

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement (the “Prospectus Supplement”), together with the short form base shelf prospectus dated September 10, 2015, to which it relates, as amended or supplemented (the “Shelf Prospectus”) and each document incorporated by reference into this Prospectus Supplement and into the Shelf Prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this Prospectus Supplement and the Shelf Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary’s Office of Intact Financial Corporation, 700 University Avenue, Suite 1500-A (Legal), Toronto, Ontario, M5G 0A1, (416) 341-1464, ext. 45149 or 2020 Robert-Bourassa Boulevard, 6th Floor, Montréal, Québec, H3A 2A5, (514) 985-7111 ext. 66367 and are also available electronically at www.sedar.com.

The securities to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws and, except as described under “Plan of Distribution”, may not be offered, sold or delivered, directly or indirectly, in the United States.

PROSPECTUS SUPPLEMENT
(to short form base shelf prospectus dated September 10, 2015)

New Issue

May 16, 2017



INTACT FINANCIAL CORPORATION

\$150,000,000

6,000,000 5.20% Non-Cumulative Class A Shares, Series 5

Intact Financial Corporation (“IFC”) is hereby qualifying for distribution (the “Offering”) 6,000,000 Non-Cumulative Class A Shares, Series 5 (the “Series 5 Preferred Shares”) at a price of \$25.00 per Series 5 Preferred Share. The Series 5 Preferred Shares are being offered pursuant to an underwriting agreement dated May 16, 2017 (the “Underwriting Agreement”) between IFC and CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., RBC Dominion Securities Inc. Scotia Capital Inc., Desjardins Securities Inc., GMP Securities L.P., Raymond James Ltd., Cormark Securities Inc. and Macquarie Capital Markets Canada Ltd. (collectively, the “Underwriters”). The terms of the Offering have been determined by negotiation between IFC and the Underwriters. See “Details of the Offering” and “Plan of Distribution”.

The holders of Series 5 Preferred Shares will be entitled to fixed non-cumulative preferential cash dividends, if, as and when declared by the board of directors of IFC (the “Board of Directors”) at a rate equal to \$1.30 per share per annum. The initial dividend, if declared, will be payable on September 30, 2017 and will be \$0.45945 per Series 5 Preferred Share, based on an anticipated closing date of May 24, 2017. Thereafter, dividends will be payable quarterly on the last day of March, June, September, and December in each year at a rate of \$0.325 per Series 5 Preferred Share. See “Details of the Offering”.

The Series 5 Preferred Shares shall not be redeemable at the option of IFC prior to June 30, 2022. On or after June 30, 2022, IFC may, on not less than 30 nor more than 60 days’ notice, redeem the Series 5 Preferred Shares in whole or in part, at IFC’s option, by the payment in cash of \$26.00 per Series 5 Preferred Share if redeemed prior to June 30, 2023, of \$25.75 per Series 5 Preferred Share if redeemed on or after June 30, 2023 but prior to June 30, 2024, of \$25.50 per Series 5 Preferred Share if redeemed on or after June 30, 2024 but prior to June 30, 2025, of \$25.25 per Series 5 Preferred Share if redeemed on or after June 30, 2025 but prior to June 30, 2026, and of \$25.00 per Series 5 Preferred Share if redeemed on or after June 30, 2026, in each case together with all declared and unpaid dividends up to but excluding the date fixed for redemption. See “Details of the Offering”.

Price: \$25.00 per Series 5 Preferred Share to yield 5.20% per annum

	Price to the Public	Underwriters' Fee ⁽¹⁾	Net Proceeds to IFC ⁽²⁾⁽³⁾
Per Series 5 Preferred Share.....	\$25.00	\$0.75	\$24.25
Total ⁽³⁾	\$150,000,000	\$4,500,000	\$145,500,000

- (1) The Underwriters' fee is \$0.25 for each Series 5 Preferred Share sold to certain institutions and \$0.75 per Series 5 Preferred Share for all other Series 5 Preferred Shares that are sold. The totals set forth in the table above represent the Underwriters' fee and net proceeds assuming all Series 5 Preferred Shares are sold with an Underwriters' fee of \$0.75 per Series 5 Preferred Share.
- (2) Before deducting the expenses of the Offering, estimated at \$250,000, which will be paid from the proceeds of this Offering.
- (3) The Underwriters originally agreed to purchase 5,000,000 Series 5 Preferred Shares and, in addition, IFC granted the Underwriters an option (the "Underwriters' Option"), exercisable in whole or in part, at any time and from time to time, until 8:30 a.m. on the date that is two business days prior to the closing of the Offering, to purchase up to an aggregate of 1,000,000 additional Series 5 Preferred Shares on the same terms. Prior to the filing of this Prospectus Supplement, the Underwriters exercised the Underwriters' Option in full. A purchaser who acquires Series 5 Preferred Shares issued pursuant to the exercise of the Underwriters' Option acquires those Series 5 Preferred Shares under this Prospectus Supplement. See "Plan of Distribution."

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series 5 Preferred Shares. Listing of the Series 5 Preferred Shares offered under this Prospectus Supplement is subject to IFC fulfilling all the listing requirements of the TSX on or before August 10, 2017. **There is currently no market through which the Series 5 Preferred Shares may be sold and purchasers may not be able to resell Series 5 Preferred Shares purchased under this Prospectus Supplement. This may affect the pricing of the Series 5 Preferred Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 5 Preferred Shares and the extent of issuer regulation. See "Risk Factors". There can be no assurance that the Series 5 Preferred Shares will be accepted for listing on the TSX.**

The Underwriters, as principals, conditionally offer the Series 5 Preferred Shares, subject to prior sale, if, as and when issued and delivered by IFC to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters relating to Canadian law on behalf of IFC by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on May 24, 2017, or on such later date as may be agreed, but in any event not later than June 7, 2017. Book-entry only certificates representing the Series 5 Preferred Shares will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") or its nominee and will be deposited with CDS on the closing date of the Offering. A purchaser of Series 5 Preferred Shares will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Series 5 Preferred Shares are purchased.

The outstanding Class A Shares of IFC (as defined herein), Series 1, Series 3 and Series 4, are traded on the TSX under the stock symbols "IFC.PR.A", "IFC.PR.C", and "IFC.PR.D", respectively.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Series 5 Preferred Shares at levels other than those which might otherwise prevail on the open market. **In certain circumstances, the Underwriters may offer the Series 5 Preferred Shares at a price lower than the offering price specified in this Prospectus Supplement. See "Plan of Distribution".**

Investing in the Series 5 Preferred Shares involves certain risks. See "Risk Factors" and "Forward-Looking Statements".

CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., RBC Dominion Securities Inc. and Scotia Capital Inc. are wholly-owned subsidiaries of Canadian banks that are currently lenders to IFC under its existing credit facility described under "Consolidated Capitalization". Accordingly, IFC may be considered a "connected issuer" of these Underwriters within the

meaning of applicable securities legislation. See “Financing of the Acquisition”, “Use of Proceeds”, “Consolidated Capitalization” and “Plan of Distribution”.

DBRS Limited (“DBRS”) has assigned a rating of Pfd-2 with a Stable trend for the Series 5 Preferred Shares. See “Ratings”.

The registered and head office of IFC is located at 700 University Avenue, Suite 1500-A (Legal), Toronto, Ontario, Canada, M5G 0A1.

In this Prospectus Supplement, references to “IFC”, “we”, “us” and “our” refer to IFC and its operating subsidiaries unless the subject matter or context is inconsistent therewith and all references to currency amounts are to Canadian dollars unless otherwise specified and references to “US\$” are to U.S. dollars. The rounding of certain figures contained in this Prospectus Supplement may cause a non-material discrepancy in totals, subtotals and percentages. This Prospectus Supplement contains terms that are specific to the insurance industry and that are technical in nature. Certain of these terms are described in “Glossary of Selected Insurance and Other Terms” in this Prospectus Supplement.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference in the Shelf Prospectus for the purpose of this Offering. The following documents of IFC filed with the various securities commissions or similar authorities in Canada are incorporated by reference into the Shelf Prospectus and this Prospectus Supplement:

- (a) the annual information form of IFC for the year ended December 31, 2016 dated March 31, 2017 (the “Annual Information Form”);
- (b) the audited consolidated financial statements of IFC, together with the auditors’ report thereon and the notes thereto, as at and for the year ended December 31, 2016 (the “Annual Financial Statements”);
- (c) management’s discussion and analysis of operating and financial results of IFC for the year ended December 31, 2016 (the “Annual MD&A”);
- (d) the management proxy circular of IFC dated March 31, 2017 in respect of IFC’s annual and special meeting of shareholders held on May 3, 2017;
- (e) the unaudited interim consolidated financial statements of IFC, together with the notes thereto, as at and for the three months ended March 31, 2017;
- (f) management’s discussion and analysis of operating and financial results of IFC for the three months ended March 31, 2017 (the “Interim MD&A”);
- (g) the sections entitled:
 - (i) “*Industry Data*”;
 - (ii) “*Intact Financial Corporation*”;
 - (iii) “*The Acquisition*”;
 - (iv) “*Risk Factors – Risks Relating to the Acquisition*”; and
 - (v) “*Risk Factors – Risks Relating to OneBeacon’s Business*”;of the short form prospectus supplement of IFC dated May 4, 2017 (the “Prior Prospectus”);
- (h) the audited consolidated financial statements of OneBeacon Insurance Group, Ltd. (“OneBeacon”), together with the auditors’ report thereon and the notes thereto, as at and for the years ended December 31, 2016 and 2015 included in the Prior Prospectus;
- (i) the unaudited interim consolidated financial statements of OneBeacon as at and for the three months ended March 31, 2017 included in the Prior Prospectus;
- (j) the “template version” (as such term is defined in National Instrument 44-101 – *Short Form Prospectus Distributions* (“NI 44-101”)) of the term sheet for the Offering dated and filed May 12, 2017 (the “Term Sheet”); and
- (k) the material change report dated May 4, 2017 with respect to the Acquisition, Subscription Receipt Public Offering and the Concurrent Private Placements (each as defined herein).

Any documents of the type described in section 11.1 of Form 44-101F1 — *Short Form Prospectus* filed by IFC with the securities commissions or similar authorities in Canada after the date of this Prospectus Supplement

and prior to the termination of the Offering, will be deemed to be incorporated by reference in this Prospectus Supplement.

Any statement contained in this Prospectus Supplement, the Shelf Prospectus or in a document incorporated or deemed to be incorporated by reference herein or therein will be deemed to be modified or superseded, for purposes of this Prospectus Supplement or the Shelf Prospectus, as the case may be, to the extent that a statement contained herein or therein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or therein, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement or the Shelf Prospectus, as the case may be.

MARKETING MATERIALS

The Term Sheet does not form part of this Prospectus Supplement to the extent that the contents thereof have been modified or superseded by a statement contained in this Prospectus Supplement. Statements included in the Term Sheet relating to the size of the Offering, including the number of Series 5 Preferred Shares being distributed pursuant to the Offering and IFC granting an option to the Underwriters to purchase additional Series 5 Preferred Shares, have been modified in view of disclosure contained in this Prospectus Supplement to reflect the increase in the number of Series 5 Preferred Shares being distributed pursuant to the Offering from what was disclosed in the Term Sheet and the elimination of the Underwriters' Option as a result of its exercise in full. See disclosure on the cover page of this Prospectus Supplement and under "Details of the Offering"

Any "template version" of "marketing materials" (as those terms are defined in National Instrument 41-101 — *General Prospectus Requirements*) filed by IFC under NI 44-101 in connection with the Offering after the date of this Prospectus Supplement and before termination of the Offering, will be deemed to be incorporated by reference into this Prospectus Supplement and Shelf Prospectus.

FORWARD-LOOKING STATEMENTS

Certain of the statements included or incorporated by reference in this Prospectus Supplement and the Shelf Prospectus about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Forward-looking statements include, but are not limited to, intention of future funding of debt and equity; expected IRR from the Acquisition; expectation on effect of NOIPS following completion of the Acquisition; and the Acquisition's effect on IFC's book value per share accretion, MCT, debt to total capital ratio and cash flow.

