separate from the host contract and are accounted for at fair value if the economic characteristics and risks of the embedded derivative financial instruments are not closely linked to the economic characteristics and risks of the host contract, if the terms of the embedded derivative financial instrument are the same as an independent derivative, and if the host instrument itself is not accounted for at fair value through profit or loss. Changes in the fair value of embedded derivative financial instruments are recorded in the Income Statement under *Change in fair value of investments*.

x) Derecognition

A financial asset (or portion of a financial asset) is derecognized when the contractual rights to the cash flows from the financial asset expire, or if the Company transfers to a third party the financial asset and substantially all the risks and rewards of the financial asset. If the Company does not transfer or retain substantially all the risks and rewards of the financial asset and keep control over the ceded asset, the Company accounts part of the asset it kept and recognizes a corresponding liability for the amount payable.

e) Other Assets

Other assets mainly include investment income due and accrued, outstanding premiums, accounts receivable, deferred sales commissions, prepaid expenses, real estate held for resale, linearization of rents, income tax receivable and securities purchased under reverse repurchase agreements. Financial assets included in *Other assets* are classified as loans and receivables and are measured at amortized cost. Real estate held for resale is measured at the lower of fair value less cost to sell and the carrying value of the underlying loans at foreclosure date. Deferred sales commissions arising from mutual fund sales are recorded at cost and amortized on a straight-line basis over a maximum period of 5 years. Unamortized deferred sales commissions are written down if the carrying value exceeds the expected future discounted cash flow.

The Company purchases securities and, simultaneously, agrees to resell them in the short term, at a set price and date. These reverse repurchase agreements are recorded in the Statement of Financial Position at the consideration paid plus accrued interest. Commitments related to securities purchased under reverse repurchase agreements are recorded at amortized cost using the effective interest method and are classified as loans and receivables. Interest on reverse repurchase operations is recorded in the Income Statement as *Interest and other investment income*.

The Company is involved in a public-private type service agreement which must be accounted for in accordance with IFRIC-12 “Service Concession Arrangements”. The concession service to be received increases based on the fair value of operational and maintenance services, recovery costs, administrative costs and financing costs, and decreases through payments received. The concession account receivable, included in Accounts receivable, is classified as a loan and receivable and is carried at amortized cost using the effective interest rate.

f) Fixed Assets

Real estate classified as own-use properties and all other items classified under fixed assets are recorded at cost less accumulated depreciation. The Company calculates depreciation using the straight-line method. The depreciation period is based on the estimated useful life. Each own-use properties component is depreciated over a period of 10 to 60 years, and other fixed assets are depreciated over periods ranging from 2 to 15 years. At the end of each year, the Company must revise the residual value and useful life of fixed assets. Any change represents a modification of an accounting estimate and must be accounted for prospectively.

g) Intangible Assets

Intangible assets are composed of assets with finite and indefinite useful life. Intangible assets are initially recorded at cost.

Intangible assets with finite useful life primarily include capitalized software applications, distribution networks and customer relationships. These assets are depreciated linearly over their estimated useful life varying between 4 years and 30 years. Useful life is reassessed each year and any depreciation expense is adjusted prospectively, if applicable. Finite life intangible assets are subject to impairment testing if there is evidence of impairment and losses in value are calculated and recorded on an individual basis for each asset.

Intangible assets with indefinite useful life primarily include fund management contracts. These assets are not subject to depreciation and are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized in the Income Statement under General expenses when the carrying value exceeds the recoverable value. Intangible assets are considered to have indefinite useful lives when, on the basis for analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash inflows for the Company.

h) Fair Value of Purchased Businesses in Force

The purchased businesses in force are initially recorded at fair value. This fair value is recorded in the Statement of Financial Position in *Intangible assets* if positive or in *Other liabilities* if negative, for an amount equal to the discounted value of estimated future gains or losses related to purchased business in force at the acquisition date. The discounted value of the future gain or loss takes into consideration the cost of capital and is estimated using the actuarial assumptions that are similar to the ones used to establish the insurance contract liability purchased and a discount rate integrating a risk premium. The fair value of purchased business in force recorded as part of a business combination is amortized over the useful life of the portfolio contracts.

i) Goodwill

Goodwill represents the difference between the acquisition cost and the fair value of identifiable assets, assumed liabilities and contingent liabilities of the acquired entities at the acquisition date. Goodwill is initially recorded at fair value. Following its initial recognition at fair value, goodwill is measured at cost less any accumulated impairment losses. Goodwill resulting from business combinations is presumed to have an indefinite life and is not amortized.

The Company allocates goodwill to a cash-generating unit (CGU), which is the smallest group of identifiable assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. To determine whether there is impairment, the Company compares for each CGU the net carrying value and the recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. The value in use of a CGU is the discounted value of expected future cash flows resulting from a CGU. Goodwill impairments are recorded as *General expenses* in the Income Statement and cannot be reversed. Gains or losses realized on the partial or total disposition of a CGU take into account goodwill resulting from the acquisition of this CGU.

j) Segregated Funds

Funds from group or individual annuities issued by the Company may be invested in segregated portfolios at the option of the policyholders. Although the underlying assets are registered in the name of the Company, the segregated funds policyholders have no direct access to the specific assets. The policyholders bear the risks and rewards of the fund's investment performance. The Company derives fee income from the management of its segregated funds. These revenues are accounted for in *Other revenues* in the Income Statement. Investment income and changes in fair value of the segregated fund assets are not presented separately in the Income Statement and are offset by a corresponding change in the segregated fund liabilities.

Segregated Funds Net Assets

Segregated funds net assets are accounted for separately from the total general fund assets in the Statement of Financial Position and investments constituting segregated funds assets are accounted for at fair value. Fair value is determined according to market prices or, if market prices are not available, according to the estimated fair values that the Company established. The liabilities included in the segregated funds net assets are accounted for at amortized cost.

Segregated Funds Liabilities

Insurance or investment contract liabilities whose financial risk corresponds to the risk assumed by insureds are presented separately from the total general fund liabilities in the Statement of Financial Position and are accounted for at the fair value of segregated funds net assets.

Liabilities related to the segregated funds guarantees granted by the Company are included in the *Insurance contract liabilities* or *Investment contract liabilities* in the Statement of Financial Position.

k) Reinsurance Assets

In the normal course of business, the Company uses reinsurance to limit its risk exposure. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who share the risks. Reinsurance assets represent the amounts due to the Company for insurance contract and investment contract liabilities ceded. The calculation of these amounts is similar to the underlying insurance or investment contracts liabilities, in accordance with the contract provisions of reinsurance agreements. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured.

Gains or losses that could occur on buying reinsurance are recognized in net income immediately and are not amortized. The gross amounts of assets and liabilities related to reinsurance are presented separately in the Statement of Financial Position. The amounts due to or from reinsurers for premiums received or claims made are included in *Other assets* and *Other liabilities* in the Statement of Financial Position. Premiums for ceded reinsurance are shown under *Ceded premiums* in the Income Statement. The *Ceded benefits and claims* on contracts item in the Income Statement shows expense recoveries related to reinsurance contracts.

The reinsurance assets are tested for impairment. The Company considers impairment if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the reinsurance agreement if it represents objective evidence of impairment, such as the third party's financial difficulty, a bankruptcy or default of payment of amounts due. This provision is immediately recorded in *General expense* in the Income Statement.

l) Insurance and Investment Contract Liabilities

i) Classification of Contracts

The Company issues contracts that contain an insurance risk, a financial risk or both. Insurance contracts, including reinsurance acceptances, are contracts that contain a significant insurance risk. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. This risk is assessed by reviewing a portfolio of contracts with similar risk features.

Investment contracts are contracts that contain a financial risk and which do not include a significant insurance risk. The financial risk represents the risk of a possible future change in one or more of the following items: specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract.

Service contracts are contracts that do not contain any significant insurance risk and no financial risk and for which the Company offers administrative services only. Service contracts also include the service components of investment contracts. The accounting policy relating to the fee income earned from these contracts is described in the *Other revenues* section.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Insurance contracts are accounted for in accordance with IFRS-4 "Insurance Contracts", whereas investment contracts are accounted for according to IAS-39 "Financial Instruments, Recognition and Measurement", and service contracts according to IAS-18 "Revenue".

ii) Insurance Contract Liabilities
The Company's appointed actuary determines the amount of insurance contract liabilities using the Canadian Asset Liability Method (CALM), in accordance with the standards of the Canadian Institute of Actuaries (CIA), and as permitted by IFRS-4 "Insurance Contracts". Pursuant to the CALM method, insurance contract liabilities represent the amount which, added to future premiums and investment income, will be sufficient to cover estimated future benefits, policyholder dividends and experience rating refunds, taxes (other than income taxes), commissions and fees to administer in-force policies. The change in the insurance contract liabilities is included in the *Increase (decrease) in insurance contract liabilities* in the Income Statement.

iii) Investment Contract Liabilities
Investment contract liabilities are the amounts that the Company owes to clients since these contracts do not have significant insurance risk. These amounts are initially carried at fair value less transaction cost directly related to the establishment of the contract and are subsequently re-measured at amortized cost. This liability is derecognized when all the obligations relating to this type of contract are performed, extinguish or expire.

m) Other Liabilities
Other liabilities are primarily made up of unearned premiums, post-employment benefits, amounts on deposit on products other than insurance contracts, accounts payable, securities sold under repurchase agreement, short-selling securities, securitization liabilities and other liabilities. Financial liabilities included in the other liabilities are classified as financial liabilities at amortized cost, except for short-selling securities, which are classified as held for trading. The commitments related to short-selling securities reflect the Company's obligation to deliver securities that it sold without owning them at the time of sale. Short-selling securities are recorded at fair value in the Statement of Financial Position. Realized and unrealized gains and losses are recognized in *Change in fair value of investments* in the Income Statement. A financial liability is derecognized when the obligation related to the financial liability is settled, cancelled or expires.

The Company sells securities and, simultaneously, agrees to repurchase them in the short term, at a set price and date. These repurchase agreements are recorded in the Statement of Financial Position at the consideration received plus accrued interest. Commitments related to securities acquired under repurchase agreements are recorded at amortized cost using the effective interest method. Interest on repurchase operations is recorded in the Income Statement as *Financing charges*.

n) Income Taxes
The income tax expense includes current taxes and deferred taxes. The calculation of current income tax expense is based on taxable income for the year. Current tax assets and liabilities for the current and previous periods are measured at the amount expected to be paid to or received from tax authorities using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred income taxes result from temporary differences between the assets and liabilities carrying value and their value for tax purposes, using those rates enacted or substantively enacted applicable to the periods the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences subject to certain exceptions, carry forward for unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which these assets can be utilized. The Company assesses all available evidence, both positive and negative, to determine the amount of deferred tax assets to be recognized.

Deferred tax liabilities are recognized for all taxable temporary differences, subject to certain exceptions in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset them, for the same legal entity and levied by the same taxation authority, and if the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The current and deferred taxes are presented in the Income Statement except when they relate to items that are recognized in other comprehensive income or directly in equity. In this case, they are presented in the Comprehensive Income Statement and the Statement of Financial Position respectively.

To determine the impact of taxes, the Company must comply with both IFRS and actuarial standards of practice. Consequently, according to the CALM method, the determination of insurance contract liabilities must account for all cash flows associated with the insurance contract liabilities provided, including income taxes. Insurance contract liabilities are determined by considering the tax impacts related to these contracts on a discounted basis, adjusted for all related deferred tax assets and liabilities. The net result of this adjustment is to leave the discounting effect of deferred taxes related to temporary differences on tax items related to insurance contracts in the insurance contract liabilities.

o) Debentures
The Company has chosen to classify its debentures as financial liabilities at amortized cost. The debentures are initially recognized at fair value, net of related transaction costs. Debentures are subsequently measured at amortized cost using the effective interest method. Interest calculated according to the effective interest method and premiums paid on redemption of debentures are recognized in the Income Statement and presented as *Financing charges*.

p) Foreign Exchange Conversion
Transactions in foreign currencies are converted into the functional currency at the rate in effect when each transaction takes place. Items in the Statement of Financial Position are converted at the end of period exchange rate. Gains and losses on foreign currency conversions are recognized in the Income Statement.

The financial statements of certain entities of the group, whose functional currency (the currency of the principal economic environment in which the entity operates) differs from the parent company, are converted into the reporting currency. Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the end of period exchange rate. Revenues and expenses are translated at the average rate. Gains and losses on foreign currency and hedge results of some of these investments are accounted for in Other comprehensive income, net of income taxes.

q) Premiums and Expenses

Insurance and annuity premiums, including those invested in the general fund and segregated funds, are recognized as revenue when due under contracts in force. Net premiums represent gross premiums, including assumed premiums, net of the share ceded to reinsurers for insuring a part of the risk. When premiums are recognized, provisions for future policy benefits are calculated, with the result that benefits and expenses are matched with such revenue.

General insurance premiums are recorded when written. Premiums are recognized as premiums earned over the contract period. The unrecognized portion is recorded as unearned premiums in *Other liabilities* in the Statement of Financial Position.

Benefits and claims on contracts mainly consist of amounts paid on death, annuities, redemptions and health.

Benefits and claims as well as expenses are recognized when incurred.

r) Other Revenues

Other revenues primarily represent fees earned from management of the Company's segregated fund and mutual fund assets, commissions from intermediary activities, and administrative services only (ASO) income. Other revenues are recorded on an accrual basis when services are rendered.

s) Net Transfer to Segregated Funds

Net transfer to segregated funds represents the total amount transferred from the general fund to segregated funds less the total amount transferred from the segregated funds to the general fund at the request of the policyholders.

t) Post-Employment Benefits

The Company has established defined benefit plans and provides certain post-retirement benefits to eligible employees. In some cases, eligible retirees have to pay a portion of premiums for these benefits. The cost of the retirement plans is determined using the Projected Unit Credit Method and management's best estimate regarding the discount rate, salary increases, mortality and expected health care costs. Defined benefit cost are divided into three components: service cost and net interest, which are shown in the Income Statement as *General expenses,* and revaluations presented in the other comprehensive income.

The revaluations of the defined plan net liability (asset) includes the actuarial gain or loss, the yield on plan assets (excluding amounts included in net interest on the defined plan net liability (asset)) and the variation of the effect of the asset ceiling, if applicable, and are recognized immediately as *Other liabilities (Other assets)* in the Statement of Financial Position and in the other comprehensive income on the other side. The Company decided to transfer the amounts recorded in other comprehensive income to the retained earnings. The cost of past services is recognized in net income in the period in which there has been a change, reduction or liquidation of the pension plan. The net interest is calculated by multiplying the defined plan net liability (asset) at the beginning of the period by the discount rate. The difference between defined plan assets and defined benefit obligation under defined benefit plans is recognized as an asset or liability in the Statement of Financial Position. The discount rate used to determine obligations under defined benefit plans is based on the market interest rate at the valuation date for debt securities with high quality and cash flows in line with forecast benefit payments.

u) Stock-Based Compensation

Stock Option Plan

The stock option plan is accounted for as a transaction which is settled in equity. The cost of stock options granted is calculated using the fair value method. Fair value of options is estimated at the grant dates taking into account a forfeiture rate and using the graded vesting method. The cost of stock options is accounted for as a remuneration expense included in *General expenses* in the Income Statement. The corresponding amount is recorded in the Company's contributed surplus in the Statement of Financial Position. For options that are cancelled before vesting, the remuneration expense that has previously been recognized is reversed. When options are exercised, contributed surplus is reversed and the shares issued are credited to share capital. Stock-based compensation is recognized at the grant date for grants to management personnel who are eligible to retire on the grant date and over the period from the date of grant to the date of retirement eligibility for grants to management personnel who will become eligible to retire during the vesting period.

Share Purchase Plan for Employees

The Company's cash contribution is charged to the Income Statement as *General expenses* in the period the shares are purchased.

Deferred Share Units (DSU)

Measurement of deferred share units, which are settled in cash, is based on the value of the Company's shares. When an allocation is made, the Company recognizes a remuneration expense in the Income Statement and a liability equivalent to the fair value of the Company's common shares in the Statement of Financial Position. This liability is revalued at the end of each reporting period and on the settlement date according to the value of the Company's shares and the change in fair value is recorded in *General expenses* in the Income Statement.

Medium-Term Incentive Plan

Measurement of the medium-term incentive plan, which is settled in cash, is based on the value of the Company's shares. At the end of each reporting period, the Company records a remuneration expense in the Income Statement and a liability in the Statement of Financial Position, equal to the average fair value of the Company's common shares of the reference period. This expense is amortized linearly according to the estimated number of shares expected to be vested at the end of the vesting period. Changes in the fair value of liabilities are recorded in *General expenses* in the Income Statement.

3 › Changes in Accounting Policies

New Accounting Policies Applied

On November 21, 2013, the IASB published a limited amendment to IAS-19 "Employee Benefits". This amendment, "Defined Benefit Plans: Employee Contributions," proposes that when the contributions payable in a particular period are linked solely to the employee's service rendered in that period, they may be recognized as a reduction in service cost in the period in which they are payable. The provisions of this amendment apply retrospectively to financial statements beginning on or after July 1, 2014. This amendment has no impact on the financial statements.

The IASB publishes annual IFRS improvements to amend certain standards. The annual improvements include clarifications or minor adjustments to standards. The IASB published the Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles in December 2013 affecting 7 and 4 standards respectively. The provisions of these improvements apply to financial statements beginning on or after July 1, 2014. These annual improvements have no significant impact on the financial statements.

Future Changes in Accounting Policies

On May 6, 2014, the IASB published an amendment to IFRS-11 "Joint Arrangements". This amendment, "Accounting for Acquisitions of Interests in Joint Operations" states that the Company will apply the principles in IFRS-3 "Business Combination" for the accounting related to the acquisition of an interest in a joint operation. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2016. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements.

On May 12, 2014, the IASB published an amendment to IAS-16 "Property, Plant and Equipment" and to IAS-38 "Intangible Assets". This amendment, "Acceptable Methods of Depreciation and Amortisation" clarifies that the depreciation method based on revenues cannot be used. The depreciation must be based on the expected future economic benefits of the asset. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2016. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements.

On May 28, 2014, the IASB published the standard IFRS-15 "Revenue from Contracts with Customers", which replace the standards IAS-11 "Construction Contracts" and IAS-18 "Revenues". This new standard specifies how and when to recognize revenues according to a single five-step model, and the additional disclosure requirements. The provisions of this new standard will apply to financial statements beginning on or after January 1, 2017. On September 11, 2015, the IASB published an amendment to the standard which defers the effective date to financial statements beginning on or after January 1, 2018. Early adoption is permitted. The Company is evaluating the impact of this standard on its financial statements.

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". It 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. It also changes the accounting for financial liabilities measured using the fair value option. Also, this standard proposes a new accounting model related to the recognition of the expected credit losses. It requires 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. Consequently, the recognition of credit losses would no longer be dependent on the entity first identifying credit loss events. The standard modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. The provisions of this new standard will apply to financial statements beginning on or after January 1, 2018. Early adoption is permitted. The Company is evaluating the impact of this standard on its financial statements.

Also, on December 9, 2015, IASB published an exposure draft related to an amendment to IFRS-4 "Insurance Contract". This amendment will allow entities that apply IFRS-4 to defer the adoption of IFRS-9 "Financial Instruments" if certain criteria are met or to adopt IFRS-9 but adjust some of the impacts for the assets related to the insurance contract liabilities.

On August 12, 2014, the IASB published an amendment to IAS-27 "Separate Financial Statements". This amendment, "Equity Method in Separate Financial Statements" adds another choice to account for the investment in subsidiaries, associates or joint ventures, namely the equity method. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2016. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements.

On September 16, 2014, the IASB published an amendment to IFRS-10 "Consolidated Financial Statements" and to IAS-28 "Investments in Associates and Joint Ventures". This amendment, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" clarifies the accounting for the gain or loss resulting from loss of control or from transfer of assets following a transaction with an associate or joint venture. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2016. In December 2015, IASB published an amendment which defers the application to financial statements beginning on or after to a date to be determined. Early adoption is permitted. The Company has completed the analysis of this amendment and concluded that will not have an impact on its financial statements.

On December 18, 2014, the IASB published an amendment to IAS-1 "Presentation of Financial Statements". This amendment clarifies the disclosure and presentation requirements and the use of judgement on the relevance of information disclosed. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2016. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements.

On December 18, 2014, the IASB published an amendment to IFRS-10 "Consolidated Financial Statements", to IFRS-12 "Disclosure of Interests in Other Entities" and to IAS-28 "Investments in Associates and Joint Ventures". This amendment clarifies that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2016. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements.

On September 25, 2014, the IASB published Annual Improvements to IFRSs 2012-2014 cycle affecting 4 standards. The provisions of these improvements will apply to financial statements beginning on or after January 1, 2016. The Company is evaluating the impact of these amendments on its financial statements.

