

# Consolidated financial statements

## Consolidated income statements

FOR THE PERIOD ENDED MARCH 31 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) (UNAUDITED)			
	NOTE	2020	2019
Operating revenues	3	5,680	5,734
Operating costs	3, 4	(3,238)	(3,325)
Severance, acquisition and other costs	5	(16)	(24)
Depreciation		(868)	(882)
Amortization		(234)	(221)
Finance costs			
Interest expense		(279)	(283)
Interest on post-employment benefit obligations	10	(12)	(16)
Other (expense) income	6	(55)	101
Income taxes		(245)	(293)
<b>Net earnings</b>		<b>733</b>	<b>791</b>
<b>Net earnings attributable to:</b>			
Common shareholders		680	740
Preferred shareholders		38	38
Non-controlling interest		15	13
<b>Net earnings</b>		<b>733</b>	<b>791</b>
<b>Net earnings per common share</b>	7		
Basic and diluted		0.75	0.82
<b>Average number of common shares outstanding – basic (millions)</b>		<b>904.1</b>	<b>898.4</b>

## Consolidated statements of comprehensive income

FOR THE PERIOD ENDED MARCH 31 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	NOTE	2020	2019
<b>Net earnings</b>		<b>733</b>	791
<b>Other comprehensive income (loss), net of income taxes</b>			
Items that will be subsequently reclassified to net earnings			
Net change in value of publicly-traded and privately-held investments, net of income taxes of nil for the three months ended March 31, 2020 and 2019		(3)	–
Net change in value of derivatives designated as cash flow hedges, net of income taxes of (\$116) million and \$20 million for the three months ended March 31, 2020 and 2019, respectively		318	(54)
Items that will not be reclassified to net earnings			
Actuarial gains (losses) on post-employment benefit plans, net of income taxes of (\$634) million and \$34 million for the three months ended March 31, 2020 and 2019, respectively <sup>(1)</sup>	10	1,731	(93)
Net change in value of derivatives designated as cash flow hedges, net of income taxes of (\$21) million and \$4 million for the three months ended March 31, 2020 and 2019, respectively		57	(12)
<b>Other comprehensive income (loss)</b>		<b>2,103</b>	(159)
<b>Total comprehensive income</b>		<b>2,836</b>	632
<b>Total comprehensive income attributable to:</b>			
Common shareholders		2,778	583
Preferred shareholders		38	38
Non-controlling interest		20	11
<b>Total comprehensive income</b>		<b>2,836</b>	632

(1) The discount rate used to value our post-employment benefit obligations at March 31, 2020 was 4.2% compared to 3.1% at December 31, 2019. The discount rate used to value our post-employment benefit obligations at March 31, 2019 was 3.3% compared to 3.8% at December 31, 2018.

# Consolidated statements of financial position

(IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	NOTE	MARCH 31, 2020	DECEMBER 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		943	141
Cash equivalents		1,736	4
Trade and other receivables		2,990	3,038
Inventory		487	427
Contract assets		1,037	1,111
Contract costs		416	415
Prepaid expenses		280	194
Other current assets		419	190
<b>Total current assets</b>		<b>8,308</b>	<b>5,520</b>
<b>Non-current assets</b>			
Contract assets		452	533
Contract costs		363	368
Property, plant and equipment		27,432	27,636
Intangible assets		13,513	13,352
Deferred tax assets		90	98
Investments in associates and joint ventures		730	698
Other non-current assets	8	3,960	1,274
Goodwill		10,667	10,667
<b>Total non-current assets</b>		<b>57,207</b>	<b>54,626</b>
<b>Total assets</b>		<b>65,515</b>	<b>60,146</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities		3,335	3,954
Contract liabilities		725	683
Interest payable		192	227
Dividends payable		767	729
Current tax liabilities		186	303
Debt due within one year		4,209	3,881
<b>Total current liabilities</b>		<b>9,414</b>	<b>9,777</b>
<b>Non-current liabilities</b>			
Contract liabilities		211	207
Long-term debt	9	25,513	22,415
Deferred tax liabilities		4,444	3,561
Post-employment benefit obligations	10	1,603	1,907
Other non-current liabilities		906	871
<b>Total non-current liabilities</b>		<b>32,677</b>	<b>28,961</b>
<b>Total liabilities</b>		<b>42,091</b>	<b>38,738</b>
<b>EQUITY</b>			
<b>Equity attributable to BCE shareholders</b>			
Preferred shares		4,004	4,004
Common shares		20,386	20,363
Contributed surplus		1,156	1,178
Accumulated other comprehensive income		528	161
Deficit		(2,990)	(4,632)
<b>Total equity attributable to BCE shareholders</b>		<b>23,084</b>	<b>21,074</b>
<b>Non-controlling interest</b>		<b>340</b>	<b>334</b>
<b>Total equity</b>		<b>23,424</b>	<b>21,408</b>
<b>Total liabilities and equity</b>		<b>65,515</b>	<b>60,146</b>

