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## **iA Financial Corporation Inc.**

**Management's Discussion and Analysis for the Third Quarter of 2021**

November 3, 2021



## MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis for iA Financial Corporation Inc. (“iA Financial Corporation” or the “Company”) is dated November 3, 2021. This Management’s Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 and 2020. It should also be read with the Management’s Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2020. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management’s Discussion and Analysis.

### TABLE OF CONTENTS

<b>HIGHLIGHTS</b> .....	2
<b>BUSINESS GROWTH</b> .....	3
<b>ANALYSIS ACCORDING TO SOURCES OF EARNINGS</b> .....	6
<b>ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS</b> .....	9
<b>INVESTMENTS</b> .....	11
<b>FINANCIAL POSITION</b> .....	13
<b>DECLARATION OF DIVIDEND</b> .....	14
<b>SENSITIVITY ANALYSIS</b> .....	15
<b>NOTICE AND GENERAL INFORMATION</b> .....	15
<b>CONSOLIDATED INCOME STATEMENTS</b> .....	18
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b> .....	19
<b>SEGMENTED INFORMATION</b> .....	20

**HIGHLIGHTS<sup>1</sup>**

Profitability	Third quarter			Year-to-date at September 30		
	2021	2020	Variation	2021	2020	Variation
Net income attributed to common shareholders (in millions)	\$217	\$217	—	\$621	\$439	41%
Weighted average number of common shares (diluted) (in millions)	108	107	1%	108	107	1%
Earnings per common share (EPS) (diluted)	\$2.01	\$2.03	(1%)	\$5.76	\$4.10	40%
Core earnings per common share (EPS) (diluted)	\$2.23	\$2.19	2%	\$6.31	\$5.39	17%
Return on common shareholders' equity (ROE)	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>		
Reported ROE (trailing twelve months)	12.8%	13.2%	10.6%	10.9%		
Core ROE (trailing twelve months)	14.0%	14.2%	13.3%	13.5%		

The Company ended the third quarter of 2021 with net income to common shareholders of \$217 million, similar to the strong result observed in the same quarter last year. Diluted earnings per common share (EPS) of \$2.01 in the third quarter of 2021 is comparable to the strong result of \$2.03 a year earlier. It is worth noting that, in addition to including the profit from the IAS acquisition for the period from May 22 through June 30, 2020, the third quarter of 2020 had recorded significant gains related to taxes and the sale of the residential mortgage portfolio.

Return on common shareholders' equity (ROE) was 12.8% at September 30, 2021 versus 10.9% at September 30, 2020. ROE is calculated on a trailing-twelve-month basis.

Diluted core EPS of \$2.23 for the third quarter is above guidance of \$2.00 to \$2.15 and 2% higher than \$2.19 for the same period in 2020. Core ROE of 14.0% at September 30, 2021 is at the top of guidance of 12.5% to 14.0% and compares with 13.5% a year earlier.

**Business growth** – Total assets under management and administration were up 15% from the previous year, amounting to a record \$214.5 billion at September 30, 2021. Premiums and deposits for the third quarter showed continued growth (+4%). The Company ended the third quarter of 2021 with solid sales results, continuing the momentum recorded for several quarters. In Canada, we continue to strengthen our market position in our "Foundation"<sup>2</sup> businesses of individual insurance and individual wealth management, recording excellent sales for Individual Insurance (+28%), segregated funds (+58%) and mutual funds (+21%). Combined, segregated and mutual funds recorded impressive net inflows of \$1.1 billion. For Dealer Services, sales growth was impacted by vehicle inventory shortages (-3%). In addition to their "Support"<sup>2</sup> of branding and synergies with other businesses, iA Auto and Home also had good sales growth (+7%), as did Special Markets (+20%). In the U.S., Individual Insurance sales were similar to the previous year and Dealer Services, despite industry-wide inventory challenges, recorded strong sales results (+33%),<sup>3,4</sup> further demonstrating its growth potential as an "Expansion"<sup>2</sup> business.