On January 13, 2016, the IASB published the standard IFRS-16 “Leases”, which replace the standard IAS-17 “Leases”. This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remain substantially unchanged. The provisions of this new standard will apply to financial statements beginning on or after January 1, 2019. Early adoption is permitted if IFRS-15 “Revenue from Contracts with Customers” is previously applied. The Company is evaluating the impact of this standard on its financial statements.

On January 19, 2016, the IASB published an amendment to IAS-12 “Incomes taxes”. The amendment “Recognition of deferred tax assets for unrealized Losses” clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements.

On January 29, 2016, the IASB published an amendment to IAS-7 “Statement of Cash Flows”. The amendment, “Disclosure Initiative” clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the Statement of Cash Flows. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements.

4 › Acquisition of Businesses

Insurance and Wealth Management Individual

On December 1, 2015, the Company acquired 100% of the shares of Burgeonvest Bick Corporation which, through its subsidiaries, operates an insurance broker and a securities brokerage firm member of IIROC.

On December 1, 2015, the Company acquired through its wholly-owned subsidiary, Investia Financial Services inc., the assets of BBA Financial Group, a firm specialized in the distribution of life and health insurance products.

On October 1, 2015, the Company acquired 100% of the shares of FIN-XO Securities Inc., a securities brokerage company.

Group Insurance

On October 2, 2015, the Company acquired 100% of the shares of CTL Corp, a Canadian-owned national auto finance company.

The assets acquired and liabilities assumed at the acquisition date are summarized as follows:

	2015	
	Group $	**Individual** $
Fair value of identifiable assets acquired	**124**	**73**
Fair value of preliminary intangible assets	**25**	**14**
Fair value of liabilities assumed (including deferred income tax liability on intangible assets)	**125**	**70**
Fair value of net identifiable assets acquired	**24**	**17**
Preliminary goodwill	**47**	**15**
	71	**32**
Acquisition price :		
Cash	**30**	**27**
Account payable over a period of 2 years	**---**	**5**
Contingent consideration	**41**	**---**
	71	**32**

The conditional consideration, up to a maximum amount of $41, is payable in 3 years.

Revenues and net income of all the acquired entities did not have a significant impact on the Company's financial results. Goodwill is not deductible for tax purposes, except for assets acquisition.

Allocation of the acquisition price

The Company has 12 months following the acquisition date to complete the allocation of the acquisition price. Once the analysis is finalized, allocation of the preliminary purchase price and its distribution by sector of activity could be adjusted. The allocation of preliminary goodwill and intangible assets between goodwill and intangible assets is presented in Note 11 *Intangible Assets and Goodwill*.

5 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

	2015					
	At fair value through profit or loss $	Available for sale $	Loans and receivables $	Other $	Total $	Fair value $
Cash and short-term investments	656	---	313	---	969	969
Bonds						
Governments	7,744	1,762	135	---	9,641	
Municipalities	866	137	---	---	1,003	
Corporate and other	5,411	1,419	1,804	---	8,634	
	14,021	3,318	1,939	---	19,278	19,473
Stocks						
Common stocks	1,539	9	---	---	1,548	
Preferred stocks	280	301	---	---	581	
Stock indexes	380	---	---	---	380	
Investment fund units	410	5	---	---	415	
	2,609	315	---	---	2,924	2,924
Mortgages and other loans						
Insured mortgage loans						
Residential	---	---	770	---	770	
Multi-residential	---	---	1,407	---	1,407	
Non-residential	---	---	10	---	10	
	---	---	2,187	---	2,187	
Conventional mortgage loans						
Residential	---	---	76	---	76	
Multi-residential	26	---	199	---	225	
Non-residential	3	---	386	---	389	
	29	---	661	---	690	
Other loans	---	---	292	---	292	
	29	---	3,140	---	3,169	3,343
Derivative financial instruments	332	---	---	---	332	332
Policy loans	---	---	841	---	841	841
Other invested assets	---	---	121	216	337	337
Investment properties	---	---	---	1,216	1,216	1,225
Total	17,647	3,633	6,354	1,432	29,066	29,444

	2014					
	At fair value through profit or loss $	Available for sale $	Loans and receivables $	Other $	Total $	Fair value $
Cash and short-term investments	330	---	168	---	498	498
Bonds						
Governments	7,653	1,458	99	---	9,210	
Municipalities	887	100	---	---	987	
Corporate and other	5,285	1,585	1,508	---	8,378	
	13,825	3,143	1,607	---	18,575	18,719
Stocks						
Common stocks	1,664	10	---	---	1,674	
Preferred stocks	228	309	---	---	537	
Stock indexes	460	---	---	---	460	
Investment fund units	566	5	---	---	571	
	2,918	324	---	---	3,242	3,242
Mortgages and other loans						
Insured mortgage loans						
Residential	---	---	710	---	710	
Multi-residential	---	---	1,366	---	1,366	
Non-residential	---	---	20	---	20	
	---	---	2,096	---	2,096	
Conventional mortgage loans						
Residential	---	---	93	---	93	
Multi-residential	---	---	158	---	158	
Non-residential	---	---	413	---	413	
	---	---	664	---	664	
Other loans	---	---	126	---	126	
	---	---	2,886	---	2,886	3,059
Derivative financial instruments	225	---	---	---	225	225
Policy loans	---	---	713	---	713	713
Other invested assets	---	---	62	18	80	80
Investment properties	---	---	---	1,190	1,190	1,199
Total	17,298	3,467	5,436	1,208	27,409	27,735

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 cash in trust and investments in associates and joint ventures accounted for using the equity method.

Fair value of investment properties is $1,225 ($1,199 in 2014) and is composed of investment properties of $1,216 ($1,190 in 2014) and of linearization of rents of $9 ($9 in 2014). The linearization of rents is the total rental income under the lease which is distributed evenly over the lease term using an average rate which considers free rents and other advantages granted to tenants. Amounts related to the linearization of rents are presented in Note 9 *Other Assets*. Rental income is recorded in the following investment income table and operating expenses for investment properties are reported in Note 20 *General Expenses*.

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 30%. The financial information for these entities as a whole is as follows:

	2015	2014
	$	$
Carrying value of the interest	**216**	18
Share of net income and net comprehensive income	**10**	3

c) Investment Income

	2015				
	At fair value through profit or loss $	Available for sale $	Loans and receivables $	Other $	Total $
Cash and short-term investments					
Interest	---	---	12	---	12
Change in fair value	3	---	---	---	3
Bonds					
Interest	383	83	119	---	585
Change in fair value	195	---	---	---	195
Realized gains (losses)	---	35	3	---	38
Variation of provisions for losses	---	---	(1)	---	(1)
Stocks					
Dividends	104	12	---	---	116
Change in fair value	33	---	---	---	33
Realized gains (losses)	---	(18)	---	---	(18)
Mortgages and other loans					
Interest	---	---	130	---	130
Change in fair value	2	---	---	---	2
Realized gains (losses)	---	---	9	---	9
Variation in provisions for losses	---	---	(3)	---	(3)
Derivatives					
Interest	13	---	---	---	13
Change in fair value	(288)	---	---	---	(288)
Policy loans					
Interest	---	---	44	---	44
Other	(20)	---	14	12	6
Investement properties					
Rental income	---	---	---	147	147
Change in fair value	---	---	---	13	13
Total	425	112	327	172	1,036
Interest	383	83	305	---	771
Dividends	104	12	---	---	116
Derivatives	13	---	---	---	13
Rental income	---	---	---	147	147
Realized gains (losses)	---	17	12	---	29
Variation of provisions for losses	---	---	(4)	---	(4)
Other	(1)	---	14	12	25
Interest and other investment income	499	112	327	159	1,097
Cash and short-term investments	3	---	---	---	3
Bonds	195	---	---	---	195
Stocks	33	---	---	---	33
Mortgages and other loans	2	---	---	---	2
Derivatives	(288)	---	---	---	(288)
Investment properties	---	---	---	13	13
Other	(19)	---	---	---	(19)
Change in fair value of investments	(74)	---	---	13	(61)
Total	425	112	327	172	1,036

	2014				
	At fair value through profit or loss $	Available for sale $	Loans and receivables $	Other $	Total $
Cash and short-term investments					
Interest	1	---	7	---	8
Change in fair value	2	---	---	---	2
Bonds					
Interest	353	85	85	---	523
Change in fair value	1,871	---	---	---	1,871
Realized gains (losses)	---	18	1	---	19
Stocks					
Dividends	111	13	---	---	124
Change in fair value	183	---	---	---	183
Realized gains (losses)	---	(3)	---	---	(3)
Mortgages and other loans					
Interest	---	---	119	---	119
Realized gains (losses)	---	---	4	---	4
Derivatives					
Interest	19	---	---	---	19
Change in fair value	143	---	---	---	143
Policy loans					
Interest	---	---	36	---	36
Other	(35)	---	15	5	(15)
Investment properties					
Rental income	---	---	---	138	138
Change in fair value	---	---	---	(1)	(1)
Total	2,648	113	267	142	3,170
Interest	354	85	247	---	686
Dividends	111	13	---	---	124
Derivatives	19	---	---	---	19
Rental income	---	---	---	138	138
Realized gains (losses)	---	15	5	---	20
Other	---	---	15	5	20
Interest and other investment income	484	113	267	143	1,007
Cash and short-term investments	2	---	---	---	2
Bonds	1,871	---	---	---	1,871
Stocks	183	---	---	---	183
Derivatives	143	---	---	---	143
Investment properties	---	---	---	(1)	(1)
Other	(35)	---	---	---	(35)
Change in fair value of investments	2,164	---	---	(1)	2,163
Total	2,648	113	267	142	3,170

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. 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 is not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation and other reference data published by the market. Management uses its best estimates when such data are not available.

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

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

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative 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 index, 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 in 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 in 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 short-term 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 by various recognized methods and standards of assessment in the real estate sector. One of these methods is based on expected capitalization rates and models which discount the expected future cash flows at prevailing interest rates on the market based on the characteristics, location and market of each property. The expected future cash flows include contractual and projected cash flows and projected operating expenses. They 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 from leases in force, 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 appraisal. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. High and best use is one of the possible evaluation methods. High and best use is determined by taking into account the possible physical, legally permissible, financially feasible and in terms of market, even if the Company plans a different use. Assessments are carried out by external independent appraisers or by qualified company personnel. Each building is assessed by an external appraiser at least once every 3 years. During the year, 95.1% of the investment properties portfolio was assessed by independent appraisers (86.5% in 2014).

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

The fair value of mortgage debts is estimated by discounting the cash flows with the interest rates currently prevailing on the market, for new mortgage debts with substantially the same terms. The fair value of the mortgage debts is $22 ($38 in 2014).The mortgage debts are secured by real estate with a carrying value of $51 ($129 in 2014) and bear interest between 5.79% and 5.86% (5.38% and 5.86% in 2014) and mature in 2016. The interest expense on the mortgage debts is $2 ($2 in 2014) and is included in Note 20, *General Expenses* under *Real Estate Operating Expenses*. The carrying value of the mortgage debts is presented in Note 15 *Other Liabilities.*

The fair value of securitization liabilities is estimated by discounting cash flows with the interest rates currently prevailing in the market for new debt with substantially the same terms. This fair value is disclosed in Note 7 *Management of Risks Associated with Financial Instruments* in section b) iii).

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 similar risk profile and comparable terms. Important data used in these models include, but not limited to, yield curves, credit risk, issuer spreads, the measure of volatility and liquidity and other reference data published by the markets.

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. Fair value of debentures is presented in Note 16 *Debentures.*

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.

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 the financial assets and 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 no-observable 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

		2015		
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value assessments				
Cash and short-term investments				
Held for trading	1	655	---	656
Bonds				
Designated at fair value through profit or loss				
Governments	187	7,557	---	7,744
Municipalities	---	841	25	866
Corporate and other	---	5,256	155	5,411
	187	13,654	180	14,021
Available for sale				
Governments	103	1,659	---	1,762
Municipalities	---	137	---	137
Corporate and other	---	1,403	16	1,419
	103	3,199	16	3,318
	290	16,853	196	17,339
Stocks				
Designated at fair value through profit or loss	2,080	---	529	2,609
Available for sale	7	301	7	315
	2,087	301	536	2,924
Mortgages and other loans				
Designated at fair value through profit or loss	---	29	---	29
Derivative financial instruments				
Held for trading	2	330	---	332
Investment properties	---	---	1,216	1,216
General fund investments accounted at fair value	2,380	18,168	1,948	22,496
Segregated fund financial instruments	14,508	5,146	5	19,659
Total financial assets at fair value	16,888	23,314	1,953	42,155

	2014[1]			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value assessments				
Cash and short-term investments				
Held for trading	1	329	---	330
Bonds				
Designated at fair value through profit or loss				
Governments	120	7,533	---	7,653
Municipalities	---	862	25	887
Corporate and other	---	5,135	150	5,285
	120	13,530	175	13,825
Available for sale				
Governments	123	1,335	---	1,458
Municipalities	---	100	---	100
Corporate and other	---	1,577	8	1,585
	123	3,012	8	3,143
	243	16,542	183	16,968
Stocks				
Designated at fair value through profit or loss	2,564	---	354	2,918
Available for sale	6	310	8	324
	2,570	310	362	3,242
Derivative financial instruments				
Held for trading	2	223	---	225
Investment properties	---	---	1,190	1,190
General fund investments accounted at fair value	2,816	17,404	1,735	21,955
Segregated fund financial instruments	13,647	4,999	4	18,650
Total financial assets at fair value	16,463	22,403	1,739	40,605

[1] In 2015, the Company revised the presentation of the level for bonds designated at fair value through profit or loss and derivative financial instruments and adjusted the data as at December 31, 2014 to be on a comparative basis.

There were no transfers between level 1 and level 2 for the years ended December 31, 2015 and 2014.

Transfers from level 2 to level 3 during the year ended December 31, 2015 have a value of $16 ($0 in 2014). These transfers come from bonds designated at fair value through profit or loss. The fair value of these bonds was previously valued at market prices obtained through brokers who assessed the fair value of these financial instruments. The fair value of these bonds is now determined using internal valuation models that required the use of assumptions, of which one of the main ones was not observable in the market.

There were no transfers from level 3 to level 2 during the year ended December 31, 2015 ($53 in 2014). On December 31, 2014 the Company made transfers since it was able possible to evaluate some bonds designated at fair value through profit or loss and available for sale at market prices, which took into account performance or market prices of financial instruments with comparable terms such as quality, maturity and type of investment. The fair value of these bonds was previously determined using internal evaluation models that required the use of assumptions, of which one of the main ones was not observable in the market.

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

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 1.85% to 7.52% as at December 31, 2015 (0.78% to 6.80% as at December 31, 2014). 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 December 31, 2015 are the discount rate, which is between 5.00% and 9.00% (between 5.00% and 9.75% in 2014) and the terminal capitalization rate, which is between 3.50% and 8.25% (between 4.25% and 8.75% in 2014). The discount rate is based on market activity by type of building as well as the location and reflects the expected rate of return to be realized on investments over the next ten years. The terminal capitalization rate is based on market activity by type of building as well as location and reflects the expected rate of return on the investment over the remaining life after the ten-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 bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in fair value of these assets are offset by changes in the corresponding insurance contract liabilities under Canadian Asset Liability Method (CALM). Even if the Company uses reasonable possible alternative assumptions affecting fair value, this would not have a significant impact on the consolidated financial statements.

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

	2015							
	Balance as at December 31, 2014 $	**Realized and unrealized gains (losses) included in net income $**	**Realized and unrealized gains (losses) included in Other Comprehensive Income $**	**Purchases $**	**Sales and settlements $**	**Transfers in (out) of Level 3 $**	**Balance as at December 31, 2015 $**	**Total unrealized gains (losses) included in net income on financial instruments still held $**
Bonds								
Designated at fair value through profit or loss	**175**	**1**	**---**	**2**	**(14)**	**16**	**180**	**1**
Available for sale	**8**	**(6)**	**5**	**13**	**(4)**	**---**	**16**	**---**
Stocks								
Designated at fair value through profit or loss	**354**	**109**	**---**	**138**	**(72)**	**---**	**529**	**104**
Available for sale	**8**	**---**	**---**	**4**	**(5)**	**---**	**7**	**---**
Investment properties	**1,190**	**13**	**---**	**32**	**(19)**	**---**	**1,216**	**13**
General fund investments accounted at fair value	**1,735**	**117**	**5**	**189**	**(114)**	**16**	**1,948**	**118**
Segregated fund financial instruments	**4**	**---**	**---**	**3**	**(2)**	**---**	**5**	**---**
Total	**1,739**	**117**	**5**	**192**	**(116)**	**16**	**1,953**	**118**

	2014							
	Balance as at December 31, 2013 $	Realized and unrealized gains (losses) included in net income $	Realized and unrealized gains (losses) included in Other Comprehensive Income $	Purchases $	Sales and settlements $	Transfers in (out) of Level 3 $	Balance as at December 31, 2014 $	Total unrealized gains (losses) included in net income on financial instruments still held $
Bonds								
Designated at fair value through profit or loss	138	18	---	73	(1)	(53)	175	17
Available for sale	4	---	1	3	---	---	8	---
Stocks								
Designated at fair value through profit or loss	134	34	---	200	(14)	---	354	34
Available for sale	6	---	---	2	---	---	8	---
Derivatives financial instruments								
Held for trading	1	(1)	---	---	---	---	---	(1)
Investment properties	1,079	(1)	---	117	(5)	---	1,190	(1)
General fund investments accounted at fair value	1,362	50	1	395	(20)	(53)	1,735	49
Segregated fund financial instruments	4	---	---	---	---	---	4	---
Total	1,366	50	1	395	(20)	(53)	1,739	49

Sales and settlements for investment properties included transfer to fixed assets for an amount of $17 as at December 31, 2015 ($4 in 2014).

Realized and unrealized gains (losses) included in the net income and the total unrealized gains (losses) in the net income on investments still held are presented in the investment income in the Income Statement, except the value of segregated fund assets, which are not presented in the Income Statement, but are included in the change in segregated funds net assets in Note 12 *Segregated Funds Net Assets*. Realized and unrealized gains (losses) included in other comprehensive income are presented in Note 18 *Accumulated Other Comprehensive Income* in the unrealized gains (losses).

Fair Value Disclosed in the Notes
The Company classifies certain financial instruments 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.

	2015			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Classified as loans and receivables				
Bonds				
Governments	**---**	**11**	**141**	**152**
Corporate and other	**---**	**333**	**1,649**	**1,982**
	---	**344**	**1,790**	**2,134**
Mortgages and other loans	**---**	**3,314**	**---**	**3,314**
Total of assets classified as loans and receivables	**---**	**3,658**	**1,790**	**5,448**

	2014			
	Level 1 $	Level 2 $	Level 3 $	Total $
Classified as loans and receivables				
Bonds				
Governments	---	18	85	103
Corporate and other	---	296	1,352	1,648
	---	314	1,437	1,751
Mortgages and other loans	---	3,059	---	3,059
Total of assets classified as loans and receivables	---	3,373	1,437	4,810

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:

	2015			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value assessments				
Other liabilities				
Held for trading	**459**	**94**	**---**	**553**
Derivative financial instruments				
Held for trading	**3**	**363**	**32**	**398**
Total of liabilities classified as held for trading	**462**	**457**	**32**	**951**
Classified at amortized cost				
Other liabilities				
Mortgage debts	**---**	**22**	**---**	**22**
Securitization liabilities	**---**	**965**	**---**	**965**
	---	**987**	**---**	**987**
Debentures	**---**	**870**	**---**	**870**
Total of liabilities classified at amortized cost	**---**	**1,857**	**---**	**1,857**

	2014			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value assessments				
Other liabilities				
Held for trading	766	66	---	832
Derivative financial instruments				
Held for trading	19	160	38	217
Total of liabilities classified as held for trading	785	226	38	1,049
Classified at amortized cost				
Other liabilities				
Mortgage debts	---	38	---	38
Securitization liabilities	---	594	---	594
	---	632	---	632
Debentures	---	627	---	627
Total of liabilities classified at amortized cost	---	1,259	---	1,259

7 › Management of Risks Associated with Financial Instruments

Effective risk management rests on identifying, understanding and communicating all risks the Company is exposed to in the course of its operations. Risk management is comprised of a series of objectives, policies and procedures that are approved by the Board of Directors and enforced by managers. The main risk management policies and procedures are subject to annual reviews. More information regarding the principles, responsibilities and key measures and management practices of the Company's risk management is provided in the shaded portion of the Risk Management section of Management's Discussion and Analysis on pages 36 to 42. The shaded information in these pages is considered an integral part of these financial statements. Market risk, credit risk and liquidity risk are the most significant risks that the Company must manage for financial instruments.

a) Market Risk

Market risk represents the risk of fluctuation in the fair value of a financial instrument, which could lead to a loss due to changes in market factors, such as interest rates, rate spreads, stock prices and exchange rates.