## Consolidated statements of changes in equity

FOR THE PERIOD ENDED MARCH 31, 2020 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	ATTRIBUTABLE TO BCE SHAREHOLDERS						NON-CONTROL-LING INTEREST	TOTAL EQUITY
	PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL		
Balance at December 31, 2019	4,004	20,363	1,178	161	(4,632)	21,074	334	21,408
Net earnings	–	–	–	–	718	718	15	733
Other comprehensive income	–	–	–	368	1,730	2,098	5	2,103
<b>Total comprehensive income</b>	–	–	–	368	2,448	2,816	20	2,836
Common shares issued under employee stock option plan	–	23	(1)	–	–	22	–	22
Other share-based compensation	–	–	(21)	–	(15)	(36)	–	(36)
Dividends declared on BCE common and preferred shares	–	–	–	–	(791)	(791)	–	(791)
Dividends declared by subsidiaries to non-controlling interest	–	–	–	–	–	–	(14)	(14)
Settlement of cash flow hedges transferred to the cost basis of hedged items	–	–	–	(1)	–	(1)	–	(1)
<b>Balance at March 31, 2020</b>	<b>4,004</b>	<b>20,386</b>	<b>1,156</b>	<b>528</b>	<b>(2,990)</b>	<b>23,084</b>	<b>340</b>	<b>23,424</b>

FOR THE PERIOD ENDED MARCH 31, 2019 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	ATTRIBUTABLE TO BCE SHAREHOLDERS						NON-CONTROL-LING INTEREST	TOTAL EQUITY
	PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL		
Balance at December 31, 2018	4,004	20,036	1,170	90	(4,937)	20,363	326	20,689
Adoption of IFRS 16	–	–	–	–	(19)	(19)	(1)	(20)
Balance at January 1, 2019	4,004	20,036	1,170	90	(4,956)	20,344	325	20,669
Net earnings	–	–	–	–	778	778	13	791
Other comprehensive loss	–	–	–	(65)	(92)	(157)	(2)	(159)
<b>Total comprehensive (loss) income</b>	–	–	–	(65)	686	621	11	632
Common shares issued under employee stock option plan	–	20	(1)	–	–	19	–	19
Common shares issued under employee savings plan (ESP)	–	10	–	–	–	10	–	10
Other share-based compensation	–	1	(16)	–	5	(10)	–	(10)
Dividends declared on BCE common and preferred shares	–	–	–	–	(750)	(750)	–	(750)
Dividends declared by subsidiaries to non-controlling interest	–	–	–	–	–	–	(27)	(27)
Settlement of cash flow hedges transferred to the cost basis of hedged items	–	–	–	(5)	–	(5)	–	(5)
<b>Balance at March 31, 2019</b>	<b>4,004</b>	<b>20,067</b>	<b>1,153</b>	<b>20</b>	<b>(5,015)</b>	<b>20,229</b>	<b>309</b>	<b>20,538</b>

# Consolidated statements of cash flows

FOR THE PERIOD ENDED MARCH 31  
(IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)