**Financial position** – The solvency ratio was 131% at September 30, 2021, compared with 130% at the end of the previous quarter and 125% a year earlier. This result is above the Company's target range of 110% to 116%. The increase in the third quarter essentially stems from the contribution of organic capital generation as the impact of market-related variations was slightly negative. The acquisition of a majority stake in the online general insurance broker Surex announced on November 2, 2021 will reduce the Company's solvency ratio by about one percentage point (130% pro-forma as at September 30, 2021). In the third quarter, the Company organically generated approximately \$150 million in additional capital. The Company's leverage ratio<sup>5</sup> at September 30, 2021 was 23.1%.

**Book value** – The book value per common share was \$60.82 at September 30, 2021, up 3% from the last quarter and 12% over twelve months.

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

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

<sup>2</sup> At the Investor Event held on March 10, 2021, the Company presented its business mix under three main categories: Foundation, Support and Expansion. For more information, please refer to the Company's website at <http://ia.ca/investorrelations> under *Events and Presentations/2021 Investor Event*.

<sup>3</sup> Calculated on a \$US basis.

<sup>4</sup> Q3/2020 figures were restated to deduct sales for IAS Parent Holdings, Inc. from May 22 to June 30, 2020 (US\$27M) that were previously included.

<sup>5</sup> Debentures and preferred shares issued by a subsidiary/capital structure.

**Annual actuarial assumption review** – The annual review of actuarial assumptions has begun and will be finalized in the coming weeks. The final results will be reported on February 16, 2022, with the fourth quarter 2021 earnings release. The impact of the annual actuarial assumption review on the fourth quarter 2021 results is expected to be non-significant.

#### **Management appointments**

- On August 23, 2021, Pierre Miron was appointed to the new position of Executive Vice-President and Chief Transformation Officer.
- On September 21, 2021, Philippe Sarfati was appointed to the position of Executive Vice-President and Chief Risk Officer.

**Litigation** – On March 10, 2021, the Saskatchewan Court of Appeal ruled in favour of iA Financial Group in the litigation between the Company and Ituna Investment LP (“Ituna”). Ituna sought to make unlimited deposits into a universal life insurance contract that it purchased from a policyholder. iA Financial Group has always maintained that the position taken by Ituna was legally unfounded and that life insurance contracts were never intended to be used as deposit accounts and for purposes unrelated to life insurance. In its decision, the Court of Appeal found that Ituna’s position was inconsistent with the language and the purpose of the contract. Ituna is seeking leave from the Supreme Court of Canada to appeal the entire decision of the Court of Appeal. A decision on Ituna’s application for leave to appeal is expected on November 4, 2021.

**Philanthropic context** – On September 15, 2021, iA Financial Group kicked off the fifth edition of its major philanthropic contest. A total of \$500,000 in donations will be shared by charities supporting the health and welfare of children across Canada. The winners will be announced on December 6, 2021.

#### **Subsequent to the third quarter of 2021:**

- **Disposal of PPI Benefits Inc. and Agile Benefits Inc.**  
On October 1, 2021, PPI Management Inc., a subsidiary of the Company, sold its wholly owned subsidiary, PPI Benefits Inc. (including Agile Benefits Inc.) to AGA Benefits Solutions. The sale reflects the decision of PPI Management Inc. to focus on its core business of individual insurance and support for independent advisors. A gain of \$12M before taxes will be recognized for this transaction in the fourth quarter of 2021.
- **Real estate asset management partnership**  
On October 19, iA Financial Group and Canderel announced the signing of an agreement in the real estate investment sector. The agreement confirms that Canderel has been selected as iA Financial Group’s strategic partner and as such will be responsible for the operational management (operations and leasing) and maintenance of iA’s real estate assets in Quebec. The agreement covers the operations of 16 properties—five in Montreal and 11 in Quebec City—and will take effect January 1, 2022.
- **Acquisition of a majority stake in the online general insurance broker Surex**  
On November 2, iA Financial Group announced the acquisition of 70% of the shares of two Canadian companies specializing in insurance technology: Surexdirect.com Ltd. and Surexdirect.com (Ontario) Ltd. (collectively “Surex”). As a leading player in digital property and casualty (P&C) insurance distribution in Canada, Surex combines online self-serve capabilities with experienced advisors. This acquisition allows iA Financial Group to better serve its distribution networks across Canada and, at the same time, to improve the client experience by offering a broader range of financial products. This transaction is financed from cash on hand and will reduce the Company’s solvency ratio by about one percentage point (130% pro-forma as at September 30, 2021).