Forward-looking statements are based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances. Many factors could cause our actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: the use of the net proceeds from the Offering; the timing and completion of the Offering and the Acquisition; expected competition and regulatory processes and outcomes in connection with the Acquisition; our ability to implement our strategy or operate our business as we currently expect; our ability to accurately assess the risks associated with the insurance policies that we write; unfavourable capital market developments or other factors which may affect our investments, our floating rate securities and our funding obligations under our pension plans; the cyclical nature of the property and casualty insurance industry; our ability to accurately predict future claims frequency and severity, including in the Ontario personal auto line of business, as well as the evaluation of losses relating to the Fort McMurray wildfires,

catastrophe losses caused by severe weather and other weather related losses; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; our reliance on brokers and third parties to sell our products to their clients; our ability to successfully pursue our acquisition strategy; our ability to execute our business strategy; our ability to achieve synergies arising from successful integration plans relating to acquisitions; the terms and conditions of the Acquisition; our expectations in relation to synergies, future economic and business conditions and other factors outlined herein and therein and resulting effect on accretion, equity IRR, net operating income per share, MCT, debt to total capital, combined ratio and the other metrics used in relation to our discussion of the Acquisition under “The Acquisition” in the Prior Prospectus (see also “Glossary of Selected Insurance and Other Terms”); our financing plans for the Acquisition including the availability of equity and debt financing in the future; various other actions to be taken or requirements to be met in connection with the Acquisition and integrating IFC and OneBeacon after completion of the Acquisition; our participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools; terrorist attacks and ensuing events; the occurrence of catastrophe events, including a major earthquake; our ability to maintain our financial strength and issuer credit ratings; access to debt financing and our ability to compete for large commercial business; our ability to alleviate risk through reinsurance; our ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); our ability to contain fraud and/or abuse; our reliance on information technology and telecommunications systems and potential failure of or disruption to those systems, including cyber-attack risk; our dependence on key employees; changes in laws or regulations; general economic, financial and political conditions; our dependence on the results of operations of our subsidiaries and the ability of our subsidiaries to pay dividends; the volatility of the stock market and other factors affecting the trading prices of our securities (including the Series 5 Preferred Shares once issued); our ability to hedge exposures to fluctuations in foreign exchange rates; future sales of a substantial number of the Common Shares (as defined herein); changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; and the timing of the distribution of the Series 5 Preferred Shares pursuant to the Offering.

Certain material factors or assumptions are applied in making these forward-looking statements, including completion of the Offering as outlined in this Prospectus Supplement; that the additional financing of the Acquisition is completed; that the Acquisition will be completed in the fourth quarter of 2017; that the anticipated benefits of the Acquisition to IFC will be realized, including the impact on growth and accretion in various financial metrics; that reserves will be strengthened following closing of the Acquisition; that the protection we have purchased against adverse reserve developments will be sufficient; the accuracy of certain cost assumptions, including with respect to employee retention matters; and the amounts that will be recovered from certain obligations and litigation matters.

All of the forward-looking statements included or incorporated by reference in this Prospectus Supplement and the Shelf Prospectus are qualified by these cautionary statements, those made in the “Risk Factors” section of this Prospectus Supplement, the risk factors incorporated by reference from the Prior Prospectus, those made in the “Risk Management” sections of the Annual MD&A and Interim MD&A and our other filings with the securities commissions or similar authorities in Canada that are incorporated or deemed to be incorporated by reference in this Prospectus Supplement and the Shelf Prospectus. These factors are not intended to represent a complete list of the factors that could affect us. These factors should, however, be considered carefully. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, we cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Undue reliance should not be placed on forward-looking statements made in this Prospectus Supplement and the Shelf Prospectus or in the documents incorporated herein by reference. We have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

EXCHANGE RATE DATA

The following table sets forth, for the periods indicated, the high, low, average and period-end closing rates of exchange of one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada.

	Three months ended March 31	Year ended December 31		
	2017	2016	2015	2014
Highest rate during the period	1.3508	1.4559	1.3965	1.1656
Lowest rate during the period	1.3012	1.2536	1.1749	1.0639
Average closing rate for the period	1.3238	1.3245	1.2785	1.1046
Rate at the end of the period	1.3299	1.3427	1.3840	1.1601

On May 15, 2017, the daily average exchange rate¹ posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals \$1.3641. No representation is made that Canadian dollars could be converted into U.S. dollars at that rate or any other rate.

¹ As of May 1, 2017, the Bank of Canada only publishes a single daily average rate and ceased to publish a noon or closing exchange rate as of April 28, 2017.

PRESENTATION OF FINANCIAL INFORMATION

The financial statements of IFC incorporated by reference in this Prospectus Supplement are reported in Canadian dollars and have been prepared in accordance with the International Financial Reporting Standards (“IFRS”). All financial information of OneBeacon incorporated by reference in this Prospectus Supplement is reported in U.S. dollars and has been derived from the historical financial statements of OneBeacon that were prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The assets and liabilities of OneBeacon shown in the unaudited *pro forma* condensed consolidated balance sheet of IFC as at March 31, 2017 have been reconciled from U.S. GAAP to IFRS and are reported in Canadian dollars and reflect the U.S. dollar-to-Canadian dollar period-end closing exchange rate. The revenues and expenses of OneBeacon shown in the unaudited *pro forma* condensed consolidated statements of income of IFC for the year ended December 31, 2016 and for the three months ended March 31, 2017 have been reconciled from U.S. GAAP to IFRS and are reported in Canadian dollars and reflect the average U.S. dollar-to-Canadian dollar exchange rate for such periods. Financial information in this Prospectus Supplement that has been derived from the unaudited *pro forma* condensed consolidated financial statements has been translated to Canadian dollars on the same basis. Certain tables containing financial information in this Prospectus Supplement may not add due to rounding.

CAUTION REGARDING UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

This Prospectus Supplement contains the unaudited *pro forma* condensed consolidated financial statements of IFC comprised of the condensed consolidated balance sheet of IFC as at March 31, 2017, the condensed consolidated statement of income of IFC for the year ended December 31, 2016 and the condensed consolidated statement of income of IFC for the three-month period ended March 31, 2017, giving effect to: (i) the Offering; (ii) the Subscription Receipt Public Offering and the Concurrent Private Placements; (iii) the issuance of common shares of IFC (the “Common Shares”) upon the exchange of the Subscription Receipts (as defined herein) in connection with the Subscription Receipt Public Offering and the Concurrent Private Placements; and (iv) the completion of the Acquisition, including giving effect to the related financing. Such unaudited *pro forma* condensed consolidated financial statements have been prepared using certain of IFC’s and OneBeacon’s respective historical financial statements as more particularly described in the notes to such unaudited *pro forma* condensed consolidated financial statements. In preparing such unaudited *pro forma* condensed consolidated financial statements, IFC has not independently verified the financial statements of OneBeacon that were used to prepare the unaudited *pro forma* condensed consolidated financial statements. Such unaudited *pro forma* condensed consolidated financial statements are not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon the finalization of the allocation of the purchase price under the Acquisition may differ from the amounts reflected in such unaudited *pro forma* condensed consolidated financial statements. Since the unaudited *pro forma* condensed consolidated financial statements have been developed to retroactively show the effect of a transaction that has or is expected to occur at a later date (even though this was accomplished by following generally accepted practice using reasonable assumptions), there are limitations inherent in the very nature of *pro forma* data. The data contained in the unaudited *pro forma* condensed consolidated financial statements represents only a simulation of the potential financial impact of IFC’s acquisition of OneBeacon. Undue reliance should not be placed on such unaudited *pro forma* condensed consolidated financial statements. See “Forward-Looking Information” and “Risk Factors”.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to IFC, and McCarthy Tétrault LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (together, the “Tax Act”) in force on the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposals”), the Series 5 Preferred Shares to be issued under this Prospectus Supplement, if issued on the date hereof, would, on such date, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), deferred profit sharing plans, registered education savings plans (“RESPs”), registered disability savings plans (“RDSPs”) and tax-free savings accounts (“TFSAs”), each as defined in the Tax Act, provided the Series 5 Preferred Shares are listed on a designated stock exchange (which currently includes the TSX) or provided IFC is a “public corporation” for purposes of the Tax Act.

Provided that the holder of a TFSA or the annuitant under an RRSP or RRIF does not hold a significant interest (as defined in subsection 207.01(4) of the Tax Act) in IFC, and provided that such holder or annuitant deals at arm’s length with IFC for the purposes of the Tax Act, the Series 5 Preferred Shares will not be prohibited investments for a trust governed by such TFSA, RRSP or RRIF. The Series 5 Preferred Shares will also not be prohibited investments for a trust governed by a TFSA, RRSP or RRIF provided that the Series 5 Preferred Shares are “excluded property” as defined in subsection 207.01(1) of the Tax Act for such trusts.

Pursuant to Proposals released on March 22, 2017, the rules in respect of “prohibited investments” are also proposed to apply to (i) RDSPs and the holders thereof and (ii) RESPs and the subscribers thereof.

Holders of a TFSA or RDSP, annuitants under an RRSP or RRIF and subscribers of an RESP should consult their own tax advisors regarding whether the Series 5 Preferred Shares will be prohibited investments in their particular circumstances.

RECENT DEVELOPMENTS

Acquisition of OneBeacon

On May 2, 2017, OneBeacon, IFC, Intact Bermuda Holdings Ltd., a Bermuda exempted limited liability company and a wholly owned subsidiary of IFC (“Holdco”), and Intact Acquisition Co. Ltd., a Bermuda exempted limited liability company and a direct wholly owned subsidiary of Holdco (“Acquisition Sub”) entered into an Agreement and Plan of Merger (the “Acquisition Agreement”), which provides for, among other things, the indirect acquisition of OneBeacon by IFC (the “Acquisition”) through the merger of OneBeacon with and into Acquisition Sub, with OneBeacon continuing as the surviving corporation.

The closing of the Acquisition is expected to occur in the fourth quarter of 2017 and is subject to receipt of required competition and insurance regulatory approvals, approval by OneBeacon’s shareholders at a special meeting of shareholders to be held to approve the Acquisition and the satisfaction of certain other closing conditions. The transaction was unanimously approved by the boards of directors of both companies (Mr. Yves Brouillette, who was a director of both IFC and White Mountains Insurance Group, Ltd. (the controlling shareholder of OneBeacon) at the time of such approval, was excluded from board meetings, deliberations, votes and related communications regarding the transaction).

For a summary of the terms of the Acquisition Agreement, the Acquisition rationale and the business of OneBeacon, see “The Acquisition – Acquisition Agreement”, “The Acquisition – Acquisition Rationale”, “The Acquisition – OneBeacon and the U.S. Insurance Industry” and “The Acquisition – Description of OneBeacon”, respectively, in the Prior Prospectus, which disclosure is incorporated by reference in this Prospectus Supplement.

The aggregate cash consideration payable by us on the closing of the Acquisition is approximately \$2.3 billion (\$2.4 billion including estimated transaction costs), which we intend to finance at the closing of the Acquisition, directly or indirectly, with a combination of some or all of the following: (i) net proceeds of this Offering; (ii) net proceeds of the Subscription Receipt Public Offering and the Concurrent Private Placements; (iii) existing cash on hand following the disposition of certain investments; (iv) bank debt, including by means of a term loan and/or drawing from our Credit Facility (as defined herein), in respect of which as of the date of this Prospectus Supplement, there were no amounts outstanding; and (v) the possible future issuance of medium term notes and/or additional preferred shares.

Closing of Subscription Receipt Offering

On May 11, 2017, IFC issued 4,508,000 subscription receipts at a price of \$91.85 per subscription receipt pursuant to the Prior Prospectus, including the exercise in full by the underwriters thereto of the over-allotment option to purchase an additional 588,000 subscription receipts (the “Subscription Receipt Public Offering”), and 3,702,000 subscription receipts (together with the subscription receipts issued pursuant to the Subscription Receipt Public Offering, the “Subscription Receipts”) at a price of \$91.85 pursuant to private placements to each of Canada Pension Plan Investment Board, CDPQ Marchés boursiers inc., a wholly-owned subsidiary of Caisse de dépôt et placement du Québec, and 2380162 Ontario Limited, a wholly-owned subsidiary of Ontario Teachers’ Pension Plan (collectively, the “Concurrent Private Placements”) for total escrowed proceeds (the “Escrowed Proceeds”), after deducting 50% of the fee payable to the underwriters of the Subscription Receipt Public Offering and the capital commitment fee payable to the subscribers under the Concurrent Private Placements, from the Subscription Receipt Public Offering and Concurrent Private Placements of approximately \$739,006,730.