	NOTE	2020	2019
<b>Cash flows from operating activities</b>			
Net earnings		733	791
Adjustments to reconcile net earnings to cash flows from operating activities			
Severance, acquisition and other costs	5	16	24
Depreciation and amortization		1,102	1,103
Post-employment benefit plans cost	10	87	85
Net interest expense		272	278
Losses on investments	6	1	4
Income taxes		245	293
Contributions to post-employment benefit plans		(79)	(81)
Payments under other post-employment benefit plans		(17)	(18)
Severance and other costs paid		(35)	(66)
Interest paid		(318)	(267)
Income taxes paid (net of refunds)		(233)	(289)
Acquisition and other costs paid		(9)	(29)
Net change in operating assets and liabilities		(314)	(312)
<b>Cash flows from operating activities</b>		<b>1,451</b>	<b>1,516</b>
<b>Cash flows used in investing activities</b>			
Capital expenditures		(783)	(850)
Other investing activities		(7)	(24)
<b>Cash flows used in investing activities</b>		<b>(790)</b>	<b>(874)</b>
<b>Cash flows from (used in) financing activities</b>			
(Decrease) increase in notes payable		(230)	567
Increase in securitized trade receivables		400	31
Issue of long-term debt	9	3,281	–
Repayment of long-term debt	9	(711)	(204)
Issue of common shares		22	20
Purchase of shares for settlement of share-based payments		(94)	(76)
Cash dividends paid on common shares		(716)	(678)
Cash dividends paid on preferred shares		(36)	(26)
Cash dividends paid by subsidiaries to non-controlling interest		(14)	(27)
Other financing activities		(29)	(6)
<b>Cash flows from (used in) financing activities</b>		<b>1,873</b>	<b>(399)</b>
Net increase in cash		802	121
Cash at beginning of period		141	425
<b>Cash at end of period</b>		<b>943</b>	<b>546</b>
Net increase in cash equivalents		1,732	122
Cash equivalents at beginning of period		4	–
<b>Cash equivalents at end of period</b>		<b>1,736</b>	<b>122</b>

# Notes to consolidated financial statements

These consolidated interim financial statements (financial statements) should be read in conjunction with BCE's 2019 annual consolidated financial statements, approved by BCE's board of directors on March 5, 2020.

*These notes are unaudited.*

*We, us, our, BCE and the company* mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates.

## Note 1 Corporate Information

BCE is incorporated and domiciled in Canada. BCE's head office is located at 1, Carrefour Alexander-Graham-Bell, Verdun, Québec, Canada. BCE is a telecommunications and media company providing wireless, wireline, Internet and television (TV) services to residential, business and wholesale customers in Canada. Our Bell Media segment provides conventional TV, specialty TV, pay TV, streaming services, digital media services, radio broadcasting services and out-of-home advertising services to customers in Canada.

## Note 2 Basis of presentation and significant accounting policies

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), under International Accounting Standard (IAS) 34 – Interim Financial Reporting and were approved by BCE's board of directors on May 6, 2020. These financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, *Significant accounting policies* in our consolidated financial statements for the year ended December 31, 2019, except as noted below.

These financial statements do not include all of the notes required in annual financial statements.

All amounts are in millions of Canadian dollars, except where noted.

### ESTIMATES AND KEY JUDGMENTS

When preparing the financial statements, management makes estimates and judgments relating to reported amounts of revenues and expenses, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. We base our estimates on a number of factors, including historical experience, current events including but not limited to the COVID-19 pandemic and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

### ADOPTION OF AMENDED ACCOUNTING STANDARDS

As required, effective January 1, 2020, we adopted the following amended accounting standards.

STANDARD	DESCRIPTION	IMPACT
IFRIC Agenda Decision on IFRS 16 – Leases	International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying the determination of the lease term for cancellable or renewable leases under IFRS 16.	This agenda decision did not have a significant impact on our financial statements.
Amendments to IFRS 3 – Business Combinations	These amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition.	These amendments did not have any impact on our financial statements. They may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.

## Note 3 Segmented information

Our results are reported in three segments: Bell Wireless, Bell Wireline and Bell Media. Our segments reflect how we manage our business and how we classify our operations for planning and measuring performance.