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

#### **BUSINESS GROWTH**

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

Net Premiums, Premium Equivalents and Deposits <sup>6,7</sup>						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2021	2020	Variation	2021	2020	Variation
Individual Insurance	433	412	21	1,297	1,203	94
Individual Wealth Management	2,019	1,478	541	6,582	4,528	2,054
Group Insurance	478	450	28	1,378	1,305	73
Group Savings and Retirement	804	1,174	(370)	2,159	2,184	(25)
US Operations	252	311	(59)	745	677	68
General Insurance <sup>8</sup>	106	91	15	299	251	48
Total	4,092	3,916	176	12,460	10,148	2,312

Premiums and deposits totalled nearly \$4.1 billion in the third quarter, an increase of 4% year over year against a strong quarter a year earlier when a major insured annuities contract was signed in Group Savings and Retirement. Note that premiums and equivalents for the third quarter of 2020 include premiums and equivalents related to the IAS acquisition in the US Operations sector for the period from May 22 through June 30, 2020. For the first nine months of 2021, premiums and deposits are 23% higher than in the same period in 2020, especially supported by the performance of the Individual Wealth Management sector.

Assets Under Management and Administration <sup>7</sup>				
(In millions of dollars)	September 30, 2021	June 30, 2021	December 31, 2020	September 30, 2020
Assets under management				
General fund	54,226	53,160	53,662	52,706
Segregated funds	36,886	35,837	32,804	30,119
Mutual funds	13,192	12,868	11,393	10,518
Other	3,942	3,939	3,797	3,732
Subtotal	108,246	105,804	101,656	97,075
Assets under administration	106,213	104,723	95,830	88,745
Total	214,459	210,527	197,486	185,820

Assets under management and administration ended the quarter at a record level of \$214.5 billion, up 15% from the previous year and up nearly \$4 billion during the quarter, powered by net fund entries and favourable market conditions.

<sup>6</sup> Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance, Group Savings and Retirement and US Operations sectors and mutual fund deposits.

<sup>7</sup> This table presents non-IFRS measures.

<sup>8</sup> Includes iAAH and some minor consolidation adjustments.

Sales Growth by Line of Business <sup>9</sup>						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date at September 30		
	2021	2020	Variation	2021	2020	Variation
Individual Insurance						
Minimum premiums	63	51	24%	182	138	32%
Excess premiums	5	2	150%	17	13	31%
Total	68	53	28%	199	151	32%
Individual Wealth Management						
Gross sales						
General fund	213	208	2%	662	589	12%
Segregated funds	1,146	725	58%	3,569	2,196	63%
Mutual funds	660	545	21%	2,351	1,743	35%
Total	2,019	1,478	37%	6,582	4,528	45%
Net sales (after redemptions and transfers)						
Segregated funds	839	376	463	2,484	1,217	1,267
Mutual funds	261	47	214	911	(2)	913
Group Insurance						
Employee Plans	19	26	(27%)	120	106	13%
Dealer Services						
Creditor Insurance	73	90	(19%)	186	196	(5%)
P&C Insurance	95	88	8%	253	204	24%
Car loan originations	132	132	—	404	324	25%
Special Markets	48	40	20%	139	160	(13%)
Group Savings and Retirement	810	1,180	(31%)	2,178	2,204	(1%)
US Operations (\$US)						
Individual Insurance	34	34	—	102	96	6%
Dealer Services – P&C Insurance <sup>10,11</sup>	295	222	33%	813	473	72%
General Insurance						
iAAH (auto and home insurance)	118	110	7%	341	309	10%

*Individual Insurance in Canada* – Third quarter sales totalled \$68 million, continuing their growth momentum with a significant year-over-year increase of 28%. Year-to-date sales of \$199 million exceeded last year's sales for the same period by 32%, confirming solid growth over several quarters. These positive results stem mainly from the combination of three elements: the strength of all our distribution networks, our comprehensive and competitive range of products and the excellent performance of our digital tools. The Company continued to strengthen its position as a Canadian leader in the mass/mid markets with 162,917 policies issued since the beginning of the year, an increase of 22,238 policies (+16%) year-over-year.