Matching and Interest Rate Risk

One of an insurer's fundamental activities is to invest client premiums for the payment of future benefits, whose maturity date may be a long-time in the future, such as death benefits and annuity payments. To properly manage the risks of interest rate fluctuations and fund availability, the Company maintains a system to match its assets to its insurance contract liabilities and long-term debts, matches its liabilities until they expire and uses derivative financial instruments as complementary management tools. Consequently, assets are chosen on the basis of amount, cash flow and return in order to correspond to the characteristics of the matched liabilities. The accounting policies for derivative financial instruments used for matching correspond to those used for the underlying items. Therefore, any change in the fair value of assets held for matching purposes will have little impact on the financial position of the Company and on its ability to honour its obligations. One of the strategies used in matching is immunization. This strategy consists in using fixed-income securities to immunize a liability against interest rate variations. In the measurement of its insurance contract liabilities, as described in Note 14, the Company takes into account the level of matching achieved between assets and liabilities.

Risk of a Stock Market Downturn

The risk of a stock market downturn represents the risk that this kind of downturn could have an adverse impact on the results. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) the fee income collected on the investment funds managed by the Company, which is calculated based on assets under management; 2) the discounted future revenues on Universal Life policy funds; and 3) the income on capital generated by the assets backing the Company's capital.

In its risk management strategy, the Company implemented a dynamic hedging program for all minimum withdrawal guarantees offered by the Individual Wealth Management sector. The value of the assets underlying the hedged guarantees represents $8,761 as at December 31, 2015 ($9,150 in 2014). More detailed information on the hedging program is provided in the shaded portion of the Risk Management section of the Management's Discussion and Analysis on page 42.

Foreign Currency Risk

Foreign currency risk represents the risk that the Company assumes for losses due to exposure to foreign currency fluctuations. The Company has adopted a policy to avoid exposure to currency risk whereby liabilities are generally matched with assets of the same currency; otherwise, derivative financial instruments are used. To protect itself against foreign currency risk, the Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to a net investment in foreign operation that has a different functional currency from the Company's functional currency. Disclosure of hedge accounting is presented in Note 8.

Impairment of Financial Assets Classified as Available for Sale

During the year ended December 31, 2015, the Company reclassified the unrealized losses of stock classified as available for sale for $9 ($3 in 2014) from the Other comprehensive income, net of income taxes, to investment income in the Income Statement.

Since the 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:

	2015			2014		
	Fair value $	**Unrealized losses $**	**Unrealized gains $**	Fair value $	Unrealized losses $	Unrealized gains $
Bonds						
Governments	**1,762**	**(1)**	**39**	1,458	---	33
Municipalities	**137**	**---**	**2**	100	---	1
Corporate and other	**1,419**	**(6)**	**19**	1,585	(1)	24
	3,318	**(7)**	**60**	3,143	(1)	58
Stocks	**315**	**(42)**	**5**	324	(1)	9
Total	**3,633**	**(49)**	**65**	3,467	(2)	67

Unrealized losses on financial assets classified as available for sale according to the period for which the assets had an unrealized loss are the following:

	2015					
	Less than 12 months		**12 months or over**		**Total**	
	Fair value $	**Unrealized losses $**	**Fair value $**	**Unrealized losses $**	**Fair value $**	**Unrealized losses $**
Bonds						
Governments	**229**	**(1)**	**3**	**---**	**232**	**(1)**
Municipalities	**8**	**---**	**---**	**---**	**8**	**---**
Corporate and other	**414**	**(6)**	**9**	**---**	**423**	**(6)**
	651	**(7)**	**12**	**---**	**663**	**(7)**
Stocks	**221**	**(42)**	**---**	**---**	**221**	**(42)**
Total	**872**	**(49)**	**12**	**---**	**884**	**(49)**

	2014					
	Less than 12 months		12 months or over		Total	
	Fair value $	Unrealized losses $	Fair value $	Unrealized losses $	Fair value $	Unrealized losses $
Bonds						
Governments	31	---	10	---	41	---
Municipalities	8	---	1	---	9	---
Corporate and other	161	(1)	19	---	180	(1)
	200	(1)	30	---	230	(1)
Stocks	62	(1)	---	---	62	(1)
Total	262	(2)	30	---	292	(2)

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 to the Company. This is a material risk for the Company, and it originates mainly from credit granted in the form of mortgages and other loans as well as private placements, exposure to different investment portfolios, derivative financial instruments and reinsurance activities. The maximum credit risk associated with financial instruments corresponds to the carrying value of financial instruments presented in the Statement of Financial Position, except for the investments in associates and joint ventures.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. This constitutes concentration risk.

The Company's credit risk management policies include the assignment of risk ratings, management of impaired loans, as well as a level of authorization according to the rating and the amount of the financial instrument. The Company establishes investment policies that are regularly reviewed, updated and approved by the Board of Directors. Consequently, the Company manages credit risk in accordance with these investment policies. These policies define the credit risk limits according to the characteristics of the counterparties. The Company requires prudent diversification of its credit portfolios, the use of follow-up mechanisms that rely on pricing procedures and granting of credit and a regular follow-up of its risk measurement after the initial granting of credit. The Company also requires a review and independent audit of its credit risk management program and reports the results of the follow-up, review and audit program to the Board of Directors. The credit risk related to derivative financial instruments is presented in Note 8.

b) i) Credit Quality Indicators
Bonds by investment grade

	2015	2014
	Carrying amount	
	$	$
AAA	**728**	596
AA	**5,716**	5,807
A	**9,487**	9,180
BBB	**3,219**	2,855
BB and lower	**128**	137
Total	**19,278**	18,575

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 $2,159 ($1,601 as at December 31, 2014).

Mortgages and other loans

	2015	2014
	$	$
Insured mortgage loans	**2,187**	2,096
Conventional mortgage loans	**690**	664
Other loans	**292**	126
Total	**3,169**	2,886

The credit quality of mortgages and other loans is assessed internally by the regular review of portfolio.

Derivative Financial Instruments
The Company's credit risk exposure is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument. The Company applies the same criteria in selecting counterparties as it does for investing in bonds. As at December 31, 2015, all counterparties to derivative financial instrument contracts have a credit rating of A+ or higher (A+ or higher as at December 31, 2014).

Reinsurance Assets
The Company assesses the financial soundness of the reinsurers before signing any reinsurance agreements and monitors their situation on a regular basis. It can eliminate certain risks by using letters of credit and by requiring cash deposits in trust accounts. Reinsurance agreements without security held from reinsurers are with several well-established, highly rated reinsurers. The Company's reinsurance assets are with reinsurers who have a minimum credit rating of A- in a proportion of 98% (99% in 2014).

b) ii) Past Due or Impaired Financial Assets
To manage risk, the Company evaluates, among other things, the ability of the issuer to ensure current and future contractual payments of principal and interest. The Company follows up monthly to ensure that cash flows stipulated in the contract are recovered in a timely manner and takes the necessary action to address the outstanding amounts. In addition, the Company identifies the issuers that may have an unstable financial situation and classify each of the issuer's assets in one of the following quality lists:

Watch list: the collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the issuer require monitoring. No impairment loss is recognized in respect of assets of these issuers.

List of securities on the monitor list: the collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the issuer require increased monitoring. An asset is moved from the watch list to the list of securities on the monitor list when changes in facts and circumstances of the issuer increase the likelihood that a security suffers as a loss-generating event in the near future. No impairment loss is accounted for in respect of assets of these issuers.

List of impaired assets: the collection of current and future contractual payments of principal and interest is no longer assured. For investments classified as available for sale or carried at amortized cost, an impairment loss is recognized in net income.

The Company maintains provisions for potential credit losses, including losses of principal and interest on bonds, mortgages and other loans, and real estate held for resale. Provisions for credit losses consist of specific provisions for loans and debt securities considered to be impaired, as well as amounts for financial assets which have similar credit risks that are subject to a collective impairment test.

The carrying value of loans and debt securities considered by the Company to be impaired is reduced by specific provisions to the value estimated to be realizable. A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more or in foreclosure process is assumed to be impaired. When an asset is classified as impaired, allowances for losses are established to adjust the carrying value of the asset to its net recoverable amount. To determine this amount, several factors are taken into account, including market conditions, evaluations obtained from third parties and/or the discounted value of expected cash flows. A provision for losses on reinsurance assets is established when a reinsurance counterparty is no longer able to meet its contractual commitments to the Company. In addition, a provision, included as a component of insurance contract liabilities, is made for other potential future losses on loans and debt securities matching these liabilities, according to actuarial standards.

Impaired Bonds
The Company did not hold any impaired bonds as at December 31, 2015 and 2014.

Past Due Mortgages and Other Loans
Mortgages and other loans are considered in arrears when the counterpart has not made a payment at a contractual date. The following table presents the carrying value of invested assets in arrears that are not classified as impaired investments. The Company considers mortgages and other loans 90 days in arrears and more which are not insured and fully guaranteed as impaired investments.

	2015			
	30 – 59 days in arrears $	**60 – 89 days in arrears $**	**90 days in arrears and more or in process of foreclosure $**	**Total $**
Insured mortgage loans	**2**	**---**	**1**	**3**
Other loans	**1**	**---**	**---**	**1**
Total	**3**	**---**	**1**	**4**

	2014			
	30 – 59 days in arrears $	60 – 89 days in arrears $	90 days in arrears and more or in process of foreclosure $	Total $
Insured mortgage loans	2	---	1	3
Other loans	1	---	---	1
Total	3	---	1	4

Foreclosed Properties
During the year ended December 31, 2015, the Company took possession of $1 ($1 in 2014) in properties which it held as collateral on mortgage loans. Foreclosed properties that the Company still held at year-end are presented as real estate held for resale in Note 9 *Other Assets.*

Provisions for Losses
Provisions for losses include provisions on impaired and non-impaired investments.

	2015		
	Bonds classified as loans and receivables $	**Mortgages and other loans $**	**Total $**
Balance at beginning	**3**	**1**	**4**
Variation in provisions for losses	**1**	**3**	**4**
Write-offs, net of recoveries	**---**	**(2)**	**(2)**
Business acquisitions	**---**	**1**	**1**
Balance at end	**4**	**3**	**7**

	2014		
	Bonds classified as loans and receivables $	Mortgages and other loans $	Total $
Balance at beginning and at end	3	1	4

Impaired Investments

	2015		
	Gross $	**Provisions $**	**Total $**
Bonds classified as loans and receivables	**10**	**4**	**6**
Mortgages and other loans	**10**	**2**	**8**
Balance at end	**20**	**6**	**14**

	2014		
	Gross $	Provisions $	Total $
Bonds classified as loans and receivables	10	3	7
Mortgages and other loans	13	1	12
Balance at end	23	4	19

b) iii) Other Information on Credit Risk

Investment properties

Minimum payments receivable from rental of investment properties in future years are as follows:

	2015	2014
	$	$
Maturing in one year	**49**	48
More than 1 year and less than 5 years	**154**	174
More than 5 years	**363**	276
Total	**566**	498

These payments are received under operating leases and are therefore not recorded in the Company's Statement of Financial Position.

Securitization of Mortgages and Other Loans

During the years ended December 31, 2015 and 2014, as part of the Canada Mortgage and Housing Corporation (CMHC) program, the Company transferred insured mortgage loans to an unrelated counterparty. As part of this transfer, the Company conserved substantially all risks and rewards related to the transferred mortgages. The Company is exposed to credit risk in the event of a late payment by the borrower. In this situation, the unrelated counterparty has no obligation to compensate the Company. Additionally, in the event of prepayment, any difference between the return generated by the reinvestment versus the Company's obligations to the counterparty would be assumed by the Company. Consequently, the Company continues to recognize the full carrying value of mortgages. As at December 31, 2015, the carrying value of ceded mortgage loans is $825 ($587 in 2014). The carrying value of the corresponding liability is $887 ($584 in 2014). Their fair values are $835 and $911 respectively ($594 and $594 respectively in 2014). The carrying value of mortgage loans prior to their transfer was $984 ($673 in 2014).

Also, the Company transferred other loans to an unrelated counterparty. As part of this transfer, the Company conserved substantially all risks and rewards related to the transferred loans. The Company is exposed to credit risk in the event of a late payment by the borrower. Consequently, the Company continues to recognize the full carrying value of the other loans. As at December 31, 2015, the carrying value of ceded other loans is $54 and the value of the corresponding liability is $53. Their fair values are $54 and $54 respectively.

Securities Lending

The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for short periods. Collateral, which represents 102% and 105% (between 102% and 105% in 2014) of the fair value of the loaned securities according to their nature, is deposited by the borrower with a lending agent, usually a securities custodian, and retained by the lending agent until the underlying security has been returned to the Company. The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market values fluctuate. It is Company practice to obtain a guarantee from the lending agent against counterparty default, including collateral deficiency. As at December 31, 2015, the Company had loaned securities, which are included in invested assets, with a carrying value of approximately $1,759 ($481 in 2014).

Right of Offset, Collateral Held and Transferred

The Company negotiates financial instruments in accordance with the Credit Support Annex, which forms part of the International Swaps and Derivative Association's (ISDA) Master Agreement and in accordance with the Supplemental Terms or Conditions Annex, which forms part of the Global Master Repurchase Agreement (GMRA). These agreements require guarantees by the counterparty or by the Company. The amount of assets to pledge is based on changes in fair value of financial instruments. The fair value is monitored daily. The assets pledged as collateral consist of, but are not limited to cash, Treasury bills and Government of Canada bonds. The Company may receive assets as collateral from the counterparty. According to the conditions set forth in the Credit Support Annex, the Company may be authorized to sell or re-pledge the assets it receives. In addition, under the ISDA and the GMRA, the Company has the right to offset in the event of default, insolvency, bankruptcy or other early termination. The following table presents the impact of conditional compensation on the financial situation and that of other similar agreements, namely the Global Master Repurchase Agreement (GMRA) and the Credit Support Appendices (CSA).

	As at December 31, 2015			
	Net amount of financial instruments presented in the Statements of Financial Position	**Related amount not set off in the Statements of Financial Position**		**Net amount**
		Financial instruments	**Financial collateral received/pledged**	
	$	**$**	**$**	**$**
Financial assets				
Derivative financial instruments (Note 8)	**332**	**290**	**40**	**2**
Securities purchased under reverse repurchase agreements	**441**	**269**	**172**	**---**
Total financial assets	**773**	**559**	**212**	**2**
Financial liabilities				
Derivative financial instruments (Note 8)	**398**	**290**	**73**	**35**
Securities sold under repurchase agreements	**497**	**269**	**228**	**---**
Total financial liabilities	**895**	**559**	**301**	**35**

	As at December 31, 2014			
	Net amount of financial instruments presented in the Statements of Financial Position	Related amount not set off in the Statements of Financial Position		Net amount
		Financial instruments	Financial collateral received/pledged	
	$	$	$	$
Financial assets				
Derivative financial instruments (Note 8)	225	144	62	19
Securities purchased under reverse repurchase agreements	785	381	404	---
Total financial assets	1,010	525	466	19
Financial liabilities				
Derivative financial instruments (Note 8)	217	144	22	51
Securities sold under repurchase agreements	758	381	377	---
Total financial liabilities	975	525	399	51

Financial collateral received/pledged shown in the table above exclude initial margin on over the counter derivatives and forward currency contracts, overcollateralization as well as overcollaterized derivative financial instruments. The total value of collateral received was $40 ($62 as at December 31, 2014) on derivative financial instruments and $443 ($783 as at December 31, 2014) on securities purchased under reverse repurchase agreements. The Company's pledge was $80 ($30 as at December 31, 2014) on derivative financial instruments liabilities and $505 ($762 as at December 31, 2014) on securities sold under repurchase agreements.

Interests in Non-Consolidated Structured Entities

The Company has determined that its investments in asset-backed securities and its investments in investment fund units represent interests held in non-consolidated structured entities.

Asset-backed securities and mortgage securities are managed by entities that combine similar assets and sell them to investors who receive all or a portion of the cash flows generated. These entities are managed by managers who are not related to the Company.

The goal of the investment fund units in which the Company invests is to generate capital growth. These investment fund units are either managed by external managers or by internal managers through its subsidiaries. The managers apply various investment strategies to meet their respective objectives. The Company also invests in fund units through its segregated funds.

The table below presents the non-consolidated structured entities according to their type in the Statement of Financial Position.

	2015		2014	
	Carrying amount	**Maximum Risk**	Carrying amount	Maximum Risk
	$	**$**	$	$
Government bonds				
Mortgage-backed securities (MBS)	**21**	**21**	37	37
Corporate and other bonds				
Commercial mortgage-backed securities (CMBS)	**1**	**1**	8	8
	22	**22**	45	45
Stocks				
Investment fund units managed internally	**202**	**202**	317	317
Investment fund units managed externally	**213**	**213**	254	254
	415	**415**	571	571
Total	**437**	**437**	616	616

The maximum risk represents the risk of total loss that the Company could suffer on investments in non-consolidated structured entities, which equals the carrying amount of these investments in the above table.

The Company develops and promotes mutual funds by implementing investment strategies on behalf of investors. The Company earns management fees for providing services. The Company does not control these mutual funds. The Company's interest in mutual funds is limited to the capital invested, if any, and fees earned. The Company's mutual fund assets under management as at December 31, 2015 were $10,428 ($11,833 as at December 31, 2014).

b) iv) Concentration Risk

Concentration risk arises when there is a concentration of investments in entities with similar characteristics, or when a substantial investment is made with a single entity. The following tables provide information about the Company's concentration risk of investments.

Bonds by sector of activity

	2015			
	At fair value through profit or loss $	**Available for sale $**	**Loans and receivables $**	**Total $**
Bonds (corporate and other)				
Financial services	**1,282**	**972**	**437**	**2,691**
Utilities	**1,729**	**56**	**673**	**2,458**
Consumer cyclical and non-cyclical	**755**	**139**	**261**	**1,155**
Energy	**798**	**71**	**264**	**1,133**
Industry	**494**	**32**	**163**	**689**
Communications	**310**	**114**	**1**	**425**
Other	**43**	**35**	**5**	**83**
Total	**5,411**	**1,419**	**1,804**	**8,634**

	2014			
	At fair value through profit or loss $	Available for sale $	Loans and receivables $	Total $
Bonds (corporate and other)				
Financial services	1,440	1,110	302	2,852
Utilities	1,783	39	592	2,414
Consumer cyclical and non-cyclical	556	238	271	1,065
Energy	842	52	197	1,091
Industry	361	21	140	522
Communications	281	101	1	383
Other	22	24	5	51
Total	5,285	1,585	1,508	8,378

Mortgages and other loans by region and type

	2015					
	Atlantic provinces $	**Quebec $**	**Ontario $**	**Western provinces $**	**Outside Canada $**	**Total $**
Insured mortgage loans						
Residential	**1**	**716**	**42**	**11**	**---**	**770**
Multi-residential	**26**	**716**	**220**	**445**	**---**	**1,407**
Non-residential	**1**	**---**	**3**	**6**	**---**	**10**
	28	**1,432**	**265**	**462**	**---**	**2,187**
Conventional mortgage loans						
Residential	**---**	**70**	**1**	**3**	**2**	**76**
Multi-residential	**---**	**28**	**30**	**36**	**131**	**225**
Non-residential	**49**	**127**	**58**	**128**	**27**	**389**
	49	**225**	**89**	**167**	**160**	**690**
Other loans	**19**	**128**	**98**	**47**	**---**	**292**
Total	**96**	**1,785**	**452**	**676**	**160**	**3,169**

	2014					
	Atlantic provinces $	Quebec $	Ontario $	Western provinces $	Outside Canada $	Total $
Insured mortgage loans						
Residential	1	638	57	14	---	710
Multi-residential	28	656	203	479	---	1,366
Non-residential	1	1	4	14	---	20
	30	1,295	264	507	---	2,096
Conventional mortgage loans						
Residential	---	88	2	2	1	93
Multi-residential	---	28	31	39	60	158
Non-residential	51	162	50	128	22	413
	51	278	83	169	83	664
Other loans	---	117	9	---	---	126
Total	81	1,690	356	676	83	2,886

Investment properties by type

	2015	2014
	$	$
Residential and multi-residential	**22**	18
Office	**973**	963
Retail	**189**	178
Industrial	**26**	25
Land and other	**6**	6
Total	**1,216**	1,190

c) Interest Rate Risk
Interest rate risk arises, among other things, from the uncertainty of the future interest rates in which maturing investments will be reinvested. The following table provides information on the maturity dates of the Company's investments subject to interest rate risk. Policy loans do not have a maturity date.

	2015		2014	
	Bonds	**Mortgages and other loans**	Bonds	Mortgages and other loans
	$	**$**	$	$
Due in 1 year or less	**603**	**291**	794	241
Due after 1 year through 5 years	**2,076**	**1,651**	2,581	1,479
Due after 5 years through 10 years	**2,429**	**696**	2,322	607
Due after 10 years	**14,170**	**531**	12,878	559
Total	**19,278**	**3,169**	18,575	2,886

The effective yield is between 0.00% and 10.25% (0.00% and 8.93% in 2014) for bonds, between 1.30% and 33.99% (1.76% and 24.90% in 2014) for mortgages and other loans and between 2.85% and 3.65% (3.75% and 4.50% in 2014) for policy loans.

d) Liquidity Risk
Liquidity risk represents the possibility that the Company will not be able to raise the necessary funds, at the appropriate time and under reasonable conditions, to honour its financial commitments.