To align with changes in how we manage our business and assess performance, the operating results of our public safety land radio network business are now included within our Bell Wireline segment effective January 1, 2020, with prior periods restated for comparative purposes. Previously, these results were included within our Bell Wireless segment. Our public safety land radio network business, which builds and manages land mobile radio networks primarily for the government sector, is now managed by our Bell Business Markets team in order to better serve our customers with end-to-end communications solutions.

The following tables present financial information by segment for the three month periods ended March 31, 2020 and 2019.

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		2,022	3,000	658	–	5,680
Inter-segment		13	76	94	(183)	–
<b>Total operating revenues</b>		<b>2,035</b>	<b>3,076</b>	<b>752</b>	<b>(183)</b>	<b>5,680</b>
Operating costs	4	(1,107)	(1,717)	(597)	183	(3,238)
<b>Segment profit<sup>(1)</sup></b>		<b>928</b>	<b>1,359</b>	<b>155</b>	<b>–</b>	<b>2,442</b>
Severance, acquisition and other costs	5					(16)
Depreciation and amortization						(1,102)
Finance costs						
Interest expense						(279)
Interest on post-employment benefit obligations	10					(12)
Other expense	6					(55)
Income taxes						(245)
<b>Net earnings</b>						<b>733</b>

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		2,064	3,030	640	–	5,734
Inter-segment		13	67	105	(185)	–
<b>Total operating revenues</b>		<b>2,077</b>	<b>3,097</b>	<b>745</b>	<b>(185)</b>	<b>5,734</b>
Operating costs	4	(1,185)	(1,745)	(580)	185	(3,325)
<b>Segment profit<sup>(1)</sup></b>		<b>892</b>	<b>1,352</b>	<b>165</b>	<b>–</b>	<b>2,409</b>
Severance, acquisition and other costs	5					(24)
Depreciation and amortization						(1,103)
Finance costs						
Interest expense						(283)
Interest on post-employment benefit obligations	10					(16)
Other income	6					101
Income taxes						(293)
<b>Net earnings</b>						<b>791</b>

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

## REVENUES BY SERVICES AND PRODUCTS

FOR THE PERIOD ENDED MARCH 31	2020	2019
Services <sup>(1)</sup>		
Wireless	1,535	1,528
Wireline data	1,931	1,911
Wireline voice	872	907
Media	658	640
Other wireline services	62	59
<b>Total services</b>	<b>5,058</b>	<b>5,045</b>
Products <sup>(2)</sup>		
Wireless	487	536
Wireline data	123	142
Wireline equipment and other	12	11
<b>Total products</b>	<b>622</b>	<b>689</b>
<b>Total operating revenues</b>	<b>5,680</b>	<b>5,734</b>

(1) Our service revenues are generally recognized over time.

(2) Our product revenues are generally recognized at a point in time.

## Note 4 Operating costs

FOR THE PERIOD ENDED MARCH 31	NOTE	2020	2019
Labour costs			
Wages, salaries and related taxes and benefits		(1,046)	(1,059)
Post-employment benefit plans service cost (net of capitalized amounts)	10	(75)	(69)
Other labour costs <sup>(1)</sup>		(227)	(229)
Less:			
Capitalized labour		247	244
<b>Total labour costs</b>		<b>(1,101)</b>	<b>(1,113)</b>
Cost of revenues <sup>(2)</sup>		(1,659)	(1,745)
Other operating costs <sup>(3)</sup>		(478)	(467)
<b>Total operating costs</b>		<b>(3,238)</b>	<b>(3,325)</b>

(1) Other labour costs include contractor and outsourcing costs.

(2) Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.

(3) Other operating costs include marketing, advertising and sales commission costs, bad debt expense, taxes other than income taxes, information technology costs, professional service fees and rent.

## Note 5 Severance, acquisition and other costs

FOR THE PERIOD ENDED MARCH 31	2020	2019
Severance	(8)	(7)
Acquisition and other	(8)	(17)
<b>Total severance, acquisition and other costs</b>	<b>(16)</b>	<b>(24)</b>

### SEVERANCE COSTS

Severance costs consist of charges related to involuntary and voluntary employee terminations.