*Individual Wealth Management* – Gross and net sales of both segregated and mutual funds had another excellent quarter with combined net sales of \$1.1 billion. Driven by the strong performance of our distribution networks and digital tools, segregated funds recorded gross sales of \$1,146 million, up 58% year over year, and impressive net sales of \$839 million, an increase of \$463 million from the third quarter of 2020. The Company continued to strengthen its position in the industry, ranking first in net segregated fund sales for the first eight months of 2021. For mutual funds, the strong performance of the fund line-up, among other things, drove gross sales to \$660 million, up 21% year over year, and net fund entries to \$261 million, a significant increase of \$214 million from a year earlier. Finally, guaranteed product (general fund) sales of \$213 million for the third quarter compare with sales of \$208 million a year ago.

*Group Insurance – Employee Plans* – Sales totalled \$19 million compared to \$26 million in the same quarter last year. Note that sales in this division vary considerably from one quarter to another based on the size of the contracts sold.

<sup>9</sup> Sales are not an IFRS measure.

<sup>10</sup> Property and casualty insurance.

<sup>11</sup> Q3/2020 figures were restated to deduct sales for IAS Parent Holdings, Inc. from May 22 to June 30, 2020 (US\$27M) that were previously included.

*Group Insurance – Dealer Services* – Total sales amounted to \$300 million in the third quarter compared to \$310 million a year earlier, while auto sales across Canada continue to be impacted by car inventory shortages. By product, P&C sales (including extended warranties and replacement insurance) were up 8% year over year, while creditor insurance sales of \$73 million compared with \$90 million a year ago. Car loan originations of \$132 million were similar to the same period in 2020. The low vehicle inventory situation is still expected to impact sales for the remainder of the year.

*Group Insurance – Special Markets* – Third quarter sales were up 20% year over year, driven mostly by AD&D and critical illness sales performance. A rebound in travel medical sales has not been observed as the pandemic continues to impact the travel industry.

*Group Savings and Retirement* – Sales amounted to \$810 million in the third quarter. Although excellent, it compares to \$1,180 million for the same period last year, when a major insured annuity contract was signed. Note that sales in this division vary considerably from one quarter to another based on the size of the contracts sold. In addition, year-to-date sales are similar to the same period in 2020.

*US Operations* – Individual Insurance sales in the third quarter totalled US\$34 million, similar to a year earlier. Sales for the first nine months of 2021 were up 6% from last year. In the Dealer Services division, third quarter sales totalled US\$295 million, up 33%<sup>12</sup> year over year despite car sales being impacted by vehicle inventory shortages. This strong result was mostly driven by the synergies between IAS and DAC. Note that like in Canada, the low vehicle inventory situation is expected to impact sales for the remainder of the year.

*General Insurance (iA Auto and Home)* – Direct written premiums totalled \$118 million in the third quarter, up 7% from the same period last year.

#### ANALYSIS ACCORDING TO SOURCES OF EARNINGS

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

#### Core earnings<sup>13</sup>

Core earnings is a non-IFRS measure that represents management’s view of the Company’s capacity to generate sustainable earnings. Diluted core EPS for the third quarter of 2021 was \$2.23, a year-over-year increase of 2% and above market guidance of \$2.00 to \$2.15. Three items were adjusted in the core earnings calculation for the quarter, representing an increase of \$0.22 EPS versus reported EPS. The table below reconciles the Company’s reported and core earnings.