The following tables present the maturities of financial liabilities:

	2015				
	Due in 1 year or less $	**Due in 1 year to 3 years $**	**Due in 3 years to 5 years $**	**Due in over 5 years $**	**Total $**
Benefits payable	**92**	**---**	**---**	**---**	**92**
Other policy liabilities	**20**	**3**	**1**	**---**	**24**
Mortgage debts	**22**	**---**	**---**	**---**	**22**
Amounts on deposit related to products other than insurance contracts	**480**	**57**	**22**	**---**	**559**
Short-selling securities	**553**	**---**	**---**	**---**	**553**
Investment contract liabilities	**249**	**92**	**55**	**259**	**655**
Derivative financial instruments	**117**	**34**	**26**	**221**	**398**
Other financial liabilities	**722**	**25**	**11**	**19**	**777**
Securities sold under repurchase agreement	**497**	**---**	**---**	**---**	**497**
Securitization liabilities	**95**	**324**	**347**	**174**	**940**
Debentures	**---**	**---**	**---**	**846**	**846**
Total	**2,847**	**535**	**462**	**1,519**	**5,363**

	2014				
	Due in 1 year or less $	Due in 1 year to 3 years $	Due in 3 years to 5 years $	Due in over 5 years $	Total $
Benefits payable	98	---	---	---	98
Other policy liabilities	16	2	1	---	19
Mortgage debts	15	22	---	---	37
Amounts on deposit related to products other than insurance contracts	336	45	15	5	401
Short-selling securities	832	---	---	---	832
Investment contract liabilities	293	94	56	250	693
Derivative financial instruments	72	10	6	129	217
Other financial liabilities	550	9	3	1	563
Securities sold under repurchase agreement	758	---	---	---	758
Securitization liabilities	36	256	198	94	584
Debentures	---	---	---	597	597
Total	3,006	438	279	1,076	4,799

Annual interest payments are as follow:

	2016 $	2017 $	2018 $	2019 $	2020 $
Mortgage debts	1	---	---	---	---
Debentures	31	31	31	31	31
Securization liabilities	19	17	13	9	7

Information concerning off-Statement of Financial Position commitments is presented in Note 28 *Guarantees, Commitments and Contingencies*.

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 on invested assets. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates, other financial instruments or indexes.

Swaps are over-the-counter (OTC) contractual agreements between the Company and a third party to exchange a series of cash flows based on rates applied to a notional amount. Interest rate swaps are contractual agreements in which two counterparties exchange a fixed or a floating interest rate payment based on the notional amount for a specified period, according to a frequency and denominated in the same currency. Currency rate swaps are transactions in which two counterparties exchange cash flows of the same nature and denominated in two different currencies. Total return swaps are contracts which transfer the variations in value of a reference asset, including any returns such as interest earned on these assets, in exchange for a reference return specified in the contract.

Forwards, which are OTC contractual agreements negotiated between counterparties, and futures contracts, which are traded on an organized market, are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

Options are contractual agreements whereby the holder has the right, but not the obligation, to buy or to sell a financial asset at a predetermined price in advance during a given time or at a fixed date.

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 which have a positive value, should the counterparty default. The maximum credit risk of derivative financial instruments is $329 ($223 in 2014). 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.

	2015					
	Notional amount				**Fair value**	
	Less than 1 year $	**1 to 5 years $**	**Over 5 years $**	**Total $**	**Positive $**	**Negative $**
Equity contracts						
Equity swaps	**322**	**---**	**27**	**349**	**17**	**(1)**
Futures contracts	**450**	**---**	**---**	**450**	**2**	**(3)**
Currency contracts						
Forward contracts	**2,963**	**268**	**---**	**3,231**	**28**	**(131)**
Currency swaps	**39**	**87**	**912**	**1,038**	**---**	**(142)**
Interest rate contracts						
Interest rate swaps	**487**	**1,566**	**4,016**	**6,069**	**265**	**(86)**
Bond contracts						
Forward contracts	**679**	**---**	**---**	**679**	**19**	**(2)**
Other derivative contracts	**43**	**17**	**323**	**383**	**1**	**(33)**
Total	**4,983**	**1,938**	**5,278**	**12,199**	**332**	**(398)**

	2014					
	Notional amount				Fair value	
	Less than 1 year $	1 to 5 years $	Over 5 years $	Total $	Positive $	Negative $
Equity contracts						
Equity swaps	276	---	---	276	7	(3)
Futures contracts	321	---	---	321	2	(12)
Currency contracts						
Forward contracts	2,501	268	---	2,769	5	(53)
Currency swaps	10	81	719	810	1	(50)
Interest rate contracts						
Interest rate swaps	454	1,151	2,951	4,556	179	(54)
Bond contracts						
Forward contracts	1,519	250	---	1,769	31	(7)
Other derivative contracts	23	2	271	296	---	(38)
Total	5,104	1,752	3,941	10,797	225	(217)

	2015		
	Notional Amount	**Fair Value**	
	$	**Positive $**	**Negative $**
Derivative financial instruments not designated as hedge accounting	**11,454**	**331**	**(383)**
Net investment hedge	**365**	**---**	**(13)**
Fair value hedges			
Interest risk	**380**	**1**	**(2)**
Total of derivative financial instruments	**12,199**	**332**	**(398)**

	2014		
	Notional Amount	Fair Value	
	$	Positive $	Negative $
Derivative financial instruments not designated as hedge accounting	10,314	225	(211)
Net investment hedge	345	---	(6)
Fair value hedges			
Interest risk	138	---	---
Total of derivative financial instruments	10,797	225	(217)

Embedded Derivative Financial Instruments

The Company owns perpetual preferred shares with call options which 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 which 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 one year (less than one year in 2014). The effective portion of changes in fair value is recorded in Other comprehensive income such as foreign currency translation of the net investment in a foreign operation.

Fair Value Hedges

The Company used bond forward contracts to reduce its exposure to interest rate risk. These contracts, designated as interest rate risk hedging related to financial assets classified as available for sale, have maturities of less than one year. Changes in fair value due to the interest rate of the hedged item are recorded in investment income in the Income Statement against variations in fair value of the derivative financial instruments considered as a hedging item. Variations in fair value related to the credit risk of hedged items continue to be reported in the other comprehensive income.

During the year ended December 31, 2015, the company implemented a hedging relationship in order to reduce its exposure to interest rates risk on financial liabilities classified as financial liabilities at amortized cost. To do this, the company uses interest rate swap contracts having maturities ranging from 3 years to 10 years.

The effective portion of the hedging relationship of fair value is recorded in net income. For the year ended December 31, 2015, the Company recognized a loss of $5 on the hedging instrument (loss of $6 as at December 31, 2014) and a gain of $3 on the hedged item (gain of $5 as at December 31, 2014). For the year ended December 31, 2015, the Company has recognized an ineffectiveness of $2 ($1 in 2014).

Cash Flow Hedges
During the year ended December 31, 2015, the Company implemented a cash flow hedging relationship in order to manage its exposure to variations of interest risks in forecasted transactions. To do this, the Company uses forward contracts on obligations that have maturities of less than 1 year. For the year ended December 31, 2015, the Company has recognized no ineffectiveness.

9 › Other Assets

	2015	2014
	$	$
Investment income due and accrued	**180**	127
Outstanding premiums	**45**	59
Due from reinsurers	**65**	52
Due from agents	**46**	50
Accounts receivable	**701**	537
Deferred sales commissions	**75**	82
Prepaid expenses	**20**	15
Real estate held for resale	**11**	11
Linearization of rents	**9**	9
Income tax receivable	**45**	34
Securities purchased under reverse repurchase agreements	**441**	785
Miscellaneous	**11**	11
Total	**1,649**	1,772

The amount of *Other assets* that the Company expects to receive within the next 12 months is $1,523 ($1,644 as at December 31, 2014).

10 › Fixed Assets

	Own-use Property			
	Land	**Real estate**	**Other**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance as at December 31, 2013	31	98	141	270
Acquisitions	---	3	18	21
Disposals/Write-offs	---	---	(9)	(9)
Transfer from investment properties	2	2	---	4
Effect of changes in exchange rates	---	1	---	1
Balance as at December 31, 2014	33	104	150	287
Acquisitions	**6**	**4**	**16**	**26**
Acquisitions through business combinations	**---**	**---**	**2**	**2**
Disposals/Write-offs	**---**	**---**	**(5)**	**(5)**
Transfer from investment properties	**6**	**9**	**2**	**17**
Effect of changes in exchange rates	**1**	**1**	**---**	**2**
Balance as at December 31, 2015	**46**	**118**	**165**	**329**
Accumulated depreciation				
Balance as at December 31, 2013	---	37	88	125
Depreciation for the year	---	4	13	17
Depreciation on disposals/write-offs	---	---	(8)	(8)
Balance as at December 31, 2014	---	41	93	134
Depreciation for the year	**---**	**4**	**15**	**19**
Depreciation on disposals/write-offs	**---**	**---**	**(2)**	**(2)**
Balance as at December 31, 2015	**---**	**45**	**106**	**151**
Net carrying value as at December 31, 2015	**46**	**73**	**59**	**178**
Net carrying value as at December 31, 2014	33	63	57	153

The net carrying value of fixed assets held under a finance lease was $1 as at December 31, 2015 ($1 as at December 31, 2014).

11 › Intangible Assets and Goodwill

	Intangible assets			
	Finite useful life		Indefinite useful life	Total
	Software application	Other		
	$	$	$	$
Cost				
Balance as at December 31, 2013	160	116	361	637
Acquisitions	25	12	---	37
Acquisitions through business combinations	---	6	---	6
Reclassification after allocation of the purchase price	---	(5)	9	4
Effect of changes in exchange rates	---	1	---	1
Balance as at December 31, 2014	185	130	370	685
Acquisitions	**30**	**14**	**---**	**44**
Acquisitions through business combinations	**---**	**42**	**---**	**42**
Effect of changes in exchange rates	**---**	**2**	**---**	**2**
Balance as at December 31, 2015	**215**	**188**	**370**	**773**
Accumulated depreciation				
Balance as at December 31, 2013	80	27	---	107
Depreciation for the year	9	9	---	18
Balance as at December 31, 2014	89	36	---	125
Depreciation for the year	**13**	**12**	**---**	**25**
Balance as at December 31, 2015	**102**	**48**	**---**	**150**
Net carrying value as at December 31, 2015	**113**	**140**	**370**	**623**
Net carrying value as at December 31, 2014	96	94	370	560

Indefinite useful life intangible assets include funds management contracts. Finite useful life intangible assets presented in *Other* primarily represent the discounted value of future profits from distribution networks and from customer relationships.

	Preliminary goodwill	Goodwill	Total
	$	$	$
Balance as at December 31, 2013	30	238	268
Acquisition of business	4	---	4
Transfer from preliminary goodwill to goodwill	(28)	28	---
Transfer from preliminary goodwill to intangible assets	(2)	---	(2)
Balance as at December 31, 2014	4	266	270
Acquisition of business	**62**	**2**	**64**
Transfer from preliminary goodwill to goodwill	**(4)**	**4**	**---**
Balance as at December 31, 2015	**62**	**272**	**334**

No impairment was recognized in 2015 and 2014 in terms of goodwill and indefinite useful life intangible assets.

	2015		2014	
	Indefinite useful life intangible assets	**Goodwill**	Indefinite useful life intangible assets	Goodwill
	$	**$**	$	$
Cash generating unit				
Individual Wealth Management	**332**	**158**	332	146
Individual Insurance	**6**	**42**	6	37
Group Insurance	**1**	**102**	1	55
General Insurance	**2**	**11**	2	11
U.S. Business	**3**	**1**	3	1
Other activities	**26**	**20**	26	20
Total	**370**	**334**	370	270

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if events or changes in circumstance occur that may cause the recoverable amount of a cash generating unit (CGU) to decrease to below its carrying value. The recoverable amount is the higher of fair value less selling costs and value in use. The value in use is based on the best estimates of future earnings and the level and cost of future capital estimated on contract duration. The value attributed to new business is based on the Company's business plans, on reasonable assumptions about growth and the levels of profitability of this new business. The discount rates reflect the nature and environment of the CGU.

When estimating the recoverable amount of the CGU, the Company uses judgment and various assumptions and estimates which could result in material adjustments to the recoverable amount. Any significant change in a key assumption, such as the discount rate, the value of new sales, expenses and any significant change in projected cash flows could result in significant changes in the recoverable values.

Individual Wealth Management, General Insurance and Other Activities

The recoverable amount of CGU in the Individual Wealth Management, General Insurance and Other activities sectors was determined according to calculations of the value in use. These calculations call upon cash flow projections before tax based on financial budgets approved by management and which cover a five-year period. Cash flows that go beyond this period are extrapolated using estimated growth rates.

The Company uses several key assumptions in determining the recoverable value. The assumed discount rate for determining the value of the CGU is between 11% and 15% before tax (between 12% and 20% before tax in 2014). The assumptions used in the calculation are set for the growth rate between 1% and 5% (between 2% and 9% in 2014) and the long-term growth rate between 1% and 4% (between 2% and 4% in 2014).

Management determined the gross margin forecast according to past returns and its expectations in terms of market development. The weighted average growth rates used are in line with forecasts published in industry reports. The long-term growth rates used are projected industry growth rates. The discount rate is the interest rate used to establish the present value of future cash flows, and the rates used are before tax, which take into account specific risks in relation to relevant activity sectors.

Individual Wealth Management CGU presents a higher risk of impairment considering the sensitivity to the various assumptions described above. Management determined that reasonable changes in the most important assumptions may result in the recoverable amount being lower than the carrying amount, would give rise to an impairment of some or all goodwill.

Individual Insurance and Group Insurance

The recoverable amount of CGU in the Individual Life Insurance and Group Insurance sectors was determined according to calculations of the value in use. These calculations call upon discounted cash flow projections (or techniques) and represent estimated actuarial amounts which take into account the present value of shareholder's net assets, future returns in force business and the returns of new business.

The assumed discount rate for determining the value of the CGU is more or less 12% before tax (more or less 11% before tax in 2014).

The key assumptions of the valuation take into account the discount rate, expected business growth, expected return of the financial markets, mortality and improved mortality, lapses and fees.

12 › Segregated Funds Net Assets

Policyholders can select from a variety of segregated funds. Although the underlying assets are registered in the name of the Company and the segregated funds policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the funds' investment performance. However, the Company offers guarantees on some contracts. Consequently, the Company is exposed to equity market risk and interest rate risk as a result of these guarantees. The Company's exposure to loss from segregated fund products is limited to the value of these guarantees and the related liabilities are recorded in the insurance contract liabilities.

	2015	2014
	$	$
Assets		
Cash, short-term and other investments	**1,099**	946
Bonds	**4,384**	4,375
Stocks	**14,244**	13,420
Other assets	**302**	81
	20,029	18,822
Liabilities		
Accounts payable and accrued expenses	**251**	73
Currency contracts	**1**	1
	252	74
Net assets	**19,777**	18,748

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

	2015	2014
	$	$
Balance at beginning	**18,748**	16,921
Add:		
Amounts received from policyholders	**3,140**	2,633
Interest and dividends	**978**	591
Net realized gains	**637**	1,130
Net increase (decrease) in fair value	**(877)**	1
	22,626	21,276
Less:		
Amounts withdrawn by policyholders	**2,458**	2,169
Operating expenses	**391**	359
	2,849	2,528
Balance at end	**19,777**	18,748

	2015	2014
	%	%
Type of funds		
Money market	**2**	**1**
Fixed income	**21**	**24**
Balanced	**39**	**32**
Equity	**38**	**43**
Total	**100**	**100**

Money market funds consist of investments that have a term of maturity of less than 1 year. Fixed income funds primarily consist of investments in fixed income securities and, for some funds, a small proportion in high-yield bonds. The balanced funds consist of fixed income securities and a larger equity investment component. The equity funds which range from low volatility equity funds to aggressive equity funds, invest in a varying mix of Canadian, American and Global equities.

13 › Management of Insurance Risks

Insurance risk is subdivided into four categories: product design and pricing risk, underwriting and claims adjudication risk, reinsurance risk and risk associated with the calculation of provisions for future policy benefits.

Product Design and Pricing Risk

Product design and pricing risk is the risk that the established price is or becomes insufficient to ensure an adequate return as compared to the Company's profitability objectives. This risk may be due to a poor estimate of the future experience of several factors, such as mortality, morbidity, lapse experience, expenses and taxes.

For certain types of contracts, all or part of this risk may be shared with or transferred to the policyholder through a dividends and experience refunds policy, or through the fact that the Company can adjust the premiums or future benefits if experience turns out to be different than expected. For other types of contracts, the Company assumes the entire risk, thus the need to carry out a proper valuation of the commitments in this regard.

The Company has adopted a product design and pricing policy that establishes standards and guidelines on pricing methods, formulation of assumptions, profitability objectives, analysis of the sensitivity of this profitability according to various scenarios, documentation, and the accountability of the various people involved.

The risk is primarily managed by regularly analyzing the pricing adequacy of Company products as compared to recent experience. The pricing assumptions are revised as needed or the various options offered by the reinsurance market are utilized.

Underwriting and Claims Adjudication Risk

Underwriting and claims adjudication risk is the risk of financial loss resulting from the selection of risks to be insured, adjudication of claims and management of contract clauses.

Given the geographic diversity of his clients, the Company is not heavily exposed to concentration risk with respect to individuals or groups. The largest portion of the Company’s mortality risk is in Canada.

The Company has established guidelines pertaining to underwriting and claims adjudication risk that specify the Company's retention limits. These retention limits vary according to the type of protection and the characteristics of the insureds, and are revised regularly according to the Company's capacity to manage and absorb the financial impact associated with unfavourable experience regarding each risk. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

Reinsurance Risk
In the normal course of business, the Company uses reinsurance agreements to limit its risk on every life insured. Maximum benefit amounts, which vary by line of business, are established for life and health insurance. Reinsurance risk is the risk of loss resulting from unfavourable changes in the reinsurance market, by the reinsurer's risk of insolvency or inadequate reinsurance coverage.

Although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit associated with the amounts ceded to reinsurers. This risk category includes residual insurance risk, legal risk, counterparty risk and liquidity risk resulting from reinsurance operations.

The Company also has reinsurance agreements covering financial losses from multiple claims due to catastrophic events affecting several lives insured.

Risk Associated with the Calculation of Provisions for Future Policy Benefits
In any insurance company, calculating the provisions for future policy benefits is a complex process that relies on financial projection models and assumptions to determine the value of the amounts that will be paid in the future to policyholders and beneficiaries.

The risk associated with the calculation of provisions for future policy benefits represents the risk of financial loss that could occur due to inadequate use of experience results in establishing the assumptions or non-compliance with actuarial valuation standards. In order to minimize this risk, the Company has developed a policy that outlines the documentation and the control rules needed to ensure that the actuarial valuation standards defined by the CIA (or another relevant organization), as well as the Company's standards, are followed and applied consistently in all sectors and in all territories where the Company conducts business.

Every year, the appointed actuary ensures that the valuation of provisions for future policy benefits is carried out in accordance with accepted actuarial practice in Canada and that the selected assumptions and valuation methods are appropriate.