### ACQUISITION AND OTHER COSTS

Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business, the costs to integrate acquired companies into our operations and litigation costs, when they are significant.

## Note 6 Other (expense) income

FOR THE PERIOD ENDED MARCH 31	NOTE	2020	2019
Net mark-to-market (losses) gains on derivatives used to economically hedge equity settled share-based compensation plans		(28)	100
Early debt redemption costs	9	(17)	–
Losses on retirements and disposals of property, plant and equipment and intangible assets		(16)	(5)
Impairment of assets		(7)	(4)
Losses on investments		(1)	(4)
Equity gains from investments in associates and joint ventures			
Gain on investment <sup>(1)</sup>		10	–
Operations		9	11
Other		(5)	3
<b>Total other (expense) income</b>		<b>(55)</b>	<b>101</b>

(1) The \$10 million gain in 2020 represents BCE's share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures. The obligation is marked to market each reporting period and the gain or loss on investment is recorded as equity gains or losses from investments in associates and joint ventures.

## Note 7 Earnings per share

The following table shows the components used in the calculation of basic and diluted earnings per common share for earnings attributable to common shareholders.

FOR THE PERIOD ENDED MARCH 31	2020	2019
<b>Net earnings attributable to common shareholders – basic</b>	<b>680</b>	<b>740</b>
Dividends declared per common share (in dollars)	0.8325	0.7925
<b>Weighted average number of common shares outstanding (in millions)</b>		
Weighted average number of common shares outstanding – basic	904.1	898.4
Assumed exercise of stock options <sup>(1)</sup>	0.4	0.3
<b>Weighted average number of common shares outstanding – diluted (in millions)</b>	<b>904.5</b>	<b>898.7</b>

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. It excludes options for which the exercise price is higher than the average market value of a BCE common share. The number of excluded options was 3,458,250 for the first quarter of 2020, compared to 12,703,673 for the first quarter of 2019.

## Note 8 Other non-current assets

	NOTE	MARCH 31, 2020	DECEMBER 31, 2019
Net assets of post-employment benefit plans	10	2,613	558
Derivative assets	11	784	200
Long-term notes and other receivables		174	142
Publicly-traded and privately-held investments	11	126	129
Investments <sup>(1)</sup>	11	135	128
Other		128	117
<b>Total other non-current assets</b>		<b>3,960</b>	<b>1,274</b>

(1) These amounts have been pledged as security related to obligations for certain employee benefits and are not available for general use.

## Note 9 Debt

In Q1 2020, Bell Canada drew \$1.1 billion in U.S. dollars (\$1,544 million in Canadian dollars) under its \$4 billion Canadian dollar committed credit facilities. Subsequent to quarter end, Bell Canada drew an additional \$350 million in U.S. dollars (\$491 million in Canadian dollars) under the same facilities. The borrowings, which are included in long-term debt, have been hedged for foreign currency fluctuations through foreign exchange forward contracts. See Note 11, *Financial assets and liabilities*, for additional details.

On March 25, 2020, Bell Canada issued 3.35% Series M-47 medium term note (MTN) debentures under its 1997 trust indenture, with a principal amount of \$1 billion, which mature on March 12, 2025.

On March 16, 2020, Bell Canada redeemed, prior to maturity, its 4.95% Series M-24 MTN debentures, having an outstanding principal amount of \$500 million, which were due on May 19, 2021. We incurred early debt redemption charges of \$17 million, which were recorded in *Other (expense) income* in the income statement.

On February 13, 2020, Bell Canada issued 3.50% Series M-51 MTN debentures under its 1997 trust indenture, with a principal amount of \$750 million, which mature on September 30, 2050.

## Note 10 Post-employment benefit plans

### POST-EMPLOYMENT BENEFIT PLANS COST

We provide pension and other benefits for most of our employees. These include defined benefit (DB) pension plans, defined contribution (DC) pension plans and other post-employment benefits (OPEBs).

#### COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS SERVICE COST

FOR THE PERIOD ENDED MARCH 31	2020	2019
DB pension	(54)	(48)
DC pension	(36)	(34)
OPEBs	(1)	(1)
Less		
Capitalized benefit plans cost	16	14
<b>Total post-employment benefit plans service cost</b>	<b>(75)</b>	<b>(69)</b>

#### COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS FINANCING COST

FOR THE PERIOD ENDED MARCH 31	2020	2019
DB pension	(3)	(5)
OPEBs	(9)	(11)
<b>Total interest on post-employment benefit obligations</b>	<b>(12)</b>	<b>(16)</b>

#### FUNDED STATUS OF POST-EMPLOYMENT BENEFIT PLANS COST

The following table shows the funded status of our post-employment benefit obligations.

FOR THE PERIOD ENDED	FUNDED		PARTIALLY FUNDED <sup>(1)</sup>		UNFUNDED <sup>(2)</sup>		TOTAL	
	MARCH 31, 2020	DECEMBER 31, 2019	MARCH 31, 2020	DECEMBER 31, 2019	MARCH 31, 2020	DECEMBER 31, 2019	MARCH 31, 2020	DECEMBER 31, 2019
Present value of post-employment benefit obligations	(21,509)	(24,961)	(1,701)	(1,918)	(266)	(300)	(23,476)	(27,179)
Fair value of plan assets	24,149	25,474	357	376	–	–	24,506	25,850
<b>Plan surplus (deficit)</b>	<b>2,640</b>	<b>513</b>	<b>(1,344)</b>	<b>(1,542)</b>	<b>(266)</b>	<b>(300)</b>	<b>1,030</b>	<b>(1,329)</b>

(1) The partially funded plans consist of supplementary executive retirement plans (SERPs) for eligible employees and certain OPEBs. The company partially funds the SERPs through letters of credit and a retirement compensation arrangement account with the Canada Revenue Agency. Certain paid-up life insurance benefits are funded through life insurance contracts.

(2) Our unfunded plans consist of certain OPEBs, which are paid as claims are incurred.

In Q1 2020, we recorded an increase in our post-employment benefit plans and a gain, before taxes, in *Other comprehensive income (loss)* of \$2,365 million due to a decrease in the present value of our post-employment benefit obligations of \$3,616 million as a result of an increase in the discount rate to 4.2% at March 31, 2020 compared to 3.1% at December 31, 2019, partly offset by a decrease in the fair value of plan assets of \$1,251 million as a result of an actual loss on plan assets of 4.2%.

## Note 11 Financial assets and liabilities

### FAIR VALUE

The following table provides the fair value details of financial instruments measured at amortized cost in the consolidated statements of financial position.

	CLASSIFICATION	FAIR VALUE METHODOLOGY	MARCH 31, 2020		DECEMBER 31, 2019	
			CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
CRTC tangible benefits obligation	Trade payables and other liabilities and other non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	21	21	29	29
CRTC deferral account obligation	Trade payables and other liabilities and other non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	82	86	82	85
Debt securities and other debt	Debt due within one year and long-term debt	Quoted market price of debt	21,690	23,485	18,653	20,905

The following table provides the fair value details of financial instruments measured at fair value in the consolidated statements of financial position.

	CLASSIFICATION	CARRYING VALUE OF ASSET (LIABILITY)	FAIR VALUE		
			QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OBSERVABLE MARKET DATA (LEVEL 2) <sup>(1)</sup>	NON-OBSERVABLE MARKET INPUTS (LEVEL 3) <sup>(2)</sup>
<b>March 31, 2020</b>					
Publicly-traded and privately-held investments	Other non-current assets	126	2	–	124
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	1,018	–	1,018	–
Maple Leaf Sports & Entertainment Ltd. (MLSE) financial liability <sup>(3)</sup>	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	78	1	135	(58)
<b>December 31, 2019</b>					
Publicly-traded and privately-held investments	Other non-current assets	129	2	–	127
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	165	–	165	–
MLSE financial liability <sup>(3)</sup>	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	71	1	128	(58)

(1) Observable market data such as equity prices, interest rates, swap rate curves and foreign currency exchange rates.