The terms and conditions of the Subscription Receipts are governed by a subscription receipt agreement dated May 11, 2017 (the “Subscription Receipt Agreement”) among IFC, CIBC World Markets Inc. and TD Securities Inc. (on behalf of the underwriters of the Subscription Receipt Public Offering) and Computershare Trust Company of Canada, as subscription receipt agent (the “Subscription Receipt Agent”). The following is a summary of certain provisions of the Subscription Receipt Agreement. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the full text of the Subscription Receipt Agreement, a copy of which has been filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

Each Subscription Receipt will entitle the holder thereof to receive automatically, upon the closing of the Acquisition, without any further action on the part of the holder thereof and without payment of additional consideration, one Common Share of IFC.

While the Subscription Receipts remain outstanding, holders thereof will be entitled to receive payments in respect of, and paid concurrently with, any dividends on the Common Shares for which the record dates occur during the period commencing on the closing date of the Subscription Receipt Public Offering to, but excluding, the last day on which the Subscription Receipts remain outstanding (any such payment, a “Dividend Equivalent Payment”). The record date for each Dividend Equivalent Payment will be the same as the record date for the corresponding dividend declared on the Common Shares. Dividend Equivalent Payments shall be paid out of any interest or other income actually earned on the investment or reinvestment of the Escrowed Proceeds (“Earned Interest”), and then out of the principal amount of the remaining Escrowed Proceeds.

If (i) the Subscription Receipt Agent has not been given notice by IFC that certifies that the escrow release conditions have been satisfied (a “Escrow Release Notice”) on or prior to March 31, 2018, (ii) the Escrowed Proceeds are released pursuant to an Escrow Release Notice but subsequently returned to the Subscription Receipt Agent and no further Escrow Release Notice is delivered on or prior to March 31, 2018, (iii) IFC delivers to CIBC World Markets Inc. and TD Securities Inc., as lead underwriters of the Subscription Receipt Public Offering, and the Subscription Receipt Agent notice that the Acquisition Agreement is terminated on or prior to March 31, 2018, or (iv) IFC delivers to the lead underwriters of the Subscription Receipt Public Offering and the Subscription Receipt Agent notice that, or announces to the public that, it does not intend to proceed with the Acquisition (each, a “Termination Event” and, the first date on which any such Termination Event occurs, the “Termination Date”), the Subscription Receipt Agent will deliver to each holder of Subscription Receipts, commencing on the third business day following the Termination Date, an amount equal to (x) the aggregate subscription price for such holder’s Subscription Receipts, plus (y) any unpaid Dividend Equivalent Payments owing to such holder (the “Termination Payment”). The Termination Payment will be paid from the balance of the Escrowed Proceeds, together with any remaining Earned Interest, on the Termination Date provided that if the balance of the Escrowed Proceeds, together with any remaining Earned Interest, is insufficient to cover the full amount of the Termination Payment, IFC will be required, under the Subscription Receipt Agreement, to pay to the holders of Subscription Receipts the difference, if any, between the amount of Escrowed Proceeds, together with any remaining Earned Interest, on the Termination Date and the Termination Payment due to the holders of Subscription Receipts. If any amount of Earned Interest on the Escrowed Proceeds remains unused after the full payment of the Termination Payment, it shall be paid by the Subscription Receipt Agent to or as directed by IFC.

Provided that the Acquisition closes prior to the occurrence of a Termination Event (or, in the event that an Escrow Release Notice is delivered to the Subscription Receipt Agent within five business days prior to March 31, 2018 and the Acquisition closes within five business days following such delivery), the Subscription Receipt Agent will automatically issue and deliver the appropriate number of Common Shares to each registered holder of Subscription Receipts without any further action required by such holder and without payment of additional consideration and thereafter the former holders of Subscription Receipts will be entitled, as holders of Common Shares, to receive dividends if, as and when declared by the Board of Directors from time to time, to vote and to all other rights available to holders of Common Shares. Contemporaneously with the issuance and delivery of the Common Shares to the holders of Subscription Receipts, IFC will issue a press release specifying that Common Shares have been so issued and delivered to holders of Subscription Receipts.

USE OF PROCEEDS

The net proceeds from the Offering, after deducting the Underwriters’ fee (assuming no Series 5 Preferred Shares are sold to certain institutions) and estimated expenses of the Offering, are expected to be \$250,000. The Underwriters’ fee and expenses will be paid out of the proceeds of this Offering.

We intend to use the net proceeds of this Offering, together with the net proceeds of the Subscription Receipt Public Offering and the Concurrent Private Placements, and a combination of some or all of the following: (i) existing cash on hand following the disposition of certain investments; (ii) bank debt, including, by means of a term loan and/or drawing from our Credit Facility (as defined herein), under which, as of the date of this Prospectus

Supplement, there were no amounts outstanding; and (iii) the possible future issuance of medium term notes and/or additional preferred shares, to fund the purchase price of the Acquisition. See “Consolidated Capitalization”.

The closing of the Acquisition is expected to occur in the fourth quarter of 2017 and is subject to receipt of required competition and insurance regulatory approvals and the satisfaction of certain closing conditions. The Offering is not conditional upon the closing of the Acquisition. If the Acquisition is not completed, the net proceeds of this Offering will be used for general corporate purposes. See “Risk Factors – Use of Proceeds”.

CONSOLIDATED CAPITALIZATION

The following table sets forth our consolidated capitalization as at March 31, 2017 both on an actual basis and as adjusted to give effect to the Offering, the Subscription Receipt Public Offering, the Concurrent Private Placements, the issuance of Common Shares upon the exchange of the Subscription Receipts and the Acquisition, including giving effect to the related financing. The table below should be read together with the detailed information and financial statements attached to this Prospectus Supplement and appearing in the documents incorporated by reference.

	March 31, 2017	
	Actual	As adjusted to give effect to the Offering, the Subscription Receipt Public Offering, the Concurrent Private Placements and the Acquisition
	(in millions of Canadian dollars)	
Indebtedness		
Existing Credit Facility ⁽¹⁾	\$ -	\$ -
Series 1 Notes ⁽²⁾	250	250
Series 2 Notes ⁽²⁾	250	250
Series 3 Notes ⁽²⁾	100	100
Series 4 Notes ⁽²⁾	300	300
Series 5 Notes ⁽²⁾	250	250
Series 6 Notes ⁽²⁾	250	250
OneBeacon Senior Unsecured Notes ⁽³⁾	-	366
Indebtedness for the Acquisition ⁽⁴⁾	-	850
Total indebtedness	\$1,400	\$2,616
Shareholders' equity		
Series 1 Preferred Shares ⁽⁵⁾	\$244	\$244
Series 3 Preferred Shares ⁽⁵⁾	206	206
Series 4 Preferred Shares ⁽⁵⁾	39	39
Series 5 Preferred Shares ⁽⁵⁾	-	147
Common Shares ⁽⁵⁾⁽⁶⁾	2,081	2,817
Contributed Surplus	125	125
Retained Earnings ⁽⁷⁾	3,225	3,212
Accumulated other comprehensive income	221	221
Total shareholders' equity	\$6,141	\$7,011
Total capitalization	\$7,541	\$9,627

Notes:

- (1) IFC has an existing unsecured revolving term credit facility (the “Credit Facility”) with a syndicate of lenders, which matures on December 5, 2020. As at March 31, 2017, no amounts were outstanding under the Credit Facility.
- (2) As at March 31, 2017, IFC had outstanding in aggregate \$1.40 billion principal amount of unsecured medium term notes of which the Series 1 \$250 million principal amount of notes bear interest at a fixed annual rate of 5.41% and mature on September 3, 2019, the Series 2 \$250 million principal amount of notes bear interest at a fixed annual rate of 6.40% and mature on November 23, 2039, the Series 3 \$100 million principal amount of notes bear interest at a fixed annual rate of

6.20% and mature on July 8, 2061, the Series 4 \$300 million principal amount of notes bear interest at a fixed annual rate of 4.70% and mature on August 18, 2021, the Series 5 \$250 million principal amount of notes bear interest at a fixed annual rate of 5.16% and mature on June 16, 2042 and the Series 6 \$250 million principal amount of notes bear interest at a fixed annual rate of 3.77% and mature on March 2, 2026.

- (3) As at March 31, 2017, OneBeacon U.S. Holdings, Inc. had outstanding \$366 million principal amount senior unsecured notes which bear interest at a fixed annual rate of 4.60% and mature on November 9, 2022. See “Recent Developments – Acquisition of OneBeacon”.
- (4) In connection with the closing of the Acquisition, we expect to use a combination of bank debt and/or the possible future issuance of medium term notes and/or additional preferred shares, together with the net proceeds from this Offering, the Subscription Receipt Public Offering and the Concurrent Private Placements and a portion of our existing cash on hand following the disposition of certain investments, to fund the Acquisition. For the purposes of the above table, all such financing other than the net proceeds from this Offering, the Subscription Receipt Public Offering and Concurrent Private Placements was considered as debt.
- (5) IFC’s authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Class A Shares (issuable in series). As at March 31, 2017, 131,004,834 Common Shares, 10,000,000 Non-cumulative Rate Reset Class A Shares, Series 1 (the “Series 1 Preferred Shares”), 8,405,004 Non-cumulative Rate Reset Class A Shares, Series 3 (the “Series 3 Preferred Shares”) and 1,594,996 Non-cumulative Floating Rate Class A Shares Series 4 were issued and outstanding. As at May 3 2017, 130,986,034 Common Shares, 10,000,000 Series 1 Preferred Shares, 8,405,004 Series 3 Preferred Shares and 1,594,996 Series 4 Preferred Shares were issued and outstanding.
- (6) Includes 8,210,000 Common Shares issuable upon the exchange of the Subscription Receipts.
- (7) The “As adjusted” retained earnings amount includes estimated costs of the Acquisition, net of tax.

EARNINGS COVERAGE RATIOS

The following earnings coverage ratios are based on IFC’s financial statements and calculated for the 12 month periods ended December 31, 2016 and March 31, 2017, which give effect to the issuance of 6,000,000 Series 5 Preferred Shares, including dividend payments. The earnings coverage ratios set out below do not purport to be indicative of an earnings coverage ratio for any future periods.

	<u>December 31, 2016</u>	<u>March 31, 2017</u>
Earnings Coverage.....	7.0 times	6.9 times

IFC’s dividend requirements on its outstanding Class A Shares, after giving effect to the Offering and adjusted to a before-tax equivalent, amounted to \$34 million for the twelve months ended December 31, 2016 (using an effective income tax rate of 21%) and \$34 million for the twelve months ended March 31, 2017 (using an effective income tax rate of 21%). IFC’s borrowing cost requirements for the twelve months ended December 31, 2016 and the twelve months ended March 31, 2017 were \$74 million and \$74 million, respectively. IFC’s earnings before borrowing costs and income tax for the twelve months ended December 31, 2016 and the twelve months ended March 31, 2017 were \$758 million and \$747 million, respectively, representing 7.0 times and 6.9 times, respectively, IFC’s aggregate dividend and borrowing cost requirements for these periods.

The following pro forma earnings coverage ratios are based on IFC’s pro forma financial statements and calculated for the 12 month periods ended December 31, 2016 and March 31, 2017, which give effect to the issuance of 6,000,000 Series 5 Preferred Shares including dividend payments and the expected impact of the Acquisition. The pro forma earnings coverage ratios for the 12 month periods ended December 31, 2016 and March 31, 2017 also give effect to the proposed financing of the Acquisition. The pro forma earnings coverage ratios set out below do not purport to be indicative of an earnings coverage ratio for any future periods.