14 › Insurance Contract Liabilities and Investment Contract Liabilities

A) Insurance Contract Liabilities

Insurance contract liabilities are determined according to the Canadian Asset Liability Method (CALM) described in Note 2 *Significant Accounting Policies,* section l) ii) *Insurance Contract Liabilities*. Insurance contract liabilities are determined using generally accepted actuarial practices according to standards established by the CIA. An explicit projection of the cash flows using the most probable assumptions for each cash flow component and each significant contingency is used to calculate the provisions for future policy benefits.

a) Composition

	2015	2014
	$	$
Provisions for future policy benefits	**22,299**	21,490
Other insurance contract liabilities		
Benefits payable and provision for unreported claims	**214**	212
Policyholders' amounts on deposit	**304**	287
Provisions for dividends to policyholders and experience rating refunds	**31**	32
	549	531
Balance at end	**22,848**	22,021

	2015					
	Individual		**Group**			
	Insurance	**Wealth Management**	**Insurance**	**Savings and Retirement**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Insurance contract liabilities (gross)						
Canada	**14,955**	**1,306**	**1,397**	**3,404**	**(12)**	**21,050**
United States	**1,286**	**341**	**148**	**2**	**18**	**1,795**
Other countries	**3**	**---**	**---**	**---**	**---**	**3**
Total	**16,244**	**1,647**	**1,545**	**3,406**	**6**	**22,848**
Reinsurance assets						
Canada	**(175)**	**---**	**140**	**151**	**(12)**	**104**
United States	**597**	**301**	**131**	**2**	**22**	**1,053**
Total	**422**	**301**	**271**	**153**	**10**	**1,157**
Net insurance contract liabilities	**15,822**	**1,346**	**1,274**	**3,253**	**(4)**	**21,691**

	2014					
	Individual		Group			
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Total $
Insurance contract liabilities (gross)						
Canada	14,334	1,275	1,366	3,416	(21)	20,370
United States	1,172	321	141	2	13	1,649
Other countries	2	---	---	---	---	2
Total	15,508	1,596	1,507	3,418	(8)	22,021
Reinsurance assets						
Canada	(4)	---	137	160	(21)	272
United States	555	291	128	2	15	991
Total	551	291	265	162	(6)	1,263
Net insurance contract liabilities	14,957	1,305	1,242	3,256	(2)	20,758

b) Changes in Insurance Contract Liabilities and Reinsurance Assets

	2015			
	Provision for future policy benefits **$**	**Other insurance contract liability** **$**	**Insurance contract liability** **$**	**Reinsurance assets** **$**
Balance at beginning	**21,490**	**531**	**22,021**	**1,263**
Increase (decrease) of insurance contract liabilities and reinsurance assets				
Normal changes – provisions for future policy benefits				
On in-force	**613**	**---**	**613**	**(20)**
On new policies	**(12)**	**---**	**(12)**	**(28)**
Changes in methods and assumptions	**(87)**	**---**	**(87)**	**(244)**
	514	**---**	**514**	**(292)**
Other	**5**	**9**	**14**	**8**
Changes in methods and assumptions	**---**	**(3)**	**(3)**	**---**
Effect of change in exchange rates	**290**	**12**	**302**	**178**
Balance at end	**22,299**	**549**	**22,848**	**1,157**

	2014			
	Provision for future policy benefits $	Other insurance contract liability $	Insurance contract liability $	Reinsurance assets $
Balance at beginning	18,775	513	19,288	1,502
Increase (decrease) of insurance contract liabilities and reinsurance assets				
Normal changes – provisions for future policy benefits				
On in-force	2,638	---	2,638	(192)
On new policies	67	---	67	6
Changes in methods and assumptions	(133)	---	(133)	(144)
	2,572	---	2,572	(330)
Other	(3)	19	16	1
Changes in methods and assumptions	---	(6)	(6)	(1)
Acquisition of portfolio	8	---	8	---
Effect of change in exchange rates	138	5	143	91
Balance at end	21,490	531	22,021	1,263

The variation of insurance contract liabilities and reinsurance assets include the amounts related to participating contracts.

Profits and Losses on New Reinsurance Treaties
The company has not concluded any new reinsurance agreement for years ended December 31, 2015 and 2014 for which the company would have recorded a profit or loss in the income statement.

c) Risk Management and Assumptions for Valuation of Insurance Contract Liabilities
Best estimate assumptions represent current and objective estimates of the expected outcomes. Their choice takes into consideration current circumstances, historical data from the Company, the industry or the sector, the relationship between the historical and anticipated future results as well as other relevant factors. The margins for adverse deviations assumptions and methods used to establish the most significant assumptions are described below:

Mortality and Morbidity
Mortality represents the occurrence of death in a given population. The mortality assumptions are based on recent technical results of the Company. The Company also uses the technical results of the industry if those of the Company are not sufficiently representative. For Individual Insurance, the Company's mortality experience has exhibited a gradually declining trend. The calculation of insurance contract liabilities for this operating segment takes into account an improvement in future mortality rates. For Individual Wealth Management and Group Savings and Retirement, annuity mortality improvement has been projected to occur throughout the future. For the Group Insurance segment, the expected future mortality experience is incorporated into the calculation of insurance contract liabilities for this block, but no future mortality improvement is assumed.

Morbidity represents the occurrence of accident or illness among insured risks. The morbidity assumptions are based on recent technical results of the Company. The Company also uses the technical results of the industry if those of the Company are not sufficiently representative.

To manage mortality and morbidity risk, the Company uses detailed and uniform underwriting procedures that assess the insurability of the candidate and control exposure to large claims. The Company conducts monthly monitoring of technical results relating to claims and fixes retention limits that vary across markets and regions. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

As at December 31, 2015, the Company estimates that a 5% permanent deterioration in mortality rates would result in a $169 reduction in net income attributed to common shareholders due to the strengthening of the insurance contract liabilities ($162 as at December 31, 2014). An improvement of the same percentage in mortality rates would have a similar impact, but in the opposite direction.

As at December 31, 2015, the Company estimates that a 5% deterioration in morbidity rates would result in a $55 reduction in net income attributed to common shareholders ($41 as at December 31, 2014). The 5% deterioration is expressed assuming 95% of the termination rate of disability when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is not invalid. An improvement of the same percentage in morbidity rates would have a similar impact, but in the opposite direction.

Investment Return and Interest Rate Risk
The Company segments assets to sustain liabilities by sector and by geographic market and establishes appropriate investment strategies for each liability.

CALM is the method prescribed by the standards of the CIA to ensure the adequacy of assets backing the insurance contract liabilities. By closely matching the asset cash flows with those of the corresponding liabilities, the Company reduces its sensitivity to future variations. These cash flows related to the assets and liabilities are projected based on a number of scenarios, some of which are prescribed by the CIA. The disinvestment or reinvestment occurs according to the specifications of each scenario and the insurance contract liabilities are determined based on the range of possible outcomes. Changes in fair value of assets matching these liabilities and changes in insurance contract liabilities are directly recognized in the Income Statement in order to avoid a mismatch that would otherwise arise. A description of CALM is found in Note 2 *Significant Accounting Policies*, section l) ii) *Insurance Contract Liabilities*.

Interest rate risk is the risk of loss due to future changing interest rates. The investment returns are projected from the actual investment portfolios as well as the planned reinvestment strategies. The uncertainty related to interest rate fluctuation is that economic losses or gains can occur following the disinvestment or reinvestment of future cash flows. The Company manages the interest rate risk through an asset and liability matching policy which is updated periodically. The primary objective of this policy is to minimize the volatility of profit margins caused by fluctuations between the realized returns and those credited to existing contracts. To monitor matching, investments are segmented by matching blocks established based on the cash flow structure of the liabilities, with blocks of business being grouped together by line of business. For non-immunized liabilities, primarily individual insurance products that have very long term commitments, the Company favours an investment strategy that tends to achieve a balance between optimizing the after-tax return and capital protection since it is impossible to apply a complete immunization strategy due to a lack of availability of fixed income securities for such maturities. However, the Company has taken several initiatives to improve the short-term flows of non-immunized liabilities.

As at December 31, 2015, the Company estimates that a 0.1% decrease in the initial reinvestment rate would lead to an increase in the insurance contract liabilities of approximately $31 after taxes ($34 after taxes as at December 31, 2014). A 0.1% decrease in the ultimate reinvestment rate would lead to an increase in the insurance contract liabilities of about $60 after taxes ($59 after taxes as at December 31, 2014). The Company estimates that a 0.1% increase in the initial reinvestment rate and in the ultimate reinvestment rate would have a similar impact to a decrease, but in the opposite direction.

Also as at December 31, 2015, the Company estimates that if the markets decrease 10% at the beginning of the period, to subsequently progressively recover a portion of this loss during the year, net income attributed to common shareholders would be about $28 lower than expected for its regular operations ($28 as at December 31, 2014). The Company estimates that a 10% increase at the beginning of the period, followed by market growth in line with expectations, would have a similar impact but in the opposite direction.

Expenses
Maintenance expenses include costs of servicing and maintaining in-force policies and associated overhead expenses. Policy maintenance expenses were calculated using the Company's internal expense allocation studies. No productivity gains are projected. Unit expense factors are projected to increase in the future assuming an inflation rate, established coherently with the interest rate assumption.

The risk related to expenses is the risk that the costs of future expenses are greater than the estimated costs in the measurement of liabilities or used in the design and pricing of products. A rigorous budget process is implemented annually. The budget is monitored on an ongoing basis throughout the year to assess the differences between budgeted costs and actual costs. To manage the risk, the Company prices its products to cover expected costs.

As at December 31, 2015, the Company estimates that a 5% increase in unit costs would result in a $50 reduction in net income attributed to common shareholders ($41 as at December 31, 2014). A decrease of the same percentage would have a similar impact, but in the opposite direction.

Lapses
Cancellation of contracts includes lapses and surrenders. Lapse means that the policyholder has stopped paying premiums. Surrender means that the policyholder voluntarily cancelled the contract. Expected lapse rate assumptions are generally based on the Company's recent lapse experience. Estimates of future lapse rates are adjusted to take into account industry experience where the Company's experience is limited. Long-term lapse rate assumptions take into account the usually lower lapse rates with respect to lapse-supported products compared to the rates of other products.

The Company reduces its exposure to lapse and surrender risks as much as possible through the way it develops its products. The contracts are built with modalities having a positive impact on the lapse rate. These modalities may result in charges for redemption, by limitations on the amounts redeemed or by limitations regarding the moment when redemptions may be made. Finally, the Company has established a monthly method to follow-up on lapses and surrenders.

As at December 31, 2015, the Company estimates that a 5% deterioration in lapse rates would result in a $144 reduction in net income attributed to common shareholders ($167 as at December 31, 2014). These rates were evaluated respecting the adjustability of certain products. An improvement of the same percentage would have a similar impact, but in the opposite direction.

Premium Payment Patterns
For Universal Life contracts, the assumptions must be established according to the premium payment patterns. The Company has studied the payment pattern experience of Universal Life contracts. When this experience is not sufficiently representative, it is adjusted to take into consideration the industry experience. The premium payment patterns can vary depending on the payment frequency, the level of the target premium compared to the minimum premium, the type of policy insurance costs (level or annually increasing costs), the type of product and the year of issue.

Currency Risk
Currency risk results from a difference between currency of liabilities and the currency of the assets they are backing. Generally speaking, the Company's strategy to manage exposure to currency risk consists of matching assets to the corresponding liabilities according to the currency. The Company implements a hedging strategy when the liabilities are matched to assets of a different currency.

Guarantees on Segregated Funds
A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Because of the volatility inherent in the stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee is applied and that it will then have to compensate the investor for the difference in the form of a benefit. The Company has set up a dynamic hedging program. In this program, a large part of the variations in the economic worth of the liability are offset by variations in assets held under the hedging program. The hedging program is not designed to completely eliminate the risks associated with the hedged guarantees. A number of factors can alter the quality of the hedge and potentially lead to a gain or loss on the Income Statement.

A liability related to the segregated funds guarantees granted by the Company is maintained in the general fund. The amount of the liability is at least as great as the amount determined using the methodology defined by the CIA.

Margins for Adverse Deviations
Assumptions that rely on best estimates are used to calculate the insurance contract liabilities. According to CIA standards, the Appointed Actuary must adjust these assumptions to include margins for adverse deviation and to take into account the uncertainty related to the establishment of these best estimates and a potential deterioration of the expected experience. These margins increase insurance contract liabilities and provide reasonable assurance that the amount of assets backing the insurance contract liabilities is sufficient to cover the impact of adverse experience.

The range for these margins is set out in standards issued by the CIA. The factors considered in the selection of appropriate margins include the degree of uncertainty with respect to the expected experience and the relative volatility of potential losses over the remaining term of the policies. Provisions for adverse deviations that are not required to offset future adverse experience will be released back as an increase in the *Net income*.

d) Impact of Changes in Assumptions and Methodologies on Net Insurance Contract Liabilities
A review of the assumptions and methods is performed annually to reflect changing experience and to reduce the uncertainty risk related to the insurance contract liabilities and the assets backing the liabilities.

The following table presents the impact of changes in assumptions and methodologies as well as their explanation:

	2015	2014	
	$	$	
Mortality and morbidity	**(48)**	(68)	Explained by the annual study update.
Policyholders' behavior	**568**	268	Mainly explained by the recognition of the ultimate lapse rates of the CIA studies on permanent products in 2015.
Investment returns	**(344)**	(137)	Mainly explained by the annual update of the investment return assumptions, matching and investment return gains, and refinements to modelling and assumptions in 2015.
Expenses, models and other	**(29)**	(58)	Mainly explained by the annual update of the expenses assumptions and various modeling improvements.
Impact on net non-participating insurance contract liabilities	**147**	5	
Impact on net participating insurance contract liabilities	**7**	1	
Impact on net insurance contract liabilities	**154**	6	

B) Investment Contract Liabilities

a) Composition

Non-participating deficit reimbursement agreement group insurance contracts are classified as investment contracts. Under deficit reimbursement agreements, the policyholder reimburses any deficit to the Company at the end of the contract.

The fair value of these investment contracts is determined using the parameters of the agreement concluded between the Company and the policyholder for this type of contract. Investment contract liabilities represent the balance that is due to the policyholder. Transactions involving deposits, withdrawals and earned interest correspond to the variation in investment contract liabilities.

	2015			
	Individual	**Group**		
	Insurance	**Insurance**	**Savings and Retirement**	**Total**
	$	**$**	**$**	**$**
Investment Contract Liabilities (gross)				
Canada	**---**	**629**	**1**	**630**
Other countries	**25**	**---**	**---**	**25**
Total	**25**	**629**	**1**	**655**
Reinsurance assets				
Canada	**---**	**81**	**---**	**81**
Net investment contract liabilities	**25**	**548**	**1**	**574**

	2014			
	Individual	Group		
	Insurance	Insurance	Savings and Retirement	Total
	$	$	$	$
Investment Contract Liabilities (gross)				
Canada	---	668	1	669
Other countries	24	---	---	24
Total	24	668	1	693
Reinsurance assets				
Canada	---	89	---	89
Net investment contract liabilities	24	579	1	604

b) Variations in Net Investment Contract Liabilities

	2015		2014	
	Investment contract liabilities $	**Reinsurance assets $**	Investment contract liabilities $	Reinsurance assets $
Balance at beginning	**693**	**89**	647	82
Deposits	**47**	**---**	137	12
Withdrawals	**(100)**	**(10)**	(129)	(9)
Increase (decrease) in investment contract liabilities and reinsurance assets	**21**	**---**	38	4
Other	**(6)**	**2**	---	---
Balance at end	**655**	**81**	693	89

C) Assets Backing Liabilities and Equity

The carrying value of total assets backing insurance contract liabilities, investment contract liabilities, other liabilities and equity are as follows:

	2015								
	Individual		**Group**						
	Insurance $	**Wealth Management $**	**Insurance $**	**Savings and Retirement $**	**Other $**	**Insurance contract liabilities total $**	**Investment contract liabilities $**	**Other liabilities and equity $**	**Total $**
Cash and short-term investments	**62**	**161**	**47**	**14**	**---**	**284**	**39**	**646**	**969**
Bonds	**11,006**	**453**	**891**	**2,511**	**(4)**	**14,857**	**444**	**3,977**	**19,278**
Mortgages and other loans	**348**	**277**	**318**	**698**	**---**	**1,641**	**85**	**1,443**	**3,169**
Stocks	**2,357**	**7**	**8**	**30**	**---**	**2,402**	**6**	**516**	**2,924**
Policy loans	**828**	**10**	**2**	**---**	**---**	**840**	**---**	**1**	**841**
Other invested assets	**213**	**245**	**12**	**---**	**---**	**470**	**---**	**(133)**	**337**
Derivative financial instruments[1]	**(198)**	**193**	**(5)**	**(1)**	**---**	**(11)**	**---**	**(55)**	**(66)**
Investment properties	**1,206**	**---**	**1**	**1**	**---**	**1,208**	**---**	**8**	**1,216**
Reinsurance assets	**422**	**301**	**271**	**153**	**10**	**1,157**	**81**	**42**	**1,280**
Others	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**2,815**	**2,815**
Total	**16,244**	**1,647**	**1,545**	**3,406**	**6**	**22,848**	**655**	**9,260**	**32,763**

	2014								
	Individual		Group						
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Insurance contract liabilities total $	Investment contract liabilities $	Other liabilities and equity $	Total $
Cash and short-term investments	285	124	20	25	---	454	9	35	498
Bonds	9,718	663	1,000	2,454	(2)	13,833	479	4,263	18,575
Mortgages and other loans	327	391	213	743	---	1,674	110	1,102	2,886
Stocks	2,709	6	10	33	---	2,758	6	478	3,242
Policy loans	709	2	---	---	---	711	---	2	713
Other invested assets	25	55	---	---	---	80	---	---	80
Derivative financial instruments[1]	(13)	64	(2)	---	---	49	---	(41)	8
Investment properties	1,197	---	1	1	---	1,199	---	(9)	1,190
Reinsurance assets	551	291	265	162	(6)	1,263	89	16	1,368
Others	---	---	---	---	---	---	---	2,814	2,814
Total	15,508	1,596	1,507	3,418	(8)	22,021	693	8,660	31,374

[1] In its matching process, the Company considers the net value of derivative financial instruments, therefore, both assets and liabilities. Derivative financial instruments liabilities match Individual Insurance for an amount of $241 ($96 in 2014) and Individual Wealth Management for an amount of $90 ($67 in 2014).

The fair value of assets backing net insurance contract liabilities as at December 31, 2015 was estimated at $21,800 ($20,849 as at December 31, 2014). Insurance contract liabilities are measured at fair value as per CALM method, except for liabilities backed by assets which are measured at amortized cost, such as mortgages.

Fair value of assets backing net investment contract liabilities as at December 31, 2015 represents approximately $580 ($611 as at December 31, 2014).

15 › Other Liabilities

	2015	2014
	$	$
Unearned premiums	**496**	432
Other policy liabilities	**41**	34
Mortgage debts	**22**	37
Post-employment benefits	**152**	199
Income taxes payable	**19**	31
Amounts on deposit on products other than insurance contracts	**559**	401
Accounts payable	**702**	515
Due to reinsurers	**75**	48
Deferred revenue	**5**	3
Securities sold under repurchase agreement	**497**	758
Short-selling securities	**553**	832
Securitization liabilities	**940**	584
Fair value of purchased business in force	**15**	13
Miscellaneous	**4**	6
Total	**4,080**	3,893

16 › Debentures

	2015		2014	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Subordinated debentures bearing interest at 2.64%	**249**	**250**	---	---
Subordinated debentures bearing interest at 2.80%	**248**	**255**	248	253
Subordinated debentures bearing interest at 4.75%	**249**	**256**	249	262
Subordinated debentures bearing interest at 5.63%	**100**	**109**	100	112
Total	**846**	**870**	597	627

Subordinated debentures represent direct unsecured obligations of the Company that are subordinate to the Company's policyholders and other creditors.

Subordinated debentures bearing interest at 2.64%
Subordinated debentures maturing February 23, 2027, bearing interest of 2.64%, payable semi-annually from August 23, 2015 to February 23, 2022, and a variable interest rate equal to the three-month bank acceptance (Canadian Dealer Offered Rate (CDOR)) plus 1.08%, payable quarterly commencing August 23, 2022 until February 23, 2027. These subordinated debentures are redeemable by the Company starting February 23, 2022, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes transaction costs and issue discount for a total of $1.

Subordinated debentures bearing interest at 2.80%
Subordinated debentures maturing May 16, 2024, bearing interest of 2.80%, payable semi-annually from May 16, 2014 to May 16, 2019, and a variable interest rate equal to the three-month bank acceptance (CDOR) plus 0.79%, payable quarterly commencing August 16, 2019 until May 16, 2024. These subordinated debentures are redeemable by the Company starting May 16, 2019, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes transaction costs and issue discount for a total of $1.

Subordinated debentures bearing interest at 4.75%
Subordinated debentures maturing December 14, 2021, bearing interest at 4.75%, payable semi-annually, commencing on June 14, 2012 until December 14, 2016. Thereafter, interest will be payable at a rate per annum equal to the three-month CDOR plus 3.20%, payable quarterly, commencing March 14, 2017. These subordinated debentures are redeemable by the Company starting December 14, 2016, in whole or in part, subject to approval by the regulatory authorities. The carrying value of the debentures includes transaction costs and issue premium for a total of $1.

Subordinated debentures bearing interest at 5.63%
Subordinated debentures maturing on August 1, 2023. The principal debentures of $88 bear interest at 5.63% payable semi-annually until August 1, 2018. The secondary debentures of $12 bear interest of 5.63% payable semi-annually until 2018. Thereafter, the interest on the principal and secondary debentures will be the 90-day Bankers' Acceptance rate plus 1%, adjusted on the last day of each quarter and payable semi-annually. These subordinated debentures are redeemable by the Company after August 1, 2018, in whole, but not in part, at par, with the prior approval of the AMF.

17 › Share Capital

The authorized share capital consists of the following:

Common Shares
Unlimited common shares without par value, with voting rights.

Preferred Shares
Unlimited preferred shares of class A, without par value, without voting rights that can be issued in series and 10,000,000 preferred shares with a par value of 25 dollars each, without voting rights, which can be issued in series.

3,000,000 Series 1 preferred shares, with a non-cumulative preferential dividend of 1% until 2004 and redeemable at the issuing value at the Company's option under certain conditions, including approval by the AMF, convertible at the option of the holder into common shares at 95% of the market value of these shares. This conversion option may itself lead to a conversion of the series 1 preferred shares into series 2 preferred shares at the Company's option.