Reported Earnings and Core Earnings Reconciliation								
(in millions of dollars after tax unless otherwise indicated)	Third quarter				Year-to-date at September 30			
	Earnings	EPS (diluted basis)			Earnings	EPS (diluted basis)		
		2021	2021	2020		Variation	2021	2021
<b>Reported earnings</b>	217	\$2.01	\$2.03	(1%)	621	\$5.76	\$4.10	40%
<b>Core earnings remove from reported earnings the impacts of the following items:</b>								
Market-related impacts that differ from management’s best estimate assumptions	—	—	(\$0.12)		(14)	(\$0.13)	\$0.58	
Assumption changes and management actions	—	—	—		—	—	—	
Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs	4	\$0.04	(\$0.04)		14	\$0.13	(\$0.06)	
Amortization of acquisition-related finite life intangible assets	14	\$0.13	\$0.16		41	\$0.38	\$0.30	
Non-core pension expense	6	\$0.05	\$0.05		17	\$0.16	\$0.14	
Other specified unusual gains and losses	—	—	\$0.11		—	—	\$0.33	
<b>Core earnings</b>	241	\$2.23	\$2.19	2%	679	\$6.31	\$5.39	17%

<sup>12</sup> Q3/2020 figures were restated to deduct sales for IAS Parent Holdings, Inc. from May 22 to June 30, 2020 (US\$27M) previously included.

<sup>13</sup> For the definition of core earnings, refer to the “Non-IFRS Financial Information” section of this document. This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition.

**Results According to Sources of Earnings on a Core and Reported Basis**

Results according to the sources of earnings presents the key variations between the net income and the Company's expectations for the three-month period ended September 30, 2021. This data complements the information presented in the "Analysis According to the Financial Statements" section and provides additional information to better understand the Company's financial results. The two tables below present the results according to sources of earnings on both a core and reported basis.

<b>Results According to Sources of Earnings – Core Basis</b>						
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>Third quarter</b>			<b>Year-to-date at September 30</b>		
	<b>2021</b>	<b>2020</b>	<b>Variation</b>	<b>2021</b>	<b>2020</b>	<b>Variation</b>
Core operating profit (loss)						
Expected profit on in-force	255	238		718	622	
Experience gain (loss)	7	5		39	(9)	
Impact of new business (strain)	(2)	(2)		(7)	(22)	
Changes in assumptions and management actions	—	—		—	—	
Total	260	241		750	591	
Core income on capital	57	48		157	135	
Core income (loss) before income taxes	317	289	10%	907	726	25%
Core income taxes	(70)	(50)		(210)	(131)	
Core net income (loss) attributed to shareholders	247	239		697	595	
Dividends on preferred shares issued by a subsidiary	6	6		18	17	
Core net income (loss) attributed to common shareholders	241	233	3%	679	578	17%

<b>Results According to Sources of Earnings – Reported Basis</b>						
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>Third quarter</b>			<b>Year-to-date at September 30</b>		
	<b>2021</b>	<b>2020</b>	<b>Variation</b>	<b>2021</b>	<b>2020</b>	<b>Variation</b>
Operating profit (loss)						
Expected profit on in-force	244	225		680	588	
Experience gain (loss)	7	26		58	(74)	
Impact of new business (strain)	(2)	(2)		(7)	(22)	
Changes in assumptions and management actions <sup>14</sup>	—	—		—	(24)	
Total	249	249		731	468	
Income on capital	37	19		100	84	
Income (loss) before income taxes	286	268	7%	831	552	51%
Income taxes	(63)	(45)		(193)	(96)	
Net income (loss) attributed to shareholders	223	223		638	456	
Dividends on preferred shares issued by a subsidiary	6	6		17	17	
Net income (loss) attributed to common shareholders	217	217	—	621	439	41%

**Analysis According to Sources of Earnings on a Reported Basis**

Net income attributed to common shareholders was \$217 million for the third quarter of 2021. This result, as analyzed according to sources of earnings, can be explained as follows:

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

<sup>14</sup> Q1 2020: PPI goodwill impairment.



For the third quarter, expected profit on in-force (EPIF) of \$244 million pre-tax was up by 8% or \$19 million year over year. Note that EPIF for the third quarter of 2020 includes \$6 million of reported EPIF related to the IAS acquisition in the US Operations sector for the period from May 22, 2020 to June 30, 2020. Adjusting for this amount, the year-over-year EPIF growth for the third quarter of 2021 is 14% for the US Operations sector and 12% for the company as a whole. This quarter, the expected profit on in-force growth is mainly the result of organic growth, including high net fund entries, and the favourable impact of financial markets in the wealth sectors.