	<u>December 31, 2016</u>	<u>March 31, 2017</u>
<i>Pro Forma</i> Earnings Coverage.....	6.3 times	6.4 times

IFC's dividend requirements on its outstanding Class A Shares, after giving effect to the Offering and adjusted to a before-tax equivalent, amounted to \$30 million for the twelve months ended December 31, 2016 (using an effective income tax rate of 15%) and \$30 million for the twelve months ended March 31, 2017 (using an effective income tax rate of 16%). IFC's borrowing cost requirements for the twelve months ended December 31, 2016 and the twelve months ended March 31, 2017 were \$111 million and \$111 million, respectively. IFC's earnings before borrowing costs and income tax for the twelve months ended December 31, 2016 and the twelve months ended March 31, 2017 were \$881 million and \$894 million, respectively, representing 6.3 times and 6.4 times, respectively, IFC's aggregate dividend and borrowing cost requirements for these periods.

DESCRIPTION OF SHARE CAPITAL

Our authorized share capital currently consists of an unlimited number of Common Shares and an unlimited number of Class A Shares (issuable in series) ("Class A Shares").

As at May 15, 2017, 130,986,034 Common Shares, 10,000,000 Series 1 Preferred Shares, 8,405,004 Series 3 Preferred Shares and 1,594,996 Series 4 Preferred Shares were issued and outstanding. An additional 8,210,000 Common Shares are issuable upon the exchange of the Subscription Receipts in accordance with their terms and subject to the terms of the Subscription Receipt Agreement.

Common Shares

Holders of Common Shares are entitled to receive dividends, if, as and when declared by our Board of Directors and, unless otherwise provided by legislation, are entitled to one vote per Common Share on all matters to be voted on at all meetings of shareholders. Upon our voluntary or involuntary liquidation, dissolution or winding-up, the holders of Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities. The Common Shares are listed on the TSX.

Class A Shares

The Class A Shares are issuable from time to time in one or more series. Our Board of Directors is authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the Class A Shares of each series, which may include voting rights. The Class A Shares of each series rank equally with the Class A Shares of every other series and rank in priority to the Common Shares with respect to dividends and return of capital in the event of our liquidation, dissolution or winding-up.

The terms of the Common Shares, the Subscription Receipts and the Class A Shares (as a class) and the terms of the Series 1 Preferred Shares, the Series 3 Preferred Shares and the Series 4 Preferred Shares are available on our SEDAR profile at www.sedar.com.

Shareholder Rights Plan

On February 9, 2011, IFC announced the adoption of a shareholder rights plan (the "Shareholder Rights Plan") by our Board of Directors, which was accepted by the TSX. The Shareholder Rights Plan was approved by our shareholders at a meeting held on May 4, 2011 and reconfirmed at the annual and special meeting of shareholders held on May 7, 2014. On February 7, 2017, the Board of Directors adopted the Shareholder Rights Plan in an amended and restated form, which was further amended by the Board of Directors on April 19, 2017 (the "Amended and Restated Rights Plan"). The Amended and Restated Rights Plan was approved at the annual and special meeting of shareholders held on May 3, 2017. A summary of the Amended and Restated Rights Plan (excluding the April 19, 2017 amendments) can be found in our Management Proxy Circular filed on SEDAR on March 31, 2017 at pages 102 to 104, which are incorporated by reference into, and expressly made a part of, this Prospectus Supplement. On April 19, 2017, additional amendments were made to amend the definition of "controlled" and "Permitted Lock-up Agreement", and to remove the reference to National Instrument 62-104 *Take-Over Bids and Issuers Bids* from Section 1.5 - Acting Jointly or in Concert for greater clarity. A complete copy of the Amended and Restated Rights Plan was also filed on SEDAR and is available on our SEDAR profile at www.sedar.com.

PRICE RANGE AND TRADING VOLUME

The outstanding Common Shares are traded on the TSX under the trading symbol “IFC”. The following table sets forth the reported high and low trading prices and trading volumes of the Common Shares as reported by the TSX from May 2016.

<u>Period</u>	<u>High</u> (\$)	<u>Low</u> (\$)	<u>Volume</u>
2017			
May (1 – 15)	94.51	91.41	3,898,029
April	95.85	92.22	4,253,625
March	95.90	93.39	5,061,814
February	97.56	91.40	4,769,821
January	97.47	92.68	3,640,281
2016			
December	97.34	91.79	4,741,289
November	94.84	90.00	4,743,656
October	96.07	90.50	3,580,929
September	97.20	92.00	3,491,711
August	95.49	91.36	2,725,605
July	94.77	89.75	3,991,818
June	93.09	86.63	4,241,266
May	92.84	84.88	4,938,382

On May 15, 2017, the closing price of the Common Shares was \$93.02.

The outstanding Subscription Receipts are traded on the TSX under the trading symbol “IFC.R”. The following table sets forth the reported high and low trading prices and trading volumes of the Subscription Receipts as reported by the TSX from May 11, 2017.

<u>Period</u>	<u>High</u> (\$)	<u>Low</u> (\$)	<u>Volume</u>
2017			
May (11 – 15)	91.89	90.50	109,055

On May 15, 2017, the closing price of the Subscription Receipts was \$91.85.

The outstanding Series 1 Preferred Shares are traded on the TSX under the trading symbol “IFC.PR.A”. The following table sets forth the reported high and low trading prices and trading volumes of the Series 1 Preferred Shares as reported by the TSX from May 2016.

<u>Period</u>	<u>High</u> (\$)	<u>Low</u> (\$)	<u>Volume</u>
2017			
May (1 – 15)	18.97	17.84	39,769
April	19.21	18.12	729,414
March	19.70	18.40	316,203
February	19.20	18.21	220,468
January	18.24	17.05	166,008
2016			
December	17.29	16.20	246,732
November	16.58	15.39	215,248
October	16.03	15.06	179,669

September	15.66	14.96	174,076
August	15.84	15.07	127,656
July	15.46	14.21	118,610
June	16.24	14.03	148,045
May	16.13	15.25	217,979

On May 15, 2017, the closing price of the Series 1 Preferred Shares was \$18.97.

The outstanding Series 3 Preferred Shares are traded on the TSX under the trading symbol “IFC.PR.C”. The following table sets forth the reported high and low trading prices and trading volumes of the Series 3 Preferred Shares as reported by the TSX from May 2017.

<u>Period</u>	<u>High</u> (\$)	<u>Low</u> (\$)	<u>Volume</u>
2017			
May (1 – 15)	21.98	21.46	38,856
April	22.29	21.55	490,230
March	22.46	21.43	191,529
February	22.13	21.33	363,089
January	21.78	20.71	271,758
2016			
December	21.10	19.60	212,918
November	20.00	18.61	257,444
October	19.10	18.01	381,480
September	18.37	17.09	191,878
August	18.82	18.06	139,164
July	18.21	16.86	134,422
June	18.59	16.21	350,541
May	18.79	17.44	129,203

On May 15, 2017, the closing price of the Series 3 Preferred Shares was \$21.77.

The outstanding Series 4 Preferred Shares are traded on the TSX under the trading symbol “IFC.PR.D”. The following table sets forth the reported high and low trading prices and trading volumes of the Series 4 Preferred Shares as reported by the TSX from October 2016.

<u>Period</u>	<u>High</u> (\$)	<u>Low</u> (\$)	<u>Volume</u>
2017			
May (1 – 15)	21.85	21.67	1,482
April	22.00	21.50	12,040
March	22.25	21.40	17,474
February	21.75	21.39	12,871
January	22.39	21.30	15,136
2016			
December	22.00	19.35	106,557
November	19.65	18.80	80,275
October	18.55	17.90	10,435

On May 15, 2017, the closing price of the Series 4 Preferred Shares was \$21.85.

DETAILS OF THE OFFERING

The following is a summary of certain provisions attaching to the Series 5 Preferred Shares, as a series, which represents a series of Class A Shares of IFC. See “Description of Share Capital – Class A Shares” in this Prospectus Supplement for a description of the general terms and provisions of the Series 5 Preferred Shares of IFC as a class.

Certain Provisions of the Series 5 Preferred Shares as a Series

Dividends

The holders of the Series 5 Preferred Shares will be entitled to receive quarterly non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, on the last day of March, June, September and December in each year at a rate equal to \$0.325 per share. The initial dividend, if declared, will be payable on September 30, 2017 and will be \$0.45945 per share, assuming a closing date of May 24, 2017.

If the Board of Directors does not declare any dividend, or any part thereof, on the Series 5 Preferred Shares on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Series 5 Preferred Shares to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

Redemption by IFC

The Series 5 Preferred Shares shall not be redeemable at the option of IFC prior to June 30, 2022. Subject to the provisions described below under “Restrictions on Dividends on and Retirement of Other Shares”, IFC may redeem on or after June 30, 2022 all, or from time to time any, of the then outstanding Series 5 Preferred Shares. Such redemption may be made, at IFC’s option without the consent of the holders, upon payment in cash of the amount of \$26.00 per share if redeemed on or after June 30, 2022 and prior to June 30, 2023, \$25.75 per share if redeemed on or after June 30, 2023 and prior to June 30, 2024, \$25.50 per share if redeemed on or after June 30, 2024 and prior to June 30, 2025, \$25.25 per share if redeemed on or after June 30, 2025 and prior to June 30, 2026 and \$25.00 per share if redeemed on or after June 30, 2026, in each case together with an amount equal to all declared and unpaid dividends thereon up to but excluding the date of redemption. IFC shall provide not less than 30 nor more than 60 days’ notice of such redemption to each holder of Series 5 Preferred Shares to be redeemed. If less than all of the outstanding Series 5 Preferred Shares are at any time to be redeemed, the shares to be redeemed will be selected on a pro rata basis (disregarding fractions) or in such manner as IFC may determine.

Purchase for Cancellation

Subject to the provisions described below under the heading “Restrictions on Dividends on and Retirement of Other Shares”, and subject to the provisions of any shares of IFC ranking prior to or *pari passu* with the Class A Shares of IFC, IFC may at any time purchase for cancellation any Series 5 Preferred Shares by private contract or in the open market or by tender, at any price at which in the opinion of the Board of Directors such shares are obtainable.

Restrictions on Dividends on and Retirement of Other Shares

So long as any of the Series 5 Preferred Shares are outstanding, IFC will not, without the approval of the holders of the Series 5 Preferred Shares given as specified under “– Amendments to the Series 5 Preferred Shares”:

- (i) declare, pay or set apart for payment any dividend on the Common Shares or any other shares ranking junior to the Series 5 Preferred Shares (other than stock dividends on any shares ranking junior to the Series 5 Preferred Shares);
- (ii) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Series 5 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 5 Preferred Shares);

- (iii) redeem, purchase or otherwise retire less than all of the Series 5 Preferred Shares then outstanding; or
- (iv) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of shares of IFC ranking *pari passu* with the Series 5 Preferred Shares, redeem, purchase or otherwise retire any other shares ranking *pari passu* with the Series 5 Preferred Shares;

unless, in each case, all dividends on the Series 5 Preferred Shares then issued and outstanding, up to and including those payable on the dividend payment date for the last completed period for which dividends shall be payable and in respect of which the rights of the holders thereof have not been extinguished, and all dividends then accrued on all other shares ranking prior to or *pari passu* with the Series 5 Preferred Shares, have been declared and paid or set apart for payment.

Voting Rights

Subject to applicable law, holders of the Series 5 Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of IFC unless and until the first time at which the Board of Directors has not declared the whole dividend on the Series 5 Preferred Shares in any quarter. In that event, the holders of the Series 5 Preferred Shares will be entitled to receive notice of, and to attend, only meetings of shareholders of IFC at which directors are to be elected and will be entitled to one vote for each Series 5 Preferred Share held in the election of directors voting together with all other shareholders of IFC who are entitled to vote at such meetings, and the holders of the Series 5 Preferred Shares will not be entitled to vote in respect of any other business conducted at such meetings. The voting rights of the holders of the Series 5 Preferred Shares shall immediately cease upon payment by IFC of the whole amount of a dividend on the Series 5 Preferred Shares to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the Board of Directors may again fail to declare the whole dividend on the Series 5 Preferred Shares in any quarter, such voting rights shall become effective again and so on from time to time.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of IFC, or any other distribution of assets of IFC for the purpose of winding up its affairs, the holders of Series 5 Preferred Shares will be entitled to receive \$25.00 for each Series 5 Preferred Share held by them, together with all declared and unpaid dividends to but excluding the date of payment (less any tax required to be deducted and withheld by IFC), before any amounts are paid or any assets of IFC distributed to holders of any shares ranking junior to the Series 5 Preferred Shares. After payment of those amounts, the holders of Series 5 Preferred Shares will not be entitled to share in any further distribution of the property or assets of IFC.