3,000,000 Series 2 preferred shares, issuable for the sole purpose of conversion of series 1 preferred shares, with a non-cumulative preferential dividend of 1% until 2004 and redeemable at the option of the Company at the issuing value, multiplied by 1.0526 under certain conditions, including the necessity to proceed with the issue of series 3 preferred shares.

3,000,000 Series 3 preferred shares, redeemable after 5 years at their issue value at the Company's option, subject to prior approval by the AMF, or convertible into common shares at their market value.

An unlimited number of class A – Series A preferred shares, without par value, without voting rights, non-cumulative semi-annual dividend in cash of 0.5625 dollars per share, redeemable at the option of the Company after December 31, 2008, subject to approval by the AMF, for 25 dollars per share.

An unlimited number of class A – Series B preferred shares, without par value, without voting rights, fixed non-cumulative quarterly dividend in cash of 0.2875 dollars per share, redeemable in whole or in part at the option of the Company commencing on March 31, 2011, subject to approval by the AMF, for an amount between 26 dollars and 25 dollars per share according to the year and convertible at the option of the shareholders, subject to approval by AMF, into new Class A preferred shares.

An unlimited number of class A – Series C preferred shares, without par value, without voting rights, non-cumulative quarterly dividend and adjusted every 5 years with an initial annual rate in cash of 1.55 dollars per share, redeemable in whole or in part at the option of the Company after December 31, 2013 and thereafter on December 31 every 5 years, subject to approval by the AMF, for 25 dollars per share, and convertible at the option of the shareholders into class A – Series D preferred shares commencing on December 31, 2013 and thereafter on December 31 every 5 years.

An unlimited number of class A – Series D preferred shares, without par value, without voting rights, non-cumulative variable rate quarterly dividend, redeemable in whole or in part at the option of the Company on December 31, 2018 and thereafter on December 31 every 5 years for a cash value of 25 dollars or redeemable in whole or in part at the option of the Company at any other date other than at series D conversion dates after December 31, 2013, for an amount of 25.50 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into class A – Series C preferred shares commencing on December 31, 2018 and thereafter on December 31 every 5 years.

An unlimited number of class A – Series E preferred shares, without par value, without voting rights, fixed non-cumulative quarterly dividend in cash with an annual rate of 1.50 dollars per share, redeemable in whole or in part at the option of the Company commencing on December 31, 2014, subject to approval by the AMF, for an amount between 26 dollars and 25 dollars per share according to the year.

An unlimited number of class A – Series F preferred shares, without par value, without voting rights, fixed non-cumulative quarterly dividend in cash with an annual rate of 1.475 dollars per share, redeemable in whole or in part at the option of the Company commencing on March 31, 2015, subject to approval by the AMF, for an amount between 26 dollars and 25 dollars per share according to the year.

An unlimited number of class A – Series G preferred shares, without par value, without voting rights, non-cumulative quarterly dividend in cash with an annual rate equal to 1.0750 dollars per share, redeemable in whole or in part at the option of the Company as at June 30, 2017 and on June 30 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into class A – Series H preferred shares commencing on June 30, 2017 and thereafter on June 30 every 5 years.

An unlimited number of class A – Series H preferred shares, without par value, without voting rights, non-cumulative variable rate quarterly dividend, redeemable in whole or in part at the option of the Company on June 30, 2022, and on June 30 every 5 years thereafter for a cash value of 25 dollars or redeemable in whole or in part at the option of the Company at any other date other than at series H conversion dates after June 30, 2017, for an amount of 25.50 dollars, subject to approval by the AMF and convertible at the option of the shareholders into class A – Series G preferred shares commencing on June 30, 2022 and thereafter on June 30 every 5 years.

An unlimited number of class A – Series YY preferred shares, without par value, without voting rights, non-cumulative semi-annual dividend in cash of 0.450 dollars per share, redeemable at the option of the Company for 25 dollars per share or convertible into common shares after December 31, 2008, subject to approval by the AMF. Also, the shares are convertible at the option of the shareholders into common shares at each conversion date, on the last day of June and December of each year commencing on June 30, 2014.

An unlimited number of class A – Series ZZ preferred shares, without par value, without voting rights, non-cumulative semi-annual dividend in cash of 0.5625 dollars per share, redeemable at the option of the Company for 25 dollars per share or convertible into common shares after December 31, 2008, subject to approval by the AMF. Also, the shares are convertible at the option of the shareholders into common shares at each conversion date, the last day of June and December of each year commencing on June 30, 2014.

The capital issued by the Company is the following:

	2015		2014	
	Number of shares (in thousands)	**Amount $**	Number of shares (in thousands)	Amount $
Common shares				
Balance at beginning	**100,775**	**1,244**	99,342	1,184
Shares issued on exercise of stock options	**515**	**20**	477	18
Shares issued for Dividend Reinvestment and Share Purchase plan	**1,145**	**47**	956	42
Balance at end	**102,435**	**1,311**	100,775	1,244
Preferred shares, class A				
Balance at beginning	**19,000**	**475**	23,000	575
Shares redeemed – Series E	**---**	**---**	(4,000)	(100)
Shares redeemed – Series F	**(4,000)**	**(100)**	---	---
Balance at end	**15,000**	**375**	19,000	475
Total of share capital		**1,686**		1,719

Preferred Shares

Redemption

On March 31, 2015, the Company redeemed all of the 4,000,000 preferred shares class A – Series F, with a value of $25.00 per share at a price of $26.00 per share for a cash amount of $104. The redemption premium of $4 was recorded against retained earnings.

On December 31, 2014, the Company redeemed all of the 4,000,000 preferred shares class A - Series E, with a value of $25.00 per share at a price of $26.00 per share for a cash amount of $104. The redemption premium of $4 was recorded against retained earnings.

Dividends

	2015		2014	
	Total	**Per share**	Total	Per share
	$	**$**	$	$
Common shares	**118**	**1.16**	106	1.06
Preferred shares				
Category A – Series B	**6**	**1.15**	6	1.15
Category A – Series E	**---**	**---**	6	1.50
Category A – Series F	**1**	**0.37**	6	1.48
Category A – Series G	**11**	**1.08**	11	1.08
	18		29	
Total	**136**		135	

Dividends Declared and Not Recognized on Common Shares

A dividend of $0.30 per share was approved by the Board of Directors on February 11, 2016. This dividend will be paid on March 15, 2016 to the shareholders of record as of February 26, 2016. This dividend was not recorded as a liability in these financial statements. It will be recognized in the equity on February 27, 2016.

Dividend Reinvestment and Share Purchase Plan

The Company offers a Dividend Reinvestment and a Share Purchase Plan to its common shareholders. Dividends on common shares are deducted from equity in the period in which they were authorized. Dividends reinvested in common shares, under the terms of this plan, namely $46 in 2015 ($41 in 2014), are also recognized as dividends. Issued shares with regards to the terms of this plan $1 in 2015 ($1 in 2014) are recognized in the share capital.

18 › Accumulated Other Comprehensive Income

	Bonds	Stocks	Currency Translation	Hedging	Total
	$	$	$	$	$
Balance as at December 31, 2013	(15)	1	5	(6)	(15)
Unrealized gains (losses)	103	5	---	---	108
Income taxes on unrealized gains (losses)	(27)	(2)	---	---	(29)
Other	---	---	32	(29)	3
Income taxes on other	---	---	---	8	8
	76	3	32	(21)	90
Realized losses (gains)	(18)	3	---	---	(15)
Income taxes on realized losses (gains)	5	(1)	---	---	4
	(13)	2	---	---	(11)
Balance as at December 31, 2014	48	6	37	(27)	64
Unrealized gains (losses)	**28**	**(63)**	**---**	**---**	**(35)**
Income taxes on unrealized gains (losses)	**(7)**	**17**	**---**	**---**	**10**
Other	**---**	**---**	**70**	**(52)**	**18**
Income taxes on other	**---**	**---**	**---**	**14**	**14**
	21	**(46)**	**70**	**(38)**	**7**
Realized losses (gains)	**(35)**	**18**	**---**	**---**	**(17)**
Income taxes on realized losses (gains)	**9**	**(5)**	**---**	**---**	**4**
	(26)	**13**	**---**	**---**	**(13)**
Balance as at December 31, 2015	**43**	**(27)**	**107**	**(65)**	**58**

19 › Capital Management

As part of its capital management, the Company pursues sound capitalization and good solvency objectives to ensure capital protection, to respect the requirements established by the organization that regulates its operations, the AMF, to favour its development and growth, to enhance shareholder returns and to maintain favourable credit ratings.

To reach its objectives, the Company has a program of integrated risk management that aims to describe the relationship between the Company's appetite, risk tolerance and capital requirements. This program includes a capital management policy which comprises a report on integrated risk management and a report on dynamic capital adequacy testing (DCAT). These reports enable the identification of risks and contain proposals for possible risk management actions. DCAT consists in quantifying the financial impact of adverse scenarios related among other things to stress on the stock market, interest rates and credit. These documents are revised annually and filed with the Board of Directors.

Considering the various items that can influence the Company's capital, including the contribution of net income and the features of assets underlying the capital, the Company adjusts its management strategy to enable it to optimize the structure and cost of its capital according to needs and regulatory requirements. For example, the Company may issue or redeem participating shares or subordinated debt securities.

Regulatory Requirements and Solvency Ratio

The Company's capital adequacy requirements (capital adequacy) are regulated according to the guideline established by the AMF.

According to this guideline, regulatory capital contains 2 categories:

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

Tier 2 capital, which is primarily composed of subordinated debentures.

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

Required capital is determined according to four risk categories, namely asset default risk, insurance risk, changes in interest rate environment risk and segregated fund risk. Capital requirements of each category of risk are determined using factor-based or other methods that are applied to specific assets and liabilities on and off Statement of Financial Position.

The capital adequacy ratio (solvency ratio) is calculated by dividing available capital by required capital.

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 capital must be Tier 1, which absorbs the losses related to current operations.

The Company manages its capital on a consolidated basis. In the management of its capital, the Company has set a target range of 175% to 200% according to its financial flexibility for its solvency ratio. The Company also makes sure that most of its capital is Tier 1. As at December 31, 2015 and 2014, the Company maintained ratios that satisfy both the regulatory requirements and the target level it has set for itself. The subsidiaries of the Company also meet regulatory requirements for capitalization and solvency.

Regulatory Capital

	2015	2014
	$	$
Available capital		
Total Tier 1 capital (net)	**3,427**	3,217
Total Tier 2 capital (net)	**870**	667
Total	**4,297**	3,884
Required capital	**2,014**	1,861
Solvency ratio	**213%**	209%

20 › General Expenses

General Expenses by Nature

	2015	2014
	$	$
Salaries, benefits and stock-based compensation	**471**	429
Professional fees	**134**	145
Depreciation of fixed assets (Note 10)	**15**	13
Depreciation of own-use properties (Note 10)	**4**	4
Depreciation of intangible assets (Note 11)	**25**	18
Real estate operating expenses	**89**	81
Other administrative expenses	**235**	208
Total	**973**	898

General Expenses by Function

	2015	2014
	$	$
Operating expenses	**765**	718
Investment and management fees	**119**	99
Real estate operating expenses	**89**	81
Total	**973**	898

21 › Financing Charges

	2015	2014
	$	$
Interest on debentures	**31**	26
Interest on securitization liabilities	**15**	9
Others	**16**	15
Total	**62**	50

22 › Income Taxes

a) Income tax expense for the year

Income tax

	2015	2014
	$	$
Current income taxes		
Current year	**96**	86
Adjustments of previous years	**(6)**	(26)
	90	60
Deferred income taxes		
Creation and reversal of temporary differences	**(57)**	(22)
Adjustments of previous years	**5**	(38)
Variation in tax rates	**1**	---
	(51)	(60)
Total	**39**	---

Income tax recognized directly in equity

	2015	2014
	$	$
Recognized in other comprehensive income		
Current income tax expense (recovery)	**1**	2
Deferred income tax expenses (recovery)	**(12)**	(11)
	(11)	(9)

b) Reconciliation of income tax expense

The effective income tax rate is lower than the Canadian statutory tax rate due to the following items:

	2015		2014	
	$	**%**	$	%
Income before income taxes	**421**		435	
Income tax expense at Canadian statutory tax rate	**112**	**27**	116	27
Increase (decrease) in income taxes due to:				
Differences in tax rates on income not subject to tax in Canada	**3**	**1**	---	---
Tax-exempt investment income	**(74)**	**(18)**	(38)	(9)
Unused (used) tax losses not recognized as deferred tax assets	**---**	**---**	(12)	(3)
Non-taxable portion of the change in fair value of investment properties	**(3)**	**(1)**	(1)	---
Recovery of unrecognized tax losses from previous periods	**(2)**	**---**	(13)	(3)
Adjustments of previous years	**1**	**---**	(51)	(12)
Variation in tax rates	**1**	**---**	(1)	---
Other	**1**	**---**	---	---
Income tax expense (recovery) and effective income tax rate	**39**	**9**	---	---

c) Deferred income taxes

i) Recognized deferred income tax assets and liabilities

	Deferred income tax assets		Deferred income tax liabilities	
	2015	2014	**2015**	2014
	$	$	**$**	$
Insurance contract liabilities[1]	**157**	(5)	**(12)**	(140)
Real estate	**(102)**	(2)	**25**	116
Bonds	**(85)**	(6)	**22**	107
Intangible assets	**(18)**	---	**117**	118
Stocks	**(7)**	---	**2**	83
Post-employment benefits	**36**	6	**(9)**	(51)
Others	**50**	66	**5**	2
	31	59	**150**	235
Net deferred income tax liability			**119**	176

[1] Consists of insurance contract liabilities and investment contract liabilities, less reinsurance assets and policy loans.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities for the same taxable entity and the same taxation authority and if the Company intends either to settle on a net basis, or realize the asset and settle the liability simultaneously.

ii) Changes in net deferred tax assets (liabilities) for the year are as follows:

	Insurance contract liabilities	Real estate	Bonds	Stocks	Intangible assets	Post-employment benefits	Other	Total
	$	$	$	$	$	$	$	$
Balance as at December 31, 2013	37	(112)	(53)	(89)	(114)	31	54	(246)
Recognized in net income	117	(6)	(60)	6	(1)	---	4	60
Recognized in other comprehensive income	(18)	---	---	---	---	26	3	11
Effect of changes in exchange rates	(1)	---	---	---	---	---	2	1
Recognized as goodwill	---	---	---	---	(3)	---	1	(2)
Balance as at December 31, 2014	135	(118)	(113)	(83)	(118)	57	64	(176)
Recognized in net income	**18**	**(9)**	**5**	**74**	**(8)**	**5**	**(34)**	**51**
Recognized in other comprehensive income	**19**	**---**	**1**	**---**	**---**	**(17)**	**9**	**12**
Business acquisitions	**---**	**---**	**---**	**---**	**---**	**---**	**1**	**1**
Effect of changes in exchange rates	**(3)**	**---**	**---**	**---**	**---**	**---**	**7**	**4**
Recognized as goodwill	**---**	**---**	**---**	**---**	**(9)**	**---**	**(2)**	**(11)**
Balance as at December 31, 2015	**169**	**(127)**	**(107)**	**(9)**	**(135)**	**45**	**45**	**(119)**

Non capital carryforward tax losses for which a deferred tax asset has not been recognized amount to $8 ($13 in 2014). These losses will expire between the years 2024 and 2034.

The Company is subject to income tax laws in Canada and the United States. Tax laws are complex and may be subject to different interpretations by the Company and by the tax authority. The provision for income taxes and deferred income taxes represent the Company's interpretation of the tax laws and estimates of current and future tax consequences of the transactions and events during the period. In addition, future events, such as changes in tax laws, tax regulations or the interpretations of such laws or regulations could have a material effect on the amounts of the tax expense, on the deferred income tax and the effective tax rate during the year in which they occur.

The Company recognizes a deferred tax liability on all temporary differences associated with investments in subsidiaries, branches, associates and joint ventures unless the Company is able to control the timing of the reversal of these differences and it is probable that these differences will not reverse in the foreseeable future. As at December 31, 2015, temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which a deferred tax liability has not been recognized amount to $145 ($111 in 2014).

23 › Segmented Information

The Company operates and manages its activities according to four reportable operating segments, which reflect its organizational structure for decision making. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada and the operations outside Canada are not significant. The major products and services offer 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, specialized products for special markets solutions;

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

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

The allocation of other activities is performed according to a formula based on equity and is uniformly applied to each operating segments.

The other assets and other liabilities, except 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

	2015					
	Individual		Group			
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Total $
Revenues						
Net premiums	**1,579**	**1,712**	**1,328**	**1,204**	**218**	**6,041**
Investment income	**526**	**141**	**81**	**161**	**127**	**1,036**
Other revenues	**148**	**998**	**54**	**69**	**(111)**	**1,158**
	2,253	**2,851**	**1,463**	**1,434**	**234**	**8,235**
Operating expenses						
Gross benefits and claims on contracts	**726**	**1,407**	**961**	**1,060**	**116**	**4,270**
Ceded benefits and claims on contracts	**(218)**	**(43)**	**(72)**	**(22)**	**19**	**(336)**
Net transfer to segregated funds	**---**	**451**	**---**	**290**	**---**	**741**
Increase (decrease) in insurance contract liabilities	**518**	**(5)**	**3**	**(11)**	**9**	**514**
Increase (decrease) in investment contract liabilities	**1**	**---**	**20**	**---**	**---**	**21**
Decrease (increase) in reinsurance assets	**235**	**43**	**(8)**	**9**	**(13)**	**266**
Commissions, general and other expenses	**883**	**823**	**511**	**79**	**(20)**	**2,276**
Financing charges	**15**	**---**	**2**	**---**	**45**	**62**
	2,160	**2,676**	**1,417**	**1,405**	**156**	**7,814**
Income before income taxes and allocation of other activities	**93**	**175**	**46**	**29**	**78**	**421**
Allocation of other activities	**77**	**(9)**	**7**	**3**	**(78)**	**---**
Income before income taxes	**170**	**166**	**53**	**32**	**---**	**421**
Income taxes	**(8)**	**30**	**12**	**5**	**---**	**39**
Net income	**178**	**136**	**41**	**27**	**---**	**382**
Net income attributed to participating policyholders	**(4)**	**---**	**---**	**---**	**---**	**(4)**
Net income attributed to shareholders	**182**	**136**	**41**	**27**	**---**	**386**

	2014[1]					
	Individual		Group			
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Total $
Revenues						
Net premiums	1,495	1,464	1,343	920	204	5,426
Investment income	2,368	226	123	321	132	3,170
Other revenues	112	963	40	62	(93)	1,084
	3,975	2,653	1,506	1,303	243	9,680
Operating expenses						
Gross benefits and claims on contracts	841	1,314	922	963	116	4,156
Ceded benefits and claims on contracts	(302)	(40)	(63)	(25)	15	(415)
Net transfer to segregated funds	---	315	---	110	---	425
Increase (decrease) in insurance contract liabilities	2,245	36	91	200	---	2,572
Increase (decrease) in investment contract liabilities	1	---	37	---	---	38
Decrease (increase) in reinsurance assets	271	93	(13)	(31)	(3)	317
Commissions, general and other expenses	755	789	505	68	(15)	2,102
Financing charges	10	---	---	---	40	50
	3,821	2,507	1,479	1,285	153	9,245
Income before income taxes and allocation of other activities	154	146	27	18	90	435
Allocation of other activities	81	(3)	9	3	(90)	---
Income before income taxes	235	143	36	21	---	435
Income taxes	(40)	31	6	3	---	---
Net income	275	112	30	18	---	435
Net income attributed to participating policyholders	3	---	---	(1)	---	2
Net income attributed to shareholders	272	112	30	19	---	433

[1] In 2015, the Company modified the presentation of segmented information and adjusted the date of December 31, 2014 to be on a comparative basis.

Segmented Premiums

	2015					
	Individual		Group			
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Total $
Gross premiums						
Invested in general fund	**1,972**	**147**	**1,510**	**150**	**127**	**3,906**
Invested in segregated funds	**---**	**1,581**	**---**	**1,077**	**---**	**2,658**
Total	**1,972**	**1,728**	**1,510**	**1,227**	**127**	**6,564**
Premiums ceded						
Invested in general fund	**(393)**	**(16)**	**(182)**	**(23)**	**91**	**(523)**
Net premiums	**1,579**	**1,712**	**1,328**	**1,204**	**218**	**6,041**

	2014[1]					
	Individual		Group			
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Total $
Gross premiums						
Invested in general fund	1,835	131	1,488	161	122	3,737
Invested in segregated funds	---	1,352	---	783	---	2,135
Total	1,835	1,483	1,488	944	122	5,872
Premiums ceded						
Invested in general fund	(340)	(19)	(145)	(24)	82	(446)
Net premiums	1,495	1,464	1,343	920	204	5,426

[1] In 2015, the Company modified the presentation of segmented information and adjusted the date of December 31, 2014 to be on a comparative basis.