(2) Non-observable market inputs such as discounted cash flows and earnings multiples. A reasonable change in our assumptions would not result in a significant increase (decrease) to our level 3 financial instruments.

(3) Represents BCE's obligation to repurchase the BCE Master Trust Fund's (Master Trust Fund) 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust Fund exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recognized in Other (expense) income in the consolidated income statements. The option has been exercisable since 2017.

### CURRENCY EXPOSURES

We use forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated purchases and sales and certain foreign currency debt.

During Q1 2020, we entered into foreign exchange forward contracts with a notional amount of \$1,102 million in U.S. dollars (\$1,547 million in Canadian dollars) to hedge the foreign currency risk associated with amounts drawn under our \$4 billion Canadian dollar committed credit facilities. The fair value gain of \$16 million relating to these foreign exchange forward contracts is recognized in *Other current assets* and *Other non-current assets* in the consolidated statements of financial position and *Other (expense) income* in the consolidated income statements. In addition, subsequent to quarter end, we entered into foreign exchange forward contracts with a notional amount of \$351 million in U.S. dollars (\$492 million in Canadian dollars) to hedge the foreign currency risk associated with amounts drawn under the same facilities.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of \$6 million (\$16 million) recognized in net earnings at March 31, 2020 and a gain (loss) of \$236 million recognized in *Other comprehensive income (loss)* at March 31, 2020, with all other variables held constant.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the Philippines Peso would result in a gain (loss) of \$3 million in *Other comprehensive income (loss)* at March 31, 2020, with all other variables held constant.

The following table provides further details on our outstanding foreign currency forward contracts and options as at March 31, 2020.

TYPE OF HEDGE	BUY CURRENCY	AMOUNT TO RECEIVE	SELL CURRENCY	AMOUNT TO PAY	MATURITY	HEDGED ITEM
Cash flow	USD	1,360	CAD	1,774	2020	Commercial paper
Cash flow	USD	1,102	CAD	1,547	2020	Credit facilities
Cash flow	USD	528	CAD	685	2020	Anticipated transactions
Cash flow	PHP	1,478	CAD	37	2020	Anticipated transactions
Cash flow	USD	571	CAD	745	2021	Anticipated transactions
Economic – put options	USD	166	CAD	218	2020	Anticipated transactions
Economic – put options	USD	120	CAD	154	2021	Anticipated transactions
Economic – call options	USD	133	CAD	177	2020	Anticipated transactions
Economic – options <sup>(1)</sup>	USD	120	CAD	154	2021	Anticipated transactions

(1) In 2019, we entered into a series of foreign currency options having a leverage provision and a profit cap limitation.

## INTEREST RATE EXPOSURES

During Q1 2020, we entered into a series of interest rate options to economically hedge the dividend rate resets on \$582 million of our preferred shares having varying reset dates in 2021. The fair value loss of \$2 million relating to these interest rate options is recognized in *Other non-current liabilities* in the consolidated statements of financial position and *Other (expense) income* in the consolidated income statements.

A 1% increase (decrease) in interest rates would result in a decrease (increase) of \$58 million (\$64 million) in net earnings at March 31, 2020.

## EQUITY PRICE EXPOSURES

We use equity forward contracts on BCE's common shares to economically hedge the cash flow exposure related to the settlement of equity settled share-based compensation plans and the equity price risk related to a cash-settled share-based payment plan. The fair value (loss) gain of (\$28 million) and \$100 million for the three months ended March 31, 2020 and 2019, respectively, are recognized in *Other non-current assets*, *Trade payables and other liabilities* and *Other non-current liabilities* in the consolidated statements of financial position and *Other (expense) income* in the consolidated income statements.

A 5% increase (decrease) in the market price of BCE's common shares at March 31, 2020 would result in a gain (loss) of \$41 million recognized in net earnings, with all other variables held constant.

## COMMODITY PRICE EXPOSURE

During Q1 2020, we entered into fuel swaps to economically hedge the purchase cost of 54 million litres of fuel in 2020 and 2021. The fair value loss of \$4 million relating to these fuel swaps is recognized in *Trade payables and other liabilities* and *Other non-current liabilities* in the consolidated statements of financial position and *Other (expense) income* in the consolidated income statements.