Amendments to the Series 5 Preferred Shares

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 5 Preferred Shares as a series and any other approval to be given by the holders of the Series 5 Preferred Shares may be given by a resolution signed by all holders of the Series 5 Preferred Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of at least 25% of the outstanding Series 5 Preferred Shares are present in person or represented by proxy, or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series 5 Preferred Shares present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series 5 Preferred Shares as a series, each such holder as at the applicable record date shall be entitled to one vote in respect of each Series 5 Preferred Share held by such holder.

Issue of Additional Series of Preferred Shares

IFC may issue other series of Class A Shares ranking on parity with the Series 5 Preferred Shares without the authorization of the holders of the Series 5 Preferred Shares.

Depository Services

The Series 5 Preferred Shares will be in “book-entry only” form and must be purchased, transferred or redeemed through participants in the depository service of CDS. See “Book-Entry Only System” in the Shelf Prospectus.

Tax Election

The provisions of the Series 5 Preferred Shares as a series require IFC to make the necessary election under Part VI.1 of the Tax Act so that a corporation holding Series 5 Preferred Shares will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 5 Preferred Shares. See “Canadian Federal Income Tax Considerations”.

Business Days

If any action is required to be taken by IFC, including the payment of dividends, on a day that is not a business day, then such action shall be taken on or before the immediately succeeding day that is a business day.

RATINGS

The Series 5 Preferred Shares have been assigned a rating of Pfd-2 with a Stable trend by DBRS.

A Pfd-2 rating by DBRS is the middle of three subcategories within the second highest of six categories used by DBRS for preferred shares. According to the DBRS rating system, preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as “Pfd-1” rated companies. Generally, Pfd-2 ratings correspond with categories whose senior bonds are rated in the “A” category. Each category is denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category. A rating trend, expressed as “Positive”, “Stable” or “Negative”, provides guidance in respect of DBRS’s opinion regarding the outlook for the rating.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to the Series 5 Preferred Shares may not reflect the potential impact of all risks on the value of the Series 5 Preferred Shares. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency. Prospective investors should consult the relevant rating organization with respect to the interpretation and implications of the ratings.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement dated May 16, 2017 between IFC and the Underwriters, IFC has agreed to sell and the Underwriters have severally (and not jointly and severally) agreed to purchase 6,000,000 Series 5 Preferred Shares at a price of \$25.00 per Series 5 Preferred Share, for aggregate gross consideration of \$150,000,000 payable to IFC against delivery of the Series 5 Preferred Shares. The offering price of the Series 5 Preferred Shares was determined by negotiation between IFC and the Underwriters.

The Underwriting Agreement provides that IFC will pay the Underwriters a fee per share equal to \$0.25 with respect to Series 5 Preferred Shares sold to certain institutions and \$0.75 with respect to all other Series 5 Preferred Shares. Assuming no Series 5 Preferred Shares are sold to such institutions, the Underwriters’ fee would be \$4,500,000.

The aggregate 6,000,000 Series 5 Preferred Shares to be issued and sold includes 1,000,000 Series 5 Preferred Shares issuable pursuant to the exercise of the Underwriters’ Option granted by IFC to the Underwriters,

which was exercised in full prior to the filing of this Prospectus Supplement. A purchaser who acquires Series 5 Preferred Shares issued pursuant to the exercise of the Underwriters' Option acquires those Series 5 Preferred Shares under this Prospectus Supplement.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint) and may be terminated at their discretion upon the occurrence of certain stated events. Such events include, but are not limited to: (i) there has been any inquiry, action, suit, investigation or other proceeding (whether formal or informal) instituted, announced or threatened, or any order is issued by any federal, provincial, state, municipal, local or other governmental or public department, commission, board, bureau, agency, instrumentality or body, domestic or foreign, any subdivision or authority of any of the foregoing or any quasi-governmental, self-regulatory organization or private body exercising any regulatory, expropriation or taxing authority under or for the account of its members or any of the above or otherwise (other than an inquiry, investigation, proceeding or order based upon the activities or alleged activities of the Underwriters), or there is any change of law, or the interpretation or administration thereof, which in the reasonable opinion of the Underwriters operates to prevent or restrict the trading in the Series 5 Preferred Shares or the distribution of the Series 5 Preferred Shares or which in the reasonable opinion of the Underwriter, acting in good faith, could be expected to have a material adverse effect on the market price or value of the Series 5 Preferred Shares, by giving IFC and, if applicable, the Lead Underwriters written notice to that effect no later than the closing of the Offering; (ii) there has occurred, been discovered or been publicly announced by IFC any material change in the business, financial condition, assets, liabilities (contingent or otherwise), results of operations or prospects of IFC and its subsidiaries (taken as a whole) or any change in any material fact contained or referred to in this Prospectus Supplement or any amendment or any U.S. offering document, or there shall exist any material fact which is, or may be, of such a nature as to render the Prospectus Supplement or any amendment or any U.S. offering document, untrue, false or misleading in a material respect or result in a misrepresentation (other than a change or fact related solely to the Underwriters), which in the reasonable opinion of the Underwriters could be expected to have a material adverse effect on the market price or value of the Series 5 Preferred Shares, by giving IFC and, if applicable, the Lead Underwriters written notice to that effect no later than the closing of the Offering; (iii) there has developed, occurred or come into effect or existence any event, action, state, condition or occurrence of national or international consequence, acts of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions or any action, law, regulation or inquiry which, in the reasonable opinion of the Underwriters, materially adversely affects or involves, or may materially adversely affect or involve, the financial markets in Canada or the United States, or the business, operations or affairs of IFC and its subsidiaries (taken as a whole), or the market price or value of the Series 5 Preferred Shares, by giving IFC and, if applicable, the Lead Underwriters written notice to that effect no later than the closing of the Offering; or (iv) there has occurred a downgrade in the rating applicable to the Series 5 Preferred Shares by DBRS Limited or any rating agency has placed any of the securities of IFC on credit watch or has publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Series 5 Preferred Shares. If an Underwriter fails, except in certain limited circumstances, to purchase the Series 5 Preferred Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series 5 Preferred Shares. If, however, the aggregate number of Series 5 Preferred Shares not purchased is equal to or less than 10% of the aggregate number of Series 5 Preferred Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is required, each severally (and not jointly) to purchase the full amount thereof on a *pro rata* basis. The Underwriters are, however, obligated to take up and pay for all Series 5 Preferred Shares if any Series 5 Preferred Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that IFC will indemnify the Underwriters, their respective subsidiaries and affiliates and each of their respective directors, officers, shareholders, partners, agents and employees against certain liabilities and expenses.

The Underwriters intend to offer the Series 5 Preferred Shares initially at the public offering price specified on the cover page of this Prospectus Supplement. After the Underwriters have made a reasonable effort to sell all of the Series 5 Preferred Shares offered by this Prospectus Supplement at the price specified herein, the offering price may be decreased and may be further changed from time to time to an amount not greater than that specified on the cover page of this Prospectus Supplement, and the compensation realized by the Underwriters will accordingly also be reduced.

IFC has agreed that during the period ending 90 days from the Offering closing date, it will not offer, sell or issue for sale or resale (or agree, or announce any intention, to do so) any preferred shares or securities

convertible into, or exercisable or exchangeable for, preferred shares, except the Series 5 Preferred Shares and pursuant to, as applicable, IFC's existing equity compensation plans or other existing commitments, without the prior written consent of the Lead Underwriters, on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Series 5 Preferred Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and, accordingly, may not be offered, sold or delivered, directly or indirectly, within the United States (as defined in Regulation S under the U.S. Securities Act), except in certain transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Series 5 Preferred Shares in the United States.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Series 5 Preferred Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 5 Preferred Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 5 Preferred Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., RBC Dominion Securities Inc. and Scotia Capital Inc. are wholly-owned subsidiaries of Canadian banks that are currently lenders to IFC under its Credit Facility. IFC and its subsidiaries are presently in compliance with the terms of the Credit Facility and none of the lenders has waived a breach of the agreement governing such Credit Facility since its execution. The consolidated financial position of IFC has not changed materially since the indebtedness under such Credit Facility was incurred. Accordingly, IFC may be considered a "connected issuer" of these Underwriters within the meaning of applicable securities legislation. None of these Underwriters will receive any direct benefit from the Offering other than the underwriting commission relating to the Offering. The decision to distribute the Series 5 Preferred Shares and the determination of the terms of the Offering were made through negotiation between IFC and the Underwriters. No bank had any involvement in such decision or determination. See "Financing of the Acquisition", "Use of Proceeds" and "Consolidated Capitalization".

There is currently no market through which the Series 5 Preferred Shares may be sold and purchasers may not be able to resell Series 5 Preferred Shares purchased under this Prospectus Supplement. The TSX has conditionally approved the listing of the Series 5 Preferred Shares. Listing of the Series 5 Preferred Shares offered under this Prospectus Supplement is subject to IFC fulfilling all the listing requirements of the TSX on or before August 10, 2017.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to IFC, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series 5 Preferred Shares pursuant to this Prospectus Supplement who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm's length with IFC and each of the Underwriters and is not affiliated with IFC or any of the Underwriters and holds Series 5 Preferred Shares as capital property (a "Holder"). Generally, the Series 5 Preferred Shares will be capital property to a holder provided the holder does not acquire or hold such shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain holders of Series 5 Preferred Shares who might not otherwise be considered to hold their Series 5 Preferred Shares as capital property may, in certain circumstances, be entitled to have the Series 5 Preferred Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such

holders in the taxation year of the election and any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders should consult their own tax advisors regarding this election.

This summary is not applicable to a Holder (i) that is a “financial institution” for purposes of the “mark to market property” rules in the Tax Act or is a “specified financial institution” or a “restricted financial institution” (each as defined in the Tax Act), (ii) an interest in which is a “tax shelter investment” (as defined in the Tax Act), (iii) which has made a “functional currency” election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency, (iv) that is a corporation resident in Canada and is (or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is), or becomes as part of a transaction or event or series of transactions or events that includes the acquisition or the Series 5 Preferred Shares, controlled by a non-resident corporation for the purposes of section 212.3 of the Tax Act or (v) that has entered into, or will enter into, a “derivative forward agreement” (as defined in the Tax Act) in respect of Series 5 Preferred Shares. Such Holders are advised to consult with their own tax advisors. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Series 5 Preferred Shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser and no representations with respect to the income tax consequences to any particular purchaser are made. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act, all Proposals and counsels’ understanding of the current administrative policies and assessing practices of the Canada Revenue Agency made publicly available prior to the date hereof. This summary assumes that the Proposals will be enacted in the form proposed; however, no assurances can be given that the Proposals will be enacted as proposed, or at all. This summary is not exhaustive of all Canadian federal income tax considerations and, except for the Proposals, does not otherwise take into account or anticipate any change in law or administrative policies or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign tax legislation or considerations.

Dividends

Dividends (including deemed dividends) received on the Series 5 Preferred Shares by a Holder that is an individual will be included in the individual’s income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends (including a deemed dividend) received from taxable Canadian corporations, including the enhanced dividend gross-up and dividend tax credit with respect to any dividends (including deemed dividends) designated by IFC as “eligible dividends” in accordance with the Tax Act. By notice in writing on IFC’s website, IFC has designated all dividends paid by IFC to be “eligible dividends” within the meaning of the Tax Act unless otherwise notified.