Segmented Assets and Liabilities

	2015					
	Individual		Group			
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Total $
Assets						
Invested assets	**16,189**	**2,012**	**1,700**	**3,273**	**5,892**	**29,066**
Segregated fund assets	**---**	**12,292**	**---**	**7,485**	**---**	**19,777**
Reinsurance assets	**422**	**301**	**352**	**153**	**52**	**1,280**
Other	**72**	**---**	**---**	**---**	**2,743**	**2,815**
Total assets	**16,683**	**14,605**	**2,052**	**10,911**	**8,687**	**52,938**
Liabilities						
Insurance contract liabilities and investment contract liabilities	**16,269**	**1,647**	**2,174**	**3,407**	**6**	**23,503**
Segregated fund liabilities	**---**	**12,292**	**---**	**7,485**	**---**	**19,777**
Other	**298**	**90**	**5**	**1**	**5,080**	**5,474**
Total liabilities	**16,567**	**14,029**	**2,179**	**10,893**	**5,086**	**48,754**

	2014[1]					
	Individual		Group			
	Insurance $	Wealth Management $	Insurance $	Savings and Retirement $	Other $	Total $
Assets						
Invested assets	15,711	1,896	1,798	3,302	4,702	27,409
Segregated fund assets	---	11,826	---	6,922	---	18,748
Reinsurance assets	551	291	354	162	10	1,368
Other	---	---	---	---	2,814	2,814
Total assets	16,262	14,013	2,152	10,386	7,526	50,339
Liabilities						
Insurance contract liabilities and investment contract liabilities	15,532	1,596	2,175	3,419	(8)	22,714
Segregated fund liabilities	---	11,826	---	6,922	---	18,748
Other	96	67	2	---	4,777	4,942
Total liabilities	15,628	13,489	2,177	10,341	4,769	46,404

[1] In 2015, the Company modified the presentation of segmented information and adjusted the date of December 31, 2014 to be on a comparative basis.

24 › 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 year.

	2015	2014
Net income attributed to common shareholders	**364**	400
Weighted average number of outstanding shares (in millions of units)	**101.4**	99.9
Basic earnings per share (in dollars)	**3.59**	4.01

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 in an average 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 year). In 2015, an average of 59,720 antidilutive stock options were excluded from the calculation (42,710 in 2014).

	2015	2014
Net income attributed to common shareholders	**364**	400
Weighted average number of outstanding shares (in millions of units)	**101.4**	99.9
Add: dilutive effect of stock options granted and outstanding (in millions of units)	**0.6**	0.9
Weighted average number of outstanding shares on a diluted basis (in millions of units)	**102.0**	100.8
Earnings per diluted share (in dollars)	**3.57**	3.97

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.

25 › Stock-Based Compensation

Stock Option Plan

The Company grants a certain number of common stock options to the senior management and determines the exercise price of the options, the expiry date and the date on which the options can be exercised. Once they are exercised, these options involve the issuance of new shares of the Company.

The exercise price of each option is equal to the weighted average price of the shares traded on the Toronto Stock Exchange during the 5 days of trading preceding the option grant date. The options are generally valid for 10 years. They can be exercised at a maximum rate of 25% per year for the first four anniversaries of the grant. In certain cases, the Human Resources and Corporate Governance Committee can modify the number of options purchased following an event forwarding the expiration date of the option.

The Board can grant options for a total of 7,893,300 common shares and cannot grant more than 1.4% of the issued and outstanding common shares of the Company, per person eligible for the plan.

The following table presents the activities of the plan:

	2015		2014	
	Number of stock options (in thousands)	**Weighted average exercise price (in dollars)**	Number of stock options (in thousands)	Weighted average exercise price (in dollars)
At beginning	**3,431**	**33.80**	3,418	31.94
Options granted	**513**	**40.16**	490	43.38
Options exercised	**(515)**	**31.23**	(477)	30.32
Options cancelled or expired	**(83)**	**38.78**	---	---
At end	**3,346**	**35.05**	3,431	33.80
Exercisable at end	**2,168**	**33.04**	2,215	32.00

The stock options outstanding as at December 31, 2015 by exercise prices are as follows:

Exercise prices (in dollars)	**Number of options (in thousands)**	**Weighted average exercise price (in dollars)**	**Average remaining life (in years)**
18.63 – 23.44	**264**	**19.23**	**3.10**
23.45 – 28.72	**400**	**26.03**	**6.12**
28.73 – 32.08	**334**	**32.00**	**3.94**
32.09 – 43.51	**2,348**	**38.80**	**6.11**
Total	**3,346**	**35.05**	**5.66**

Fair value of options is estimated at the grant dates using the Black-Scholes option pricing model. The fair value weighted average of the options granted in 2015 is $7.26 ($10.28 in 2014). The pricing model assumes the following information:

	2015	2014
Risk-free interest rate	**0.86%**	1.81%
Expected volatility	**28.45%**	27.90%
Expected life	**6.0 years**	6.4 years
Expected dividends	**2.86%**	2.34%
Exercise price	**$40.16**	$43.38

The Black-Scholes option pricing model estimates the fair value of traded options that have no vesting restrictions and are fully transferable. Option pricing models also use assumptions that are highly subjective, including expected volatility of the underlying stocks. The expected volatility is based on historical volatility of the common shares as well as the comparable market. Changes in assumptions can materially affect estimates of fair values.

The stock-based compensation expense during the year is $4 ($4 in 2014), and an equivalent amount was accounted in *Contributed Surplus* of the Equity Statements.

Share Purchase Plan for Employees
The Company adopted an employee share purchase plan in which employees can contribute up to 5% of their salary to a maximum of 3,000 dollars per year. The Company matches 50% of the employee's contribution amount up to a maximum of 1,000 dollars per year. The share purchase plan for employees does not involve the issuance of new shares. The shares purchased by employees are already outstanding shares of the Company and they are purchased on the market. The shares purchased by the employees under the share purchase plan must be kept by the employees for a minimum period of 2 years. During the year, the remuneration expense for this plan is $2 ($1 in 2014).

Deferred Share Units (DSU)
The plan is offered to the Company's directors and senior management. Under this plan, each member may choose to receive all or a percentage of their annual directors' remuneration or management incentive bonus in the form of DSUs. The election to participate must be made on an annual basis and rights issued are vested immediately. Each DSU is equivalent to one common share and earns dividend equivalents in the form of additional DSUs at the same rate as the dividends on common shares. The value at the time of the settlement will be based on the fair market value of the common shares. To manage the risk of cash flow variation of its common share quoted price fluctuation, the Company uses derivative financial instruments. The amount of outstanding deferred share units is 350,705 (321,544 in 2014). The remuneration expense for the plan, excluding adjustments arising from derivative financial instruments which are accounted for in *Interest and other investment income,* is $1 ($0 in 2014) and the liability is $16 ($14 in 2014).

Medium-Term Incentive Plan
This plan was created for the Company's senior management. Under this plan, each member may receive performance share units (PSU), a compensation based on the Company's performance over 3 years. Performance is measured based on the Company's total net income attributed to common shareholders. Each PSU is equivalent to one common share and earns dividend equivalents in the form of additional PSUs at the same rate as the dividends on common shares. The value at the time of settlement will be based on the fair market value of common shares for the last 20 working days of the period, increased by a vesting factor based on the Company's net income attributed to common shareholders return on equity over the three-year period. Settlement is made in cash. As at December 31, 2015, 86,568 (106,068 in 2014) performance share units are outstanding. The compensation expense recognized in respect of this plan is $2 ($2 in 2014) and the liabilities are $4 ($5 in 2014).

Stock-based compensation expense

	2015	2014
	$	$
Expenses arising from equity-settled stock-based payment transactions	**4**	4
Expense arising from cash-settled stock-based payment transactions	**5**	3
Total of stock-based compensation expense	**9**	7

These expenses are recorded in the Income Statement as *General expenses*.

26 › Post-Employment Benefits

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

Defined Benefit Plans
The Company provides defined benefit plans to eligible employees. The defined benefit plans are end of career plans based on the average of the best five years of salary. No indexation clause is included in the plan. The defined benefit plans are administered separately from the Company by retirement funds that are legally distinct entities. The retirement plan retirement committees are made up of members from the Company, members of retirement plans and non-members of retirement plans. The laws and regulations that the retirement plans are subject to require that the retirement committees act in the interests of the retirement funds and stakeholders, such as active, inactive and retired members. The retirement committees are responsible for the investment policy for retirement plan assets.

The plans are exposed to investment risks, such as credit risk, market risk, concentration risk and interest rate risk, and actuarial risks, such as risk related to mortality, rate of compensation increase and discount rate. The Company measures by extrapolation its accrued benefit obligation for the current year from the December 31, 2014 actuarial valuation. The most recent actuarial valuation of the pension plans for funding purposes was completed on December 31, 2014. The next required valuation will be performed as at December 31, 2015 and will be available later in 2016.

Other Post-Retirement Benefits
The Company 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.

Variation in the discounted value of the assets and liabilities in respect of the defined benefits of plans during the period is as follows:

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Accrued benefit plan obligation				
Balance at beginning	**958**	**40**	773	33
Current service cost	**37**	**2**	24	2
Interest cost	**39**	**2**	38	1
Employee contributions	**18**	**---**	17	---
Actuarial losses (gains) following re-measurement				
Actuarial losses (gains) on demographic assumption changes	**---**	**---**	---	1
Actuarial losses (gains) on financial assumption changes	**(57)**	**(2)**	132	5
Actuarial losses (gains) arising from members' experience	**(4)**	**---**	(1)	(1)
Benefits paid	**(28)**	**(1)**	(25)	(1)
Balance at end	**963**	**41**	958	40

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Defined benefit plan assets				
Fair value at beginning	**799**	**---**	708	---
Interest income	**33**	**---**	35	---
Actuarial gains (losses) following re-measurement				
Return of assets (excluding the amount included in the net interest)	**1**	**---**	39	---
Administrative expense	**(1)**	**---**	(1)	---
Employee contributions	**18**	**---**	17	---
Employer contributions	**30**	**---**	26	---
Benefits paid	**(28)**	**---**	(25)	---
Fair value at end	**852**	**---**	799	---

Amounts recognized in the net income and other comprehensive income

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Service cost				
Current service costs	**37**	**2**	24	2
Net interest	**6**	**2**	3	1
Administrative expense	**1**	**---**	1	---
Components of the cost of defined benefits recognized in the net income	**44**	**4**	28	3
Re-measurement of net liabilities (assets) as defined benefits				
Rate of return of assets (excluding amounts included in the net interest above)	**(1)**	**---**	(39)	---
Actuarial losses (gains) on demographic assumption changes	**---**	**---**	---	1
Actuarial losses (gains) on financial assumption changes	**(57)**	**(2)**	132	5
Actuarial losses (gains) arising from members' experience	**(4)**	**---**	(1)	(1)
Losses (gains) of components of the cost of defined benefits recognized in the accumulated other comprehensive income	**(62)**	**(2)**	92	5
Total of defined benefit cost components	**(18)**	**2**	120	8

Plan members make contributions to their retirement plan varying from 0% to 9% (0% to 9% in 2014). The Company makes the necessary residual contributions to plans. The Company finances plans in such a way as to constitute defined benefits according to the Plan provisions. The value of these benefits is established using an actuarial valuation method. The weighted average duration of the obligation in respect of defined benefits at the end of the period is 22.1 years (23.1 years in 2014) for pension plans and 11.7 years (11.7 years in 2014) for the other plans. The Company estimates that it will have to contribute an amount of $30 to its defined benefit plans in 2016.

The amount in the statement of financial position which results from the Company's obligation to defined benefit pension plans is detailed as follows:

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Accrued benefit plan obligation	**870**	**---**	864	---
Fair value of plan assets	**852**	**---**	799	---
Funded status – plan deficit (excess)	**18**	**---**	65	---
Obligation in respect of non-capitalized defined benefit plans	**93**	**41**	94	40
Net liabilities (assets) resulting from the obligation in respect of defined benefits	**111**	**41**	159	40
The amounts presented in the Statement of Financial Position are:				
Other liabilities (Note15)	**111**	**41**	159	40

The plan assets are divided as follows:

	2015	2014
	%	%
Asset classes		
Fund units		
Money Market Fund	**10**	7
Bonds Fund	**29**	29
Canadian Equity Fund	**32**	28
Global Equity Fund	**29**	36
Total	**100**	100

The retirement committee adopted, under the recommendation of the investment committee, an investment policy that takes into account the characteristics specific to the Plan, the laws and regulations that the Plan is subject to, and the investment orientations favoured by the retirement committee. The investment policy defines the target allocation of assets used as a benchmark portfolio. The primary goal of the investment policy is to ensure protection of the Plan's capital while taking into account a maximization of the return. The investment policy aims to protect the Plan's commitments and favour a regular increase in the annuities paid to retirees. The Plan is exposed to various investment risks, namely the risks that the investments suffer losses or do not produce the expected return. The investment policy contains several quantitative and qualitative measures that aim to limit the impact of these risks. All fund units have prices listed on active markets and are classified as level 1.

The effective return of plan assets is 4% (10% in 2014). The plan assets are managed by a subsidiary of the Company. The pension plan assets did not include any common shares of the Company in 2015 and 2014.

Significant Assumptions

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit plan obligation				
Discount rate	**4.4%**	**4.4%**	4.1%	4.1%
Rate of compensation increase	**3.5%**	**---**	3.5%	---
Rate of mortality (table)	**CPM-2014Publ**	**CPM-2014Publ**	CPM-2014Publ	CPM-2014Publ
Benefit plan expenses				
Discount rate	**4.1%**	**4.1%**	4.9%	4.9%
Rate of compensation increase	**3.5%**	**---**	3.5%	---

		2015	
		Other plans	
	Drugs	**Dental**	**Other**
Assumed health care cost trend rates			
Initial health care cost trend rates	**6.92%**	**4.50%**	**4.75%**
Cost trend rate declines to	**4.75%**	**4.50%**	**4.75%**
Number of years required to stabilize the rate	**10**	**---**	**---**

		2014	
		Other plans	
	Drugs	Dental	Other
Assumed health care cost trend rates			
Initial health care cost trend rates	6.92%	4.50%	4.75%
Cost trend rate declines to	4.75%	4.50%	4.75%
Number of years required to stabilize the rate	10	---	---

Sensitivity Analysis

Retirement Plan

The significant assumptions used to determine the accrued benefit plan obligation are the discount rate, the rate of compensation increase and the mortality rate. Each sensitivity analysis below is done with a variation of only one assumption with other assumptions unchanged.

Sensitivity of key assumptions of benefit plan obligation

	2015		2014	
	Pension plans		Pension plans	
	Increase	**Decrease**	Increase	Decrease
	$	**$**	$	$
Discount rate assumption				
Impact of an absolute change of 1.0%	**(158)**	**213**	(160)	223
Rate of compensation increase				
Impact of an absolute change of 1.0%	**65**	**(53)**	64	(52)
Rate of mortality				
Impact of a relative change of 10.0%	**(14)**	**15**	(14)	15

	2015	2014
Sample life expectancies based on mortality assumptions		
Male		
Age 65 in fiscal year	**22.7**	22.7
Age 65 in fiscal year + 30 years	**24.2**	25.1
Female		
Age 65 in fiscal year	**24.6**	24.6
Age 65 in fiscal year + 30 years	**26.0**	26.3

Other Post-Retirement Benefits

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

	2015		2014	
	Increase	**Decrease**	Increase	Decrease
	$	**$**	$	$
Accrued benefit obligation	**4**	**(3)**	6	(5)

The impact of the one percentage-point fluctuation in the assumed health care cost trend on the total of service and interest cost for 2015 and 2014 is less than $1.

The Company could expect interrelations between the assumptions, especially between the discount rate and expected growth of salaries since they are both influenced by the expected inflation rate. The above analysis excludes these interrelations between assumptions.

Defined Contribution Plan

A defined contribution plan, providing pension benefits, is maintained by the Company. These amounts are not included in the cost recognized for the defined benefit plans above. The total cost recognized for the Company's defined contribution plan is $1 ($1 in 2014). The liability related to this plan is presented in *Other liabilities* (Note 15, included in *Accounts payable*) for an amount of $2 ($3 in 2014).

27 › Related Party Transactions

The Company eliminates transactions carried out with its subsidiaries and carried out between the various members of its group of companies on consolidation. The Company provides investment management services to its pension plans. These services are offered by the Company in the normal course of business and are subject to normal market conditions. The Company concludes transactions with associates. These transactions are concluded in the normal course of business and were subject to normal market conditions.

Key Management Personnel

The Company's key management personnel are members of senior management, who have the power and responsibility to plan, manage and control the Company's operations. Senior executives are likely to purchase insurance, wealth management and other products and services offered by the Company as part of its regular operations. The terms and conditions of these operations are essentially the same as those granted to clients or employees.

The compensation of directors and key management personnel for the year was as follows:

	2015	2014
	$	$
Salaries and other short-term benefits	**6**	6
Post-retirement benefits	**1**	1
Stock-based compensation	**3**	3
Total	**10**	10

28 › Guarantees, Commitments and Contingencies

In the normal course of its operations, the Company frequently concludes several types of contracts or agreements which, in certain cases, can be considered as guarantees, commitments or contingencies.

Contracts

The Company currently has contracts covering various products and services, such as outsourced computer services, which, due to their nature, are difficult to cancel. The Company is also part of operating leases, including offices and equipment. The minimum amounts of commitment for the next few years are as follows:

	2016	2017	2018	2019	2020 and following
	$	$	$	$	$
Products and services	47	39	33	28	32
Operating leases	20	17	12	8	8
Total	67	56	45	36	40

Commitments

The Company committed to a third party for one of its subsidiaries. This commitment represents a maximum amount of $57 ($74 in 2014). The Company is also committed to third parties to ensure the funds offered by one of its subsidiaries.

Investments

In the normal course of business, various outstanding contractual commitments related to offers for commercial and residential loans, private placements and real estate are not reflected in the financial statements and may not be fulfilled. There were $466 ($523 in 2014) of outstanding investment commitments as at December 31, 2015, of which $36 ($73 in 2014) mature in 30 days, $207 ($270 in 2014) mature in 31 to 365 days and $223 ($180 in 2014) mature in more than one year.

Letters of Credit

In the normal course of its operations, the Company issues bank letters of credit. The balance of these letters is $2 ($2 in 2014).

Indemnifications

Under certain unusual circumstances, the Company could be called upon to pay specific indemnifications. The primary indemnifications would concern the Company's directors, among others, in case of an event not covered by the liability insurance on the directors. The amount of these indemnifications cannot be determined. The Company has not had to pay out significant indemnities in the past and considers the likelihood of such payment being made to be low.

Lines of Credit

As at December 31, 2015, the Company had operating lines of credit totalling $57 ($57 as at December 31, 2014). As at December 31, 2015 and 2014, 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.

Litigations

The Company is regularly involved in legal actions, both as defendant and as a plaintiff. In addition, government and regulatory bodies in Canada and in the United States, from time to time, make inquiries and require the production of information or conduct examinations or investigations concerning the Company's compliance with insurance, securities and other laws. Management does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

29 › Subsidiaries

The following is a list of directly and indirectly held major operating subsidiaries

As at December 31, 2015	Ownership (%)	Address	Description
The Excellence Life Insurance Company	100	Montreal, Canada	Life and health insurance company that specializes in distribution of life and health insurance products
IA American Life Insurance Company[1]	100	Waco, Texas, United States	Life and health insurance company that offers life insurance and annuity products in the United States
IA Clarington Investments Inc.	100	Toronto, Canada	Fund management firm that markets investment products, including mutual funds and segregated funds
Investia Financial Services Inc.[1]	100	Quebec City, Canada	Mutual fund broker
FundEX Investments Inc.	100	Vaughan, Canada	Mutual fund broker
Industrial Alliance Securities Inc.	100	Montreal, Canada	Full-service brokerage firm
Industrial Alliance Trust Inc.	100	Quebec City, Canada	Offers trust products and services
Industrial Alliance Investment Management Inc.	100	Quebec City, Canada	Investment advisor that oversees the management of the Industrial Alliance group's general fund, segregated fund and mutual fund portfolios
Industrial Alliance Auto and Home Insurance Inc.	100	Quebec City, Canada	Property and casualty insurance company
Leon Frazer & Associates Inc.	100	Toronto, Canada	Asset portfolio management and mutual fund portfolio management
Forstrong Global Asset Management Inc.	100	Kelowna, Canada	International wealth management and mutual fund portfolio management (exchange-traded funds)
T.E. Investment Counsel Inc.	100	Toronto, Canada	Asset portfolio management and financial planning services
Industrial Alliance Pacific, General Insurance Corporation	100	Quebec City, Canada	Property and casualty insurance, and other ancillary products company
SAL Marketing Inc.	100	Vancouver, Canada	Extended warranty and other ancillary products company
National Warranties MRWV Limited	100	Laval, Canada	Extended warranty and other ancillary products company
CTL Corp.	100	Oakville, Canada	Auto finance company

[1] These subsidiaries hold directly or indirectly other subsidiaries with essentially a 100% ownership.