A 25% increase (decrease) in the market price of fuel at March 31, 2020 would result in a gain (loss) of \$3 million recognized in net earnings, with all other variables held constant.

## Note 12 Share-based payments

The following share-based payment amounts are included in the income statements as operating costs.

FOR THE PERIOD ENDED MARCH 31	2020	2019
ESP	(8)	(7)
Restricted share units (RSUs) and performance share units (PSUs)	(16)	(20)
Other <sup>(1)</sup>	(3)	(4)
<b>Total share-based payments</b>	<b>(27)</b>	<b>(31)</b>

(1) Includes deferred share plan (DSP), deferred share units (DSUs) and stock options.

The following tables summarize the change in unvested ESP contributions and outstanding RSUs/PSUs, DSUs and stock options for the period ended March 31, 2020.

## ESP

	NUMBER OF ESP SHARES
Unvested contributions, January 1, 2020	1,124,198
Contributions <sup>(1)</sup>	143,741
Dividends credited	14,022
Vested	(142,621)
Forfeited	(31,125)
<b>Unvested contributions, March 31, 2020</b>	<b>1,108,215</b>

(1) The weighted average fair value of the shares contributed during the three months ended March 31, 2020 was \$60.

## RSUs/PSUs

	NUMBER OF RSUs/PSUs
Outstanding, January 1, 2020	2,915,118
Granted <sup>(1)</sup>	855,801
Dividends credited	37,804
Settled	(919,730)
Forfeited	(6,864)
<b>Outstanding, March 31, 2020</b>	<b>2,882,129</b>

(1) The weighted average fair value of the RSUs/PSUs granted during the three months ended March 31, 2020 was \$63.

## DSUs

	NUMBER OF DSUs
Outstanding, January 1, 2020	4,623,099
Issued <sup>(1)</sup>	49,679
Settlement of RSUs/PSUs	90,435
Dividends credited	59,806
Settled	(30,086)
<b>Outstanding, March 31, 2020</b>	<b>4,792,933</b>

(1) The weighted average fair value of the DSUs issued during the three months ended March 31, 2020 was \$63.

## STOCK OPTIONS

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)
Outstanding, January 1, 2020	12,825,541	57
Granted	3,397,080	65
Exercised <sup>(1)</sup>	(419,546)	53
<b>Outstanding, March 31, 2020</b>	<b>15,803,075</b>	<b>59</b>
<b>Exercisable, March 31, 2020</b>	<b>5,299,256</b>	<b>58</b>

(1) The weighted average market share price for options exercised during the three months ended March 31, 2020 was \$64.

#### ASSUMPTIONS USED IN STOCK OPTION PRICING MODEL

The fair value of options granted was determined using a variation of a binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following table shows the principal assumptions used in the valuation.

	2020
Weighted average fair value per option granted	\$1.55
Weighted average share price	\$63
Weighted average exercise price	\$65
Expected dividend growth	5%
Expected volatility	12%
Risk-free interest rate	1%
Expected life (years)	4

Expected dividend growth is commensurate with BCE's dividend growth strategy. Expected volatility is based on the historical volatility of BCE's share price. The risk-free rate used is equal to the yield available on Government of Canada bonds at the date of grant with a term equal to the expected life of the options.

## Note 13 COVID-19

Although our telecommunications, media and broadcasting operations have been recognized by Canadian governments as essential services, our business has nonetheless, starting in the latter part of the first quarter, been negatively impacted by the emergency measures adopted to combat the spread of COVID-19 and the resulting economic conditions. All of our segments have been adversely affected, but we have seen a more pronounced impact on retail subscriber and promotional activity, wireless product sales, wireless roaming revenues, business customer spending and media advertising revenues. Given that measures taken to address the COVID-19 pandemic only started in the latter part of the first quarter, such measures had a relatively moderate impact on our Q1 2020 financial results. However, depending on the severity and duration of COVID-19 disruptions, our operations and financial results are expected to be negatively impacted more significantly in future periods.