Dividends (including deemed dividends) received on the Series 5 Preferred Shares by a Holder that is a corporation will be included in computing the corporation’s income and will generally be deductible in computing the taxable income of the corporation. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their particular circumstances.

The Series 5 Preferred Shares are “taxable preferred shares” as defined in the Tax Act. The terms of the Series 5 Preferred Shares require IFC to make the necessary election under Part VI.1 of the Tax Act so that a corporation holding Series 5 Preferred Shares will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 5 Preferred Shares.

Dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

A Holder that is a “private corporation”, as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 38¹/₃% of dividends received (or deemed to be received) on the Series 5 Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A Holder who disposes of or is deemed to dispose of a Series 5 Preferred Share (either on redemption of the Series 5 Preferred Share for cash or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such share to such Holder. For this purpose, the adjusted cost base to a Holder of Series 5 Preferred Shares will be determined at any time by averaging the cost of such Series 5 Preferred Shares with the adjusted cost base of any other Series 5 Preferred Shares owned by the Holder as capital property immediately before that time. The amount of any deemed dividend arising on the redemption or acquisition by IFC of a Series 5 Preferred Share will generally not be included in computing the proceeds of disposition to the Holder for purposes of computing the capital gain or capital loss arising on the disposition of the Series 5 Preferred Share. See “Redemption” below. If the Holder is a corporation, any capital loss arising on the disposition of a Series 5 Preferred Share may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series 5 Preferred Share or on any share which was converted into or exchanged for such share. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any capital gain will be included in computing the Holder’s income as a taxable capital gain. One-half of any capital loss (an “allowable capital loss”) realized by a Holder in a taxation year must generally be deducted from taxable capital gains realized by the Holder in such year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, subject to and in accordance with the rules contained in the Tax Act. Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax under the Tax Act. An amount in respect of taxable capital gains of a Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax.

Redemption

If IFC redeems or otherwise acquires or cancels a Series 5 Preferred Share held by a Holder, other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by IFC, including any redemption premium, in excess of the paid-up capital (as determined for purposes of the Tax Act) of such share at such time. Generally, the proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such share will be equal to the amount paid by IFC on redemption or acquisition of such share, including any redemption premium, less the amount of the deemed dividend, if any. In the case of a Holder that is a corporation, it is possible that in certain circumstances subsection 55(2) of the Tax Act may treat all or part of the deemed dividend as proceeds of disposition and not as a dividend.

RISK FACTORS

An investment in the Series 5 Preferred Shares involves certain risks. In addition to the other information contained in this Prospectus Supplement, the Shelf Prospectus, the risk factors incorporated by reference from the Prior Prospectus and the risks described under the “Risk Management” sections of the Annual MD&A and Interim MD&A, prospective purchasers of Series 5 Preferred Shares should consider carefully the risk factors set forth below.

The risks and uncertainties described below, in this Prospectus Supplement, the Shelf Prospectus and in the documents incorporated by reference are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us. If any

of these risks actually occurs, our business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of the Series 5 Preferred Shares could decline and investors could lose all or part of their investment.

General Creditworthiness and Credit Ratings

The value of the Series 5 Preferred Shares will be affected by our general creditworthiness. The Annual MD&A is incorporated by reference in this Prospectus Supplement. The Annual MD&A reports, among other things, known material trends and events, and risks and uncertainties that are reasonably expected to have a material effect on IFC's business, financial condition and/or results of operations. See also the discussion under "Earnings Coverage Ratios", which is relevant to an assessment of the risk that IFC will be unable to pay dividends on the Series 5 Preferred Shares.

Real or anticipated changes in credit ratings on the Series 5 Preferred Shares may also affect the market value of the Series 5 Preferred Shares. No assurance can be given that any credit ratings assigned to the Series 5 Preferred Shares will not be lowered or withdrawn entirely by the relevant rating agency. In addition, real or anticipated changes in credit ratings could adversely impact the marketability of the products offered by us and could affect the cost at which we obtain funding, thereby affecting our liquidity, business, financial condition or results of operations.

Dividends

The Series 5 Preferred Shares are non-cumulative and dividends are payable at the discretion of the Board of Directors. See "Earnings Coverage Ratios" and "Description of Share Capital – Class A Shares" which are relevant to an assessment of the risk that we will be unable to pay dividends on the Series 5 Preferred Shares.

Holding Company Structure

We are a holding company and we will rely on cash dividends and other permitted payments from our subsidiaries and our own cash balances as the principal source of cash flow to meet our obligations with respect to the Series 5 Preferred Shares. As a result, our cash flows and ability to service our obligations, including the Series 5 Preferred Shares, are dependent upon the earnings of our subsidiaries, distributions of those earnings to us and other payments or distributions of funds by our subsidiaries to us. Substantially all of our business is currently conducted through our subsidiaries.

The ability of our subsidiaries to pay dividends to us in the future may be limited by applicable corporate and insurance law restrictions.

Structural Subordination of the Series 5 Preferred Shares

The Series 5 Preferred Shares are equity capital of IFC which rank equally with other Class A Shares in the event of an insolvency or winding-up of IFC. If IFC becomes insolvent or is wound-up, its assets must be used to satisfy outstanding indebtedness and other liabilities of IFC, including subordinated indebtedness of IFC, before payment may be made on the Series 5 Preferred Shares.

Our subsidiaries have no obligation to pay any amounts due on the Series 5 Preferred Shares. Furthermore, except to the extent IFC has a priority or equal claim against its subsidiaries as a creditor, the Series 5 Preferred Shares will be effectively subordinated to debt and preferred shares at the subsidiary level because, as the common shareholder of its corporate subsidiaries, IFC will be subject to the prior claims of creditors of its subsidiaries. As a result, a holder of Series 5 Preferred Shares will not have any claim as a creditor against our subsidiaries. Accordingly, the Series 5 Preferred Shares are effectively subordinated to all liabilities of any of IFC's subsidiaries. Therefore, holders of Series 5 Preferred Shares should rely only on IFC's assets for payments on the shares.

Fluctuations in Market Value

Prevailing yields on similar securities will affect the market value of the Series 5 Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series 5 Preferred Shares would be expected to decline as prevailing yields for similar securities rise, and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series 5 Preferred Shares in an analogous manner.

From time to time, the financial markets experience significant price and volume volatility that may affect the market price of the Series 5 Preferred Shares for reasons unrelated to our performance. The continuing volatility in financial markets may adversely affect us and the market price of the Series 5 Preferred Shares. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect us and the market price of the Series 5 Preferred Shares. Additionally, the value of the Series 5 Preferred Shares are subject to market value fluctuations based upon factors which influence our operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

Market for Securities

There is currently no market through which the Series 5 Preferred Shares may be sold and purchasers of Series 5 Preferred Shares may not be able to resell the Series 5 Preferred Shares purchased under this Prospectus Supplement. The price offered to the public for the Series 5 Preferred Shares was determined by negotiations among IFC and the Underwriters. The price paid for each Series 5 Preferred Share may bear no relationship to the price at which the Series 5 Preferred Shares will trade in the public market subsequent to this Offering. IFC cannot predict at what price the Series 5 Preferred Shares will trade and there can be no assurance that an active trading market will develop for the Series 5 Preferred Shares or, if developed, that such market will be sustained. The TSX has conditionally approved the listing of the Series 5 Preferred Shares. Listing will be subject to IFC fulfilling all the listing requirements of the TSX. There can be no assurance that the Series 5 Preferred Shares will be accepted for listing on the TSX.

Information Provided by OneBeacon

All information relating to OneBeacon contained in this Prospectus Supplement or incorporated by reference is based solely upon information provided by OneBeacon to IFC in connection with the Acquisition and upon information made publicly available by OneBeacon. While IFC, after conducting due diligence that it believes to be a prudent and thorough level of investigation, believes it to be accurate in all material respects, an unavoidable level of risk remains regarding the accuracy and completeness of such information.

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to OneBeacon incorporated by reference and included in this Prospectus Supplement, including such information used to prepare the *pro forma* financial information, has been derived on a historical basis from the historical accounting records of OneBeacon. The historical financial information may not reflect what OneBeacon's financial position, results of operations or cash flows would have been had IFC owned all of the outstanding common shares of OneBeacon during the period presented or what IFC's financial position, results of operations or cash flows will be in the future. The historical financial information does not contain any adjustments to reflect changes that may occur in IFC's cost structure, financing and operations as a result of the Acquisition.

In preparing the *pro forma* financial information in this Prospectus Supplement, IFC has given effect to, among other items, the Offering, the Subscription Receipt Public Offering, the Concurrent Private Placements and the completion of the Acquisition. The assumptions and estimates underlying the *pro forma* financial information may be materially different from IFC's actual experience going forward. See "Caution Regarding Unaudited *Pro Forma* Condensed Consolidated Financial Statements" and "Forward-Looking Information".

Exchange Rate Risk

As IFC anticipates funding a portion of the purchase price of the Acquisition from Canadian dollar denominated securities and credit facilities, and the purchase price of the Acquisition is denominated in U.S. dollars, a significant decline in the value of the Canadian dollar relative to the U.S. dollar at the time of closing of the Acquisition could increase the cost to IFC of funding the purchase price of the Acquisition. Although IFC implemented certain hedging strategies in order to mitigate its exposure to such currency exchange risk, there can be no assurance that such hedging or other risk management strategies, if any, undertaken by IFC will be effective. In addition, currency hedging entails a risk of illiquidity and counterparty default and, to the extent the U.S. dollar depreciates against the Canadian dollar, the risk of using hedges could result in losses greater than if the hedging had not been used. Also, hedging arrangements may have the effect of limiting or reducing the total returns to IFC if management's expectations concerning future events or market conditions prove to be incorrect, in which case the costs associated with the hedging strategies may outweigh their benefits.

Other Risk Factors Specific to the Series 5 Preferred Shares

Series 5 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 5 Preferred Shares. The ability of a holder to liquidate its holdings of Series 5 Preferred may be limited.

We may choose to redeem the Series 5 Preferred Shares from time to time, in accordance with our rights described under "Details of the Offering – Certain Provisions of the Series 5 Preferred Shares as a Series – Redemption", including when prevailing interest rates are lower than yield borne by the Series 5 Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Series 5 Preferred Shares being redeemed. Our redemption right also may adversely impact a purchaser's ability to sell Series 5 Preferred Shares as the optional redemption date or period approaches.

Holders of Series 5 Preferred Shares will not generally have voting rights at meetings of shareholders of IFC except under limited circumstances. See "Details of the Offering – Voting Rights".

Use of Proceeds

IFC intends to use the net proceeds of this Offering to fund a portion of the purchase price for the Acquisition as described under "Use of Proceeds". The Offering is not conditional on closing of the Acquisition. If the Acquisition is not completed, the net proceeds of this Offering will be used for general corporate purposes.

MATERIAL CONTRACTS

The material contracts and other instruments entered into by, to be entered into by, or to become binding upon, IFC or its subsidiary entities in connection with the Acquisition or the Offering are as follows:

- the Acquisition Agreement referred to under "Recent Developments – Acquisition of OneBeacon"; and
- the Underwriting Agreement referred to under "Plan of Distribution".

Copies of the foregoing agreements may be inspected during regular business hours at the offices of IFC, at 700 University Avenue, Suite 1500-A (Legal), Toronto, Ontario, M5G 0A1, (416) 341-1464, ext. 45149 or 2020 Robert-Bourassa Boulevard, 6th Floor, Montréal, Québec, H3A 2A5, (514) 985-7111 ext. 66367, until the expiry of the 30 day period following the date of this Prospectus Supplement and are also available electronically at www.sedar.com.

LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon on behalf of IFC by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. As of the date of this Prospectus Supplement, the partners and associates of Blake, Cassels & Graydon LLP and McCarthy Tétrault LLP, respectively, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of IFC or any associate or affiliate of IFC.

AUDITORS, TRANSFER AGENT AND REGISTRAR

IFC's auditors are Ernst & Young LLP, 800 René-Lévesque Blvd, Suite 1900, Montreal, Quebec, H3B 1X9. The auditors have confirmed to IFC that they are independent within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

OneBeacon's auditors are PriceWaterhouseCoopers LLP, 45 South Seventh Street, Suite 3400, Minneapolis, Minnesota, 55402, United States of America. The auditors have confirmed to OneBeacon that they are independent within the meaning of the Public Company Accounting Oversight Board (PCAOB) Rule 3520, *Auditor Independence*.