Industrial Alliance Board of Directors

◆▼

John LeBoutillier
C.M., LL.L., M.B.A.
- Chairman of the Board since 2005
- Board member since 1997
- Lawyer
- Chairman of the Board of iA Financial Group

▲▼

Jocelyne Bourgon
P.C., O.C.
- Board member since 2014
- President of Public Governance International (PGI) Inc.

●◆

Pierre Brodeur
- Board member since 1999
- Corporate Director

Yvon Charest
F.S.A., F.C.I.A.
- Board member since 1999
- Actuary
- President and Chief Executive Officer of iA Financial Group

●

Denyse Chicoyne
- Board member since 2014
- Corporate Director

◆▲

Robert Coallier
B.A. with Major in Economics, M.B.A.
- Board member since 2008
- Chief Executive Officer of Agropur cooperative

▲

L.G. Serge Gadbois
FCPA, FCA, M.B.A.
- Board member since 2006
- Chartered Accountant
- Corporate Director

▲

Michael Hanley
CPA, CA
- Board member since 2015
- Chartered Accountant
- Corporate Director

●▼

Claude Lamoureux
B.A., B.Comm., F.S.A., F.C.I.A.
- Board member since 2010
- Corporate Director

●

Jacques Martin
B.Comm., LL.B., M.B.A.
- Board member since 2011
- Corporate Director

◆▼

Francis P. McGuire
M.A., B.A.
- Board member since 2001
- Executive and Corporate Director

▲

Danielle G. Morin
F.C.I.A.
- Board member since 2014
- Corporate Director

●◆

Jim Pantelidis
B.Sc., M.B.A.
- Board member since 2002
- Degree in science
- Corporate Director

▲

Mary C. Ritchie
FCA
- Board member since 2003
- Chartered Accountant
- President of Richford Holdings Ltd., an investment consultation services company

● Investment Committee
▲ Audit Committee
▼ Ethics Committee
◆ Human Resources and Governance Committee

Corporate Secretary of the Board
Jennifer Dibblee
B.Sc., B.C.L., LL.B.

Assistant Corporate Secretary
Joshua R. Pedelty
J.D., B.A., CLU

Management of iA Financial Group

Planning Committee, Corporate Services and Investments

Yvon Charest – F.S.A., F.C.I.A.[1]
President and Chief Executive Officer

René Chabot – F.S.A., F.C.I.A.[1]
Executive Vice-President, Chief Financial Officer and Chief Actuary

Renée Laflamme – CPA, CA, CFA[1]
Executive Vice-President
Group Benefits and Retirement Solutions

Carl Mustos – M.B.A.[1]
President
iA Clarington Investments Inc.

Normand Pépin – F.S.A., F.C.I.A.[1]
Executive Vice-President and
Assistant to the President

Denis Ricard – F.S.A., F.C.I.A.[1]
Executive Vice-President
Individual Insurance and Annuities

Michael L. Stickney – F.S.A., F.C.I.A., M.B.A.[1]
President
iA American Life Insurance Company

Michel Tremblay – F.S.A., F.C.I.A., CFA[1]
Executive Vice-President and
Chief Investment Officer

Jean-François Boulet – B.R.I., Fellow CHRP
Senior Vice-President
Human Resources and Communications

Guy Daneau – B.B.A., M.B.A.
Senior Vice-President
Information Systems

Clément Gignac – M.E.Sc.
Senior Vice-President and
Chief Economist

Jennifer Dibblee – B.Sc., B.C.L., LL.B.
Vice-President, Legal Services
Corporate Secretary

Éric Jobin – F.S.A., F.C.I.A.
Vice-President
Corporate Actuarial

Normand Gervais – LL.B., M.Fisc.
Vice-President
Acquisitions and Corporate Development

Lyne Pelchat – CPA, CA
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Accounting and Taxation

Jacques Potvin – F.S.A., F.C.I.A.
Vice-President and Chief Risk Officer

Geneviève Turcotte – CPA, CA
Vice-President
Internal Audit

Marie-Élaine Gaudreault – F.S.A., F.C.I.A.
Vice-President
Mortgage Loans

Frank Lachance – CFA, CPA, CGA
Vice-President
General Fund

François Lalande – CFA
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Portfolio Management

Claude Tessier – B.Sc.A.
Vice-President
Real Estate Investments

Personal Financial Services

Bruno Michaud – B.B.A., F.L.M.I./M.
Senior Vice-President
Administration and Sales

Paul R. Grimes – CFP, CLU, Ch.F.C.
Senior Vice-President, Sales
(Ontario and Western Canada)

Randall Fell – B.Proc., CFP, EPC
Vice-President, Sales
Personal Financial Services

Manon Gauthier – CPA, CA, CFA
Vice-President
Individual Savings and Retirement

Johnny Roy – RLU, F.Pl.
Vice-President, Sales
Career Section

American-Amicable Group of Companies
Joe W. Dunlap – CLU, Ch.F.C., F.L.M.I.
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President and Chief Operating Officer

MRA
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President and General Manager

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President

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Actuarial and Underwriting
Group Insurance

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Senior Vice-President
Special Markets Solutions

Gary J. Coles – F.L.M.I./M., A.C.S.
Senior Vice-President
Group Life and Health Administration

Alnoor Jiwani – F.L.M.I.
Senior Vice-President
Business Development and Finance
Dealer Services

Luc Samson
Vice-President, Sales and Administration
Dealer Services

CTL Corp.
Jeffrey Newhouse
President

[1] Member of the Planning Committee

Offices of iA Financial Group

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

Head Office – Quebec City

1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
418-684-5000
1-800-463-6236
ia.ca

Individual Insurance and Individual Wealth Management

Quebec Service and Sales Centre

1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
1-844-442-4636

Toronto Service and Sales Centre

522 University Avenue
Toronto, ON M5G 1Y7
416-585-8862
1-844-442-4636

Vancouver Service and Sales Centre

2165 Broadway West
PO Box 5900
Vancouver, BC V6B 5H6
604-734-1667
1-844-442-4636

Moncton

200 Champlain Street
Suite 260
Dieppe, NB E1A 1P1
506-855-5310
1-800-577-4747

Winnipeg

201 Portage Avenue
Suite 1505
Winnipeg, MB R3B 3K6
204-956-2802
1-800-268-4886

Calgary

1414 8th Street S.W.
Suite 310
Calgary, AB T2R 1J6
403-241-9817
1-877-656-9817

Mortgage Loans

Quebec City

925 Grande Allée West
Suite 200
Quebec City, QC G1S 1C1
418-686-7738
1-888-368-7738

Montreal

2000 McGill College Avenue
Suite 1550
PO Box 790, Station B
Montreal, QC H3B 3K6
514-499-6680
1-800-361-2173

Toronto

522 University Avenue
10th Floor
Toronto, ON M5G 1Y7
416-585-8832
1-877-585-8832

Vancouver

1188 West Georgia Street
Suite 1910
Vancouver, BC V6E 4A2
604-688-8631
1-866-688-8631

Group Insurance Employee Plans

Halifax

Corporate Campus
Suite 320
238 Brownlow Avenue
Dartmouth, NS B3B 1Y2
902-422-6479
1-800-255-2116

Quebec City

925 Grande Allée West
Suite 420
Quebec City, QC G1S 1C1
418-684-5205
1-800-463-7274

Montreal

2000 McGill College Avenue
Suite 1520
PO Box 790, Station B
Montreal, QC H3B 3K6
514-499-3750
1-866-499-3750

Toronto

522 University Avenue
Toronto, ON M5G 1Y7
416-585-8055

Calgary

777 8th Avenue S.W.
Suite 2050
Calgary, AB T2P 3R5
403-532-1500

Vancouver

1055 West Hastings Street
Suite 1130
Vancouver, BC V6E 2E9
604-689-0388

Group Insurance Dealer Services

Divisional Headquarters – Vancouver

2165 Broadway West
PO Box 5900
Vancouver, BC V6B 5H6
604-734-1667
1-800-665-5815

Halifax

238A Brownlow Avenue
Suite 302
Dartmouth, NS B3B 2B4
902-468-8698

Montreal

8840 Taschereau Boulevard
Brossard, QC J4X 1C2
450-465-0630
1-888-465-0630

Toronto

1320 Cornwall Road
Suite 103
Oakville, ON L6J 7W5
905-847-7900
1-800-668-4702

Winnipeg

865 Waverley Street
Suite 102
Winnipeg, MB R3T 5P4
204-942-8907
1-866-227-7446

Saskatoon

510 Cope Way
Suite 50
Saskatoon, SK S7T 0G3
306-665-0050

Edmonton

Terrace Plaza
Suite 840
4445 Calgary Trail Southbound
Edmonton, AB T6H 5R7
780-435-1833
1-888-435-1833

Vancouver

2165 Broadway West
PO Box 5900
Vancouver, BC V6B 5H6
604-882-8220
1-877-882-8220

CTL CORP.

Head Office – Oakville

1660 North Service Road East
Suite 104
Oakville, ON L6H 7G3
905-815-9510
1-855-378-5626

Saint-Lambert

6 Desaulniers Boulevard
Suite 305
Saint-Lambert, QC J4P 1L3
1-855-378-5626

Group Insurance Special Markets Solutions

Divisional Headquarters – Vancouver

2165 Broadway West
PO Box 5900
Vancouver, BC V6B 5H6
604-737-3802
1-800-266-5667

Montreal

2000 McGill College Avenue
Suite 1520
PO Box 790, Station B
Montreal, QC H3B 3K6
514-499-3748
1-866-499-3748

Toronto

515 Consumers Road
Suite 400
Toronto, ON M2J 4Z2
416-498-8319
1-800-611-6667

Calgary

777 8th Avenue S.W.
Suite 2050
Calgary, AB T2P 3R5
403-266-7582
1-800-661-1699

Vancouver

1188 West Georgia Street
Suite 1910
Vancouver, BC V6E 4A2
604-688-9641
1-888-725-2886

Group Savings and Retirement

Halifax

238 Brownlow Avenue
Suite 320
Dartmouth, NS B3B 1Y2
902-422-6479
1-800-255-2116

Quebec City

925 Grande Allée West
Suite 420
Quebec City, QC G1S 1C1
418-684-5576
1-800-549-4097

Montreal

2000 McGill College Avenue
Suite 2100
Montreal, QC H3A 3H3
514-499-6600
1-800-697-9767

Toronto

522 University Avenue
13th Floor
Toronto, ON M5G 1Y7
416-585-8917
1-877-902-4920

Calgary

777 8th Avenue S.W.
Suite 2000
Calgary, AB T2P 3R5
403-218-3248
1-888-532-1505, ext. 248

Vancouver

1188 West Georgia Street
Suite 1910
Vancouver, BC V6E 4A2
604-689-0388, ext. 223
1-800-557-2515

INDUSTRIAL ALLIANCE PACIFIC GENERAL INSURANCE CORPORATION

Divisional Headquarters – Vancouver

2165 Broadway West
PO Box 5900
Vancouver, BC V6B 5H6
604-734-1667

IA AMERICAN LIFE INSURANCE COMPANY

Head Office – Scottsdale, Arizona

17550 North Perimeter Drive
Suite 210
Scottsdale, AZ 85255
USA
480-473-5540
1-888-473-5540
iaamerican.com

AMERICAN-AMICABLE LIFE INSURANCE COMPANY OF TEXAS

Head Office – Waco, Texas

425 Austin Avenue
PO Box 2549
Waco, TX 76702
USA
254-297-2777
1-800-736-7311

THE EXCELLENCE LIFE INSURANCE COMPANY

Head Office – Montreal

5055 Metropolitain Boulevard East
Suite 202
Montreal, QC H1R 1Z7
514-327-0020
1-800-465-5818
iaexcellence.com

MRA

Head Office – Montreal

5055 Metropolitain Boulevard East
Suite 200
Montreal, QC H1R 1Z7
514-329-3333
1-800-363-5956
info@cabinetmra.com

IA CLARINGTON INVESTMENTS INC.

Head Office – Quebec City

1080 Grand Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
418-684-5565
iaclarington.com

Montreal

2000 McGill College Avenue
Suite 260
Montreal, QC H3A 3H3
514-788-3555
1-877-856-6845

Toronto

522 University Avenue
Suite 700
Toronto, ON M5G 1Y7
416-860-9880
1-888-860-9888

26 Wellington Street East
Suite 500
Toronto, ON M5E 1S2
416-860-9880
1-888-860-9888

Calgary

777 8th Avenue S.W.
Suite 2020
Calgary, AB T2P 3R5
403-806-1078
1-888-806-1078

Vancouver

885 West Georgia Street
Suite 1350
Vancouver, BC V6C 3E8
604-408-2818
1-877-341-1144

FORSTRONG GLOBAL ASSET MANAGEMENT

Head Office – Kelowna

307 Banks Road
Suite 206
Kelowna, BC V1X 6A1
1-888-419-6715

Toronto

26 Wellington Street East
Suite 920
Toronto, ON M5E 1S2
416-848-3347

Winnipeg

330 St. Mary Avenue
Suite 800
Winnipeg, MB R3C 3Z5
1-888-419-6715

LEON FRAZER & ASSOCIATES INC.

Head Office – Toronto

26 Wellington Street East
Suite 800
Toronto, ON M5E 1S2
416-864-1120

Calgary

645 7th Avenue S.W.
Suite 2400
Calgary, AB T2P 4G8
403-538-3219

Vancouver

475 West Georgia Street
Suite 520
Vancouver, BC V6B 4M9
1-866-266-4730

T.E. INVESTMENT COUNSEL INC.

Head Office – Toronto

26 Wellington Street East
Suite 710
Toronto, ON M5E 1S2
416-366-1451

St. John's (Newfoundland)

PO Box 8661 St. John's
St. John's, NL A1B 3T1
709-579-3344

Quebec City

710 Bouvier Street
Suite 200
Quebec City, QC G2J 1C2
418-627-9905

Montreal

2020 Robert-Bourassa Boulevard
Suite 2100
Montreal, QC H3A 2A5
514-845-3200

Calgary

645 7th Avenue S.W.
Suite 2400
Calgary, AB T2P 4G8
403-233-8370

Vancouver

475 West Georgia Street
Suite 720
Vancouver, BC V6B 4M9
604-684-2196

INVESTIA FINANCIAL SERVICES INC.

Head Office – Quebec City

6700 Pierre-Bertrand Boulevard
Suite 300
Quebec City, QC G2J 0B4
418-684-5548
1-888-684-5548
investia.ca

Halifax

3650 Hammonds Plains Road
Unit 14, Suite 341
Upper Tantallon, NS B3Z 4R3
1-888-684-5548

Vaughan

400 Applewood Crescent
3rd Floor
Vaughan, ON L4K 0C3
1-888-684-5548

Calgary

1414 8th Street S.W.
Suite 310
Calgary, AB T2R 1J6
1-888-684-5548

Vancouver

1188 West Georgia Street
Suite 1910
Vancouver, BC V6E 4A2
1-888-684-5548

FUNDEX INVESTMENTS INC.

Head Office – Vaughan

400 Applewood Crescent
3rd Floor
Vaughan, ON L4K 0C3
905-305-1651
1-800-324-6048
fundex.com

INDUSTRIAL ALLIANCE SECURITIES INC.

Head Office – Montreal

2200 McGill College Avenue
Suite 350
Montreal, QC H3A 3P8
514-499-1066
1-800-361-7465
iasecurities.com

Quebec City

6700 Pierre-Bertrand Boulevard
Suite 205
Quebec City, QC G2J 0B4
418-684-5171
1-866-684-5171

1040 Belvédère Avenue
Suite 101
Quebec City, QC G1S 3G3
418-681-2442
1-800-207-2445

Toronto

26 Wellington Street East
Suite 900
Toronto, ON M5E 1S2
416-864-6477
1-866-269-7773

Mississauga

5090 Explorer Drive
Suite 402
Mississauga, ON L4W 4T9
905-272-8004

London

140 Fullarton Street
Suite 1204
London, ON N6A 5P2
519-963-8005
1-866-723-9297

Winnipeg

140 Bannatyne Avenue
Suite 500
Winnipeg, MB R3B 3C5
204-953-4400
1-866-768-6138

Saskatoon

224 4th Avenue S.
Suite 600
Saskatoon, SK S7K 5M5
306-385-6250
1-866-992-9928

Calgary

301 8th Avenue S.W.
Suite 600
Calgary, AB T2P 1C5
403-705-4970
1-866-614-4970

Immigrant Investor Program – Montreal

2200 McGill College Avenue
Suite 320
Montreal, QC H3A 3P8
514-499-1170

INDUSTRIAL ALLIANCE TRUST INC.

Head Office – Quebec City

1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
418-684-5000
iatrust.ca

INDUSTRIAL ALLIANCE AUTO AND HOME INSURANCE INC.

Head Office – Quebec City

925 Grande Allée West
Suite 230
Quebec City, QC G1S 1C1
418-650-4600
1-800-463-4382
industrielleallianceauto.com

NATIONAL FINANCIAL INSURANCE AGENCY INC.

Head Office – Quebec City

6700 Pierre-Bertrand Boulevard
Suite 300
Quebec City, QC G2J 0B4
418-684-5548
1-888-684-5548
nfiai.ca

Vaughan

400 Applewood Crescent
3rd Floor
Vaughan, ON L4K 0C3
416-619-8708
1-888-332-3466

SOLICOUR INC.

Divisional Headquarters – Quebec City

Place-Iberville-IV
Suite 720
2954 Laurier Boulevard
Quebec City, QC G1V 4T2
418-650-2211
1-888-852-4444

Montreal

Place Val-des-Arbres
Tower A, Suite 615
1600 Saint-Martin Boulevard East
Laval, QC H7G 4R8
450-669-9454
1-888-243-7152

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The paper used for the annual report is alkaline based or neutral and is treated without elemental chlorine. It is produced using biogas and has the EcoLogo certification.

This annual report was jointly produced by the iA Financial Group Actuarial, Accounting, Investor Relations, Communications and Public Relations departments.

Legal deposit: March 2016 | ISSN 1711-8883
Bibliothèque nationale du Québec
National Library of Canada
Ce rapport est également disponible en français.

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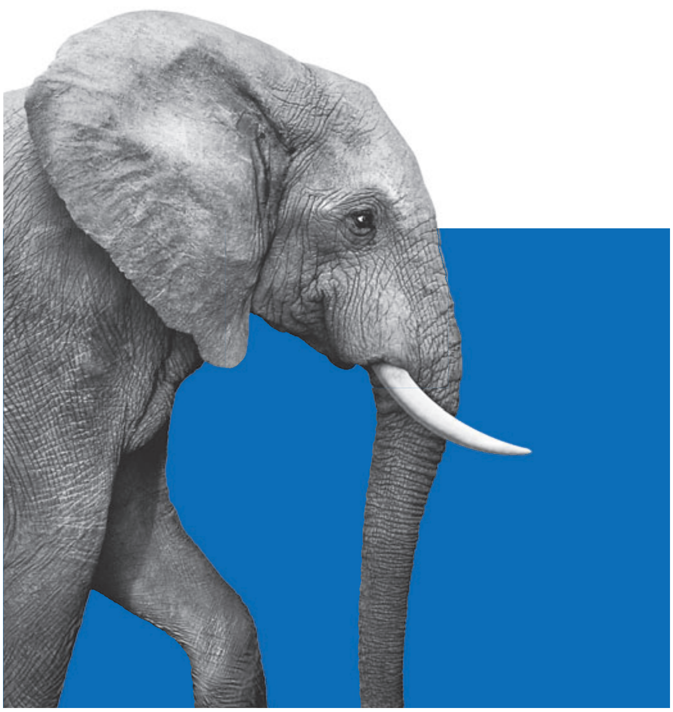
For information on upcoming earnings releases, investor conference calls and related disclosure documents, consult our website at ia.ca, under *About iA*, in the *Investor Relations/Financial Reports* section.

For questions regarding iA Financial Group products and services, contact your agent or consult pages 126 to 128 of this annual report to find the office nearest you.



Shareholder Information

Head Office

iA Financial Group
1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3

Telephone: 418-684-5000
Toll-free: 1-800-463-6236
ia.ca

Stock Exchange Listing

Industrial Alliance's common shares are listed on the Toronto Stock Exchange under the stock symbol IAG.

Annual Meeting of Shareholders

Thursday, May 5, 2016 at 2:00 PM
Quebec City Convention Centre
1000 René-Lévesque Blvd. East
Quebec City, Quebec

Dividend Reinvestment and Share Purchase Plan

Computershare Trust Company of Canada

Telephone: 514-982-7555
Toll-free: 1-877-684-5000
ia@computershare.com

Shareholder Services

For questions regarding share accounts, dividends, changes of address and ownership and other related matters, contact our transfer agent:

Computershare Investor Services Inc.

Telephone: 514-982-7555
Toll-free: 1-877-684-5000
ia@computershare.com

Investor Relations

For analysts, portfolio managers and investors requesting financial information, contact our Investor Relations Department:

Telephone: 418-684-5000, extension 5862
Toll-free: 1-800-463-6236, extension 5862
Fax: 418-684-5192
investors@ia.ca

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