The transfer agent and registrar for the Series 5 Preferred Shares will be Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus, and any amendment thereto. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

GLOSSARY OF SELECTED INSURANCE AND OTHER TERMS

We measure our performance using a number of key performance metrics, some of which are included in the Prior Prospectus under the heading "The Acquisition" as well as elsewhere in this Prospectus Supplement and the documents incorporated by reference herein. Certain of these key performance metrics, such as earnings per share, are financial measures prepared in accordance with IFRS. Additionally, like many insurance companies, we also analyze performance based on underwriting ratios such as combined, expense and loss ratios and other non-IFRS measures. In general, we present these metrics as we believe they allow us to more effectively measure our performance against our operating strategy as well as against the results of our peers and competitors. We likewise believe that these and other non-IFRS measures provide useful information to investors and assist investors in analyzing our performance. However, while IFC and many other insurance companies measure and evaluate the performance of their respective consolidated operations and business segments with reference to these and similar measures, and non-IFRS measures do not have any standardized or prescribed meaning under IFRS or otherwise and are unlikely to be comparable to any similar measure presented by other companies.

Important details in respect of these metrics, including how they are defined and calculated, are included in our management's discussion and analysis incorporated by reference in this Prospectus Supplement, and as follows:

- "adjusted earnings per share" or "AEPS" means net income from continuing operations for a specific period less preferred share dividends plus the after-tax impact of amortization of intangible assets recognized in business combinations, integration and restructuring costs and change in fair value of

contingent consideration, divided by the weighted-average number of Common Shares outstanding during the same period;

- “adjusted return on equity” or “AROE” means net income from continuing operations for a 12-month period less preferred share dividends plus the after-tax impact of amortization of intangible assets recognized in business combinations, integration and restructuring costs and change in fair value of contingent consideration, divided by the average shareholders’ equity (excluding preferred shares) over the same 12-month period;
- “book value per share” represents shareholders’ equity at the end of the period divided by the number of outstanding common shares on the same date;
- “cash flow available for investment activities” refers net cash flows from cash and cash equivalents and the investment portfolio;
- “case reserves” refers to the liability established to reflect the estimated cost of unpaid claims that have been reported and claims expenses that the insurer will ultimately be required to pay;
- “claims liabilities” is comprised of both case reserves and claims that are incurred but not reported;
- “claims ratio” means the claims and claims expenses incurred during a defined period, net of reinsurance, expressed as a percentage of net premiums earned for the same period;
- “combined ratio” means the sum of the claims ratio and the expense ratio (a combined ratio below 100% indicates a profitable underwriting result and, conversely, a combined ratio above 100% indicates an unprofitable underwriting result);
- “debt to total capital” means debt divided by total capitalization (see “Consolidated Capitalization” section of this Prospectus Supplement);
- “direct premiums written” or “DPW” means the total amount of premiums for new and renewal policies billed (written) during a specific reporting period from the primary insured;
- “excess capital” is the amount of capital in excess of 170% of the required capital under the MCT plus the amount of liquid assets in the holding company;
- “expense ratio” refers to underwriting expenses, including commissions, premium taxes and all general and administrative expenses, incurred in operating the underwriting business during a defined period and expressed as a percentage of net premiums earned for the same period;
- “Internal Rate of Return” or “IRR” means the rate of return expected to be produced on the shareholders’ capital deployed over the life of a project or acquisition.
- “investment yield” means ratio of net investment income including realized capital gains over the difference between the average invested assets and the net investment income including realized capital gains;
- “market-based yield” refers to the yield calculated using the interest and dividend income for the period divided by the average fair value of invested assets calculated monthly including cash equivalents but excluding cash balances;
- “market yield adjustment” or “MYA” reflects the impact of changes in the discount rate applied to discount claims liabilities based on the change in market-based yield of the underlying assets;

- “market yield effect” refers to the difference between the MYA and the gains and losses on “held-for-trading” debt securities (the objective is that these two items offset each other with a minimal overall impact to income);
- “minimum capital test” or “MCT” is the minimum capital test that Canadian federally regulated property and casualty insurers, including our Canadian subsidiaries, must meet (MCT is intended to assess an insurer’s available capital in relation to its required capital and requires that available capital be equal to at least the minimum capital requirement) (The Office of the Superintendent of Financial Institutions Canada expects insurers to establish a capital target above and maintain ongoing capital at no less than, the supervisory target of 150% of required capital under the MCT);
- “net operating income” is defined as the sum of underwriting income, interest and dividend income and corporate and distribution income, after tax (this is a key profitability measure);
- “net operating income per share” or “NOIPS” is equal to net operating income for the period divided by the average outstanding number of shares for the same period;
- “net premiums earned” refers to the portion of the premiums written that is recognized for accounting purposes as revenue for a period;
- “net premiums written” means the direct premiums written for a given period less premiums ceded to reinsurers and retrocessionaries during such period;
- “non-operating results” refers to elements that are not representative of our operating performance because they relate to special items, bear significant volatility from one period to another, or because they are not part of our normal activities;
- “operating return on equity” or “OROE” means net operating income for the last 12 months divided by the average shareholders’ equity (excluding preferred shares and accumulated other comprehensive income) over the same 12 month period;
- “prior year claim development” is the net of the claim payments and of the reduction in total claims liabilities in a given period (a negative net amount is called a favourable prior year claims development and, conversely, a positive net amount is called an unfavourable prior year claims development);
- “return on equity” or “ROE” is calculated from the net income for the last 12 months divided by the average equity for the same period (the average is calculated by adding the beginning balance and the ending balance and dividing by two) (the equity has been adjusted for accumulated other comprehensive income);
- “Underlying current year loss ratio” represents our current year claims ratio excluding catastrophe losses, reinstatement premiums, and PYD. Catastrophe events are not predictable, and as such, excluding them provides clearer insight into our analysis of current year performance;
- “Underwriting Income” means net premiums earned less net claims incurred, commissions, premium taxes and general expenses (excluding MYA); and
- “written insured risks” refers to the number of vehicles in automobile insurance, the number of premises in personal property insurance and the number of policies in commercial insurance (excluding commercial automobile insurance).

FINANCIAL STATEMENTS

Intact Financial Corporation *Pro Forma* Financial Statements

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited *pro forma* condensed consolidated financial statements give effect to the proposed acquisition (the "Acquisition") of OneBeacon Insurance Group, Ltd. ("OneBeacon") under the purchase method of accounting. The unaudited *pro forma* condensed consolidated financial statements have been prepared as if the Acquisition had occurred on January 1, 2016 for the purpose of the unaudited *pro forma* consolidated statement of income for the three-month period ended March 31, 2017 and the unaudited *pro forma* consolidated statement of income for the year ended December 31, 2016, and as if the Acquisition occurred on March 31, 2017 for the purpose of the unaudited *pro forma* condensed consolidated balance sheet as at March 31, 2017. The unaudited *pro forma* condensed consolidated financial statements are not necessarily indicative of the results that actually would have been achieved if the transactions reflected therein had been completed on the dates indicated or the results which may occur in the future.

The unaudited *pro forma* condensed consolidated financial statements are presented for illustrative purposes only. The unaudited *pro forma* adjustments are based upon available information and certain assumptions that we believe are reasonable in the circumstances, as described in the notes to the unaudited *pro forma* condensed consolidated financial statements.

These unaudited *pro forma* condensed consolidated financial statements are based on unaudited consolidated Intact Financial Corporation ("IFC") financial statements prepared in accordance with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* as at and for the three months ended March 31, 2017, OneBeacon's unaudited consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") as at end for the three month period ended March 31, 2017, OneBeacon's US GAAP audited consolidated financial statements as at and for the year ended December 31, 2016 and IFC audited consolidated financial statements for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards ("IFRS").

These unaudited *pro forma* condensed consolidated financial statements exclude the allocation of the purchase price. Therefore, the difference between the purchase price and the net assets acquired excluding pre-acquisition goodwill has been allocated to goodwill. Actual amounts will be recorded once the purchase price allocation is finalized. The final purchase price allocation is dependent on, amongst other things, valuation of assets and liabilities of OneBeacon. Therefore, we believe that the actual adjustments will differ from the unaudited *pro forma* adjustments, and the differences may be material. As at the closing date of the Acquisition, the difference between the estimate of final consideration and the valuation of tangible and identifiable intangible assets, at that date, will be recorded as goodwill.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2017
(unaudited)
(\$ millions)

	IFC CAD \$	One Beacon US GAAP USD \$	One Beacon IFRS CAD \$	Pro Forma Adjustments CAD \$		Pro Forma Condensed Consolidated Balance Sheet CAD \$
			Note 1 and 2	Note	Note	
Assets						
Cash and cash equivalents	\$ 88	79	106	157	(d), (f), (g), (h), (j), (k)	\$ 351
Debt securities	8 752	2 152	2 863	(604)	(f)	11 011
Preferred shares	1 415	14	18	0		1 433
Common shares	3 577	199	265	(262)	(f)	3 580
Loans and other investments	395	229	304	-		699
Investments	14 227	2 673	3 556	(709)		17 074
Accrued investment income	83	12	16			99
Premium receivables	2 781	226	300			3 081
Reinsurance assets	477	230	307			784
Income taxes receivable	38	0	-			38
Deferred tax assets	296	126	201	6	(b), (c) (a), (g), (h)	503
Deferred acquisition costs	701	99	131			832
Other assets	525	190	253			778
Investments in associates and joint ventures	558					558
Property and equipment	139	16	21			160
Goodwill and intangibles	2 720		0	985	(d)	3 705
Total assets	\$ 22 545	3 572	4 785	282		\$ 27 612
Liabilities						
Claims liabilities	8 599	1 369	1 951		(b)	10 550
Unearned premiums	4 261	578	769			5 030
Financial liabilities related to investments	491	4	5	(166)	(f)	330
Income taxes payable	112	6	8			120
Deferred tax liabilities	418	0	0			418
Other liabilities	1 130	305	407			1 537
Debt outstanding	1 393	273	363	843	(j), (k)	2 599
Total liabilities	\$ 16 404	2 535	3 503	677		\$ 20 584
Shareholders' equity						
Common shares	2 081	1 013	1 347	(611)	(a), (g), (h)	2 817
Preferred shares	489	0	0	147		636
Contributed surplus	125	0	0			125
Retained earnings	3 225	25	(63)	63	(a)	3 225
Non controlling interest	0	3	4			4
Accumulated other comprehensive income (loss)	221	(4)	(6)	6	(a)	221
Total Shareholder's equity	\$ 6 141	1 037	1 282	(395)		\$ 7 028
Total liabilities and Shareholder's equity	\$ 22 545	3 572	4 785	282		\$ 27 612

- (1) Amounts have been converted to IFRS and translated from US \$ to Canadian dollars using the closing exchange rate in effect as at March 31, 2017 which was \$1.3299 for US\$1.00.
(2) Certain amounts were reclassified to align OneBeacon presentation with IFC presentation.

**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016**

(unaudited)

(\$ millions, except for per share amounts)

	IFC CAD \$	One Beacon US GAAP USD \$	One Beacon IFRS CAD \$	Pro Forma Adjustments CAD \$		Pro Forma Condensed Consolidated Statement of income CAD \$
			Note 1 and 2	Note	Note	
Direct premiums written	\$ 8 197	1 193	1 580			\$ 9 777
Net premiums earned	7 902	1 101	1 458			9 360
Other underwriting revenues	122	-	-			122
Total underwriting revenues	8 024	1 101	1 458	0		9 482
Net claims incurred	(5 108)	(656)	(871)	(b)		(5 979)
Underwriting expenses	(2 533)	(415)	(550)			(3 083)
	383	30	37			420
Net investment income and net investment gains (losses)	344	88	117		(19) (f)	442
Share profit from investment in associates and joint	16	0	0			16
Other revenues	143	6	7			150
Other expenses	(128)	(14)	(19)			(147)
Finance costs	(72)	(13)	(17)		(20) (j), (k)	(109)
Income before income taxes	686	96	125		(39)	772
Income tax (expense) benefit	(145)	12	17	(c)	10 (c)	(118)
Net income attributable to shareholders	\$ 541	108	142		(29)	\$ 654
Basic and diluted average number of common shares (in millions)	131.2	n/a	n/a			139.4
Earnings per share, basic and diluted (in dollars)	\$ 3.97	n/a	n/a			\$ 4.49
Dividends per share (in dollars)	\$ 2.32	n/a	n/a		(l)	\$ 2.32

(1) Amounts have been converted to IFRS and translated from US\$ to Canadian dollars using the average closing exchange rate for the twelve-month period ended December 31, 2016 which was \$1.3245 for US\$1.00.

(2) Certain amounts were reclassified to align OneBeacon presentation with IFC presentation.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2017

(unaudited)

(\$ millions, except for per share amounts)

	IFC CAD \$	One Beacon US GAAP USD \$	One Beacon IFRS CAD \$	Pro Forma Adjustments CAD \$	Pro Forma Condensed Consolidated Statement of Income CAD \$
			Note 1 and 2	Note	Note
Direct premiums written	\$ 1 731	288	381		\$ 2 112
Net premiums earned	1 997	262	347		2 344
Other underwriting revenues	28	-	-		28
Total underwriting revenues	2 025	262	347	0	2 372
Net claims incurred	-1 399	(151)	(194)	(b)	(1 593)
Underwriting expenses	(615)	(97)	(128)		(743)
	11	14	25	0	36
Net investment income and net investment gains (losses)	180	27	36	(4)	212
Other revenues	37	3	5		42
Other expenses	-28	(5)	(7)		(35)
Finance costs	(19)	(3)	(4)	(5)	(28)
Income before income taxes	181	37	55	(9)	227
Income tax (expense) benefit	(35)	(4)	(6)	2	(39)
Net income attributable to shareholders	\$ 146	33	49	(7)	\$ 188
Basic and diluted average number of common shares (in millions)	131.0	n/a	n/a		139.2
Earnings per share, basic and diluted (in dollars)	\$ 1.08	n/a	n/a		\$ 1.31
Dividends per share (in dollars)	\$ 0.64	n/a	n/a	(i)	\$ 0.64

(1) Amounts have been converted to IFRS and translated from US \$ to Canadian dollars using the average closing exchange rate for the three-month period ended March 31, 2017 which was \$1.3238 for US\$1.00.

(2) Certain amounts were reclassified to align OneBeacon presentation with IFC presentation.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in CDN dollars)
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited *pro forma* condensed consolidated financial statements give effect to the Acquisition of all of the issued and outstanding shares of OneBeacon Insurance Group, Ltd. (“OneBeacon”). The accompanying unaudited *pro forma* condensed consolidated financial statements have been prepared by management of IFC and are derived from the interim consolidated financial statements (unaudited) of IFC as at and for the three-month period ended March 31, 2017 and the audited consolidated financial statements of IFC for the year ended December 31, 2016; and the interim consolidated financial statements of OneBeacon as at and for the three-month period ended March 31, 2017 and the audited consolidated financial statements of OneBeacon for the year ended December 31, 2016.

The accounting policies used in the preparation of these unaudited *pro forma* condensed consolidated financial statements are those disclosed in IFC’s financial statements applicable for each of the respective periods and also consider the *pro forma* assumptions and adjustments described in note 2. Management has determined that adjustments to OneBeacon’s financial statements are required to comply with IFRS and the accounting policies used by IFC in the preparation of its unaudited *pro forma* condensed consolidated financial statements. Those adjustments are described in note 2.

These unaudited *pro forma* condensed consolidated financial statements should be read in conjunction with the description of the transaction and financing described in the Prospectus Supplement and have been prepared using the following information:

Unaudited *Pro forma* consolidated balance sheet as at March 31, 2017 and unaudited *pro forma* consolidated statement of income for the three months ended March 31, 2017:

- interim consolidated financial statements (unaudited) of IFC as at and for the three months ended March 31, 2017 prepared in accordance with International Accounting Standard 34 — *Interim Financial Reporting* and using the accounting policies that IFC expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2017;
- unaudited interim consolidated financial statements of OneBeacon as at and for the three months ended March 31, 2017 prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Unaudited *Pro forma* consolidated statement of income for the year ended December 31, 2016:

- audited consolidated financial statements of IFC as at and for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards (“IFRS”);
- audited consolidated financial statements of OneBeacon as at and for the year ended December 31, 2016 prepared in accordance with US GAAP.

The underlying assumptions for the unaudited *pro forma* adjustments provide a reasonable basis for presenting the significant financial effect directly attributable to the Acquisition. These unaudited *pro forma* adjustments are tentative and are based on available financial information and certain estimates and assumptions. The actual adjustments to the consolidated financial statements will depend on a number of factors. We believe that the actual adjustments will differ from the unaudited *pro forma* adjustments, and the differences may be material. In addition, these unaudited *pro forma* condensed consolidated financial statements do not include financial benefits from items such as potential cost savings or synergies arising from the Acquisition or the costs of integration and business attrition which may occur.

2. UNAUDITED PRO FORMA SIGNIFICANT ASSUMPTIONS AND ADJUSTMENTS

These unaudited *pro forma* condensed consolidated financial statements give effect to the completion of the Acquisition, as if it had occurred on March 31, 2017 in respect of the unaudited *pro forma* consolidated balance sheet, and on January 1, 2016 in respect of the unaudited *pro forma* consolidated statement of income for the year ended December 31, 2016 and the unaudited *pro forma* consolidated statement of income for the three-month period ended March 31, 2017. The Acquisition has been reflected in the unaudited *pro forma* condensed consolidated financial statements using the purchase method of accounting.

[a] OneBeacon's historical shareholders' equity balances

The historical shareholders' share capital, retained earnings and accumulated other comprehensive income (loss) balances of OneBeacon have been eliminated.

IFRS / US GAAP ADJUSTMENTS

OneBeacon's historical financial statements were originally prepared in accordance with US GAAP and presented in US\$. Adjustments were made to translate the balances to Canadian dollars and to convert those financial statements to IFRS.

[b] Claims Liabilities - PFAD and Discount

Margins referred to as provisions for adverse deviation (PFAD) and the discounting of claims liabilities (using a discount rate of 1.78%) were recognized in the balance sheet to be on a consistent basis with the method used by IFC and in conformity with generally accepted Canadian actuarial standard techniques. The claims liabilities have been increased by \$131 million as at March 31, 2017. The claims incurred have increased by \$2 million for the twelve month period ended December 31, 2016 and decreased by \$5 million for the three month period ended March 31, 2017.

PRO FORMA ADJUSTEMENTS

[c] Income taxes

The unaudited *pro forma* adjustments are tax affected, where appropriate, using either IFC's statutory tax rates of 27% or OneBeacon statutory tax rates of 35% for the year-ended December 31, 2016 and the three-month period ended March 31, 2017.

[d] Estimated consideration

Estimated cash consideration paid (\$US1,702 * ¹)	\$2,263 millions
Net assets acquired excluding pre-acquisition goodwill	<u>\$1,278 millions</u>
Unallocated purchase price	\$ 985 millions

[e] Allocation of consideration

For the purpose of these unaudited *pro forma* condensed consolidated financial statements, Management has not made any fair value adjustment allocation to the value of the acquired assets and liabilities on the balance sheet of OneBeacon due to considerable uncertainty with respect to the measurement of fair value amounts. IFC expects that a significant portion of the unallocated purchase price will be allocated among amortizable intangible assets and goodwill.

[f] Excess capital

To fund a portion of the Acquisition purchase price and related transaction fees, IFC plans to use approximately \$700 million of its excess capital by disposing of investments. The investment income shortfall resulting from the disposition of investments was based on an investment income yield of 2.69% (pre-tax) impacting results by a decrease of \$19 million for the year ended December 31, 2016 and \$4 million for the three month period ended March 31, 2017.

[g] Common share issuance

To fund a portion of the Acquisition purchase price, IFC plans to issue 4.5 million common shares concurrently with the closing of the Acquisition resulting in estimated gross proceeds of approximately \$414 million, or net proceeds after common share issuance costs of \$396 million (\$18 million common share issuance costs recorded in deduction of equity). The price of \$91.85 per share, being the offering price for the issuance of 4.5 million subscription receipts of IFC pursuant to the Prospectus Supplement dated May 4, 2017 (the "Prospectus Supplement"), has been used as the issue price per share in these unaudited *pro forma* condensed consolidated financial statements. The 4.5 million of common shares includes 588,000 subscription receipts as a result of the over-allotment option.

[h] Private Placements

To fund a portion of the Acquisition purchase price, IFC has entered into separate subscription agreements on May 2, 2017 with three Subscribers to issue on a private placement basis 3.7 million common shares concurrently with the closing of the Acquisition (the "Private Placements") resulting in estimated gross proceeds of approximately \$340 million (\$7 million issuance costs recorded in deduction of equity). The price of \$ 91.85 per share, being the offering price for the issuance of 3.7 million subscription receipts of IFC pursuant to the subscription agreements, has been used as the issue price per share in the unaudited *pro forma* condensed consolidated financial statements.

¹ Amounts have been translated from US dollars to Canadian dollars using the closing exchange rate as at March 31, 2017 which was \$1.3299 for US \$1.00.

[i] Earnings per common share

The calculation of the unaudited *pro forma* earnings per common share for the year ended December 31, 2016, and for the three-month period ended March 31, 2017, considers the issuance of 8.2 million common shares as contemplated in the Prospectus Supplement and the Private Placements, as if the issuance had taken place as at January 1, 2016.

The earnings available to common shareholders also consider the dividend on preferred shares contemplated in the Prospectus Supplement dated May 16, 2017, as if the issuance had taken place as at January 1, 2016.

[j] Financing (preferred shares and debt)

IFC plans to issue preferred shares Series 5 for an estimated gross proceeds of approximately \$150 million (\$5 million issuance costs recorded in deduction of equity) with an annual dividend rate of 5.20%.

In addition, for the purposes of these unaudited *pro forma* condensed consolidated financial statements, Management has assumed remaining financing of the Acquisition purchase price consists of one or more offerings of preferred shares and debt in an aggregate amount of \$850 million. For the purpose of the unaudited *pro forma* condensed consolidated financial statements, the remaining financing was considered as debt bearing interest at an average annual rate of 2.32%.

[k] Financing costs

Estimated transaction costs related to the assumed financing of the Acquisition purchase price are to approximate \$7.1 million, and will be deferred and amortized over the estimated maturity of the long-term capital that will be secured, estimated to be 15 years.

[l] Retention bonus and other transaction costs

OneBeacon intends to establish a retention pool for key employees, in an aggregate amount not to exceed \$45 million. Other direct acquisition costs (including legal and advisory fees) are assumed to approximate \$18 million. These costs have not been reflected in the unaudited *pro forma* consolidated financial statements as they are not recurring costs.

CERTIFICATE OF THE UNDERWRITERS

Dated: May 16, 2017

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this Prospectus Supplement as required by the securities legislation of all provinces and territories of Canada.

**CIBC WORLD MARKETS
INC.**

By: (signed) Shannan M.
Levere

**BMO NESBITT BURNS
INC.**

By: (signed) Timothy Tutsch

**NATIONAL BANK
FINANCIAL INC.**

By: (signed) Maude
Leblond

TD SECURITIES INC.

By: (signed) Jonathan
Broer

RBC DOMINION SECURITIES INC.

By: (signed) John Bylaard

SCOTIA CAPITAL INC.

By: (signed) Burhan Khan

DESJARDINS SECURITIES INC.

By: (signed) Wes Fulford

GMP SECURITIES L.P.

By: (signed) Kevin Sullivan

RAYMOND JAMES LTD.

By: (signed) Sean C. Martin

CORMARK SECURITIES INC.

By: (signed) Alfred Avanesy

MACQUARIE CAPITAL MARKETS CANADA LTD.

By: (signed) Michael P. Mackasey