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

In the third quarter of 2021, the Company recorded a net experience gain of \$7 million, or \$5 million after tax (+\$0.05 EPS). The following experience results are worthy of note:

- *Additional protections in reserves for pandemic uncertainty* – In Canada and the U.S., additional mortality claims were higher than the provision releases planned for the third quarter. This resulted in an experience loss in Canada, while in the U.S. the experience loss was offset by the carry-forward provision arising from better than expected mortality in the first half of 2021. In addition to the provision releases planned for the fourth quarter in Canada and the U.S., there is still a carry-forward provision amount available in the U.S. for potential use in the future. The additional protection in the reserves for adverse policyholder behaviour remains intact as no adverse experience was recorded during the quarter.
- *Individual Insurance* – This business line recorded an after-tax gain of \$6 million (+\$0.05 EPS) in the third quarter. The market-related variations had a positive impact on universal life insurance policies (+\$0.02 EPS) and an unfavourable impact on the level of assets backing individual insurance reserves (-\$0.02 EPS). Policyholder experience generated a gain (+ \$0.03 EPS) during the quarter as experience was favourable for morbidity and policyholder behaviour (lapse), but unfavourable for mortality, as mentioned above. Finally, other small favourable deviations from plan were recorded (+ \$0.02 EPS).
- *Individual Wealth Management* – Experience for this business line was favourable in the third quarter (after-tax gain of \$1 million or +\$0.01 EPS). Profits from segregated funds, iA Clarington (mutual funds) and the Investia affiliate were higher than expected, driven by high net sales and favourable market conditions since the beginning of 2021. This favourable outcome was partly offset by higher expenses.
- *Group Insurance* – This business line recorded an after-tax gain of \$8 million for the quarter (+\$0.08 EPS). Experience in the Employee Plans division was favourable (+\$0.01 EPS), mainly due to lower mortality claims. In the Dealer Services division, lower expenses and favourable P&C claims generated a gain (+\$0.03 EPS) and the car loans portfolio recorded a strong performance due to better credit experience (+\$0.06 EPS). This favourable variation is partly explained by the fact that credit experience has not yet returned to its pre-pandemic level, as was anticipated, and to a lesser extent by the partial release of pandemic-related provisions. In the Special Markets division, results were lower than expected (-\$0.02 EPS) owing to unfavourable experience due to higher than expected claims.
- *Group Savings and Retirement* – This business line reported an after-tax loss of \$3 million (-\$0.03 EPS), essentially due to higher expenses and unfavourable longevity.
- *US Operations* – Experience in this business line was below expectations for the quarter with an after-tax loss of \$7 million (-\$0.06 EPS). In the Individual Insurance division, results were good, mainly due to favourable lapse experience (+\$0.01 EPS). Results were lower than expected in the Dealer Services division owing to higher expenses (-\$0.03 EPS) mainly due to good year-to-date sales performance, which resulted in an additional provision for sales bonuses, among other things. Also, a loss resulted from timing in revenues (-\$0.02 EPS) and claims were slightly higher than expected (-\$0.01 EPS). Finally, IAS integration costs of \$0.04 EPS were slightly higher than expected, mainly due to the accelerated integration of corporate functions.

*Impact of new business (strain) in Individual Insurance and US Operations* – New business for the two business lines generated a charge at issue of \$3 million pre-tax, or 3% of sales for the quarter. This result is close to expectations, being in the middle of the -5% to 10% target range.

*Income on capital* – Net income earned on the Company's surplus funds, which includes income from the iA Auto and Home affiliate (iAAH), was \$37 million before tax for the third quarter, representing a gain of \$0.09 EPS versus management expectations. This is explained by experience at iAAH, which was once again much more favourable than expected, mainly due to lower claims ratios, mostly for home protections (+\$0.09 EPS). Also, investment income on surplus and amortization of intangible assets were slightly higher than expected (+0.01 EPS and -0.01 EPS, respectively).

*Income taxes* – Income taxes amounted to \$63 million in the third quarter, for an effective tax rate of 22.0%, at the top end of the 20% to 22% guidance range. As a result, the tax charge was slightly higher than expected (-\$0.01 EPS).

## ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

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

Consolidated Income Statements						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2021	2020	Variation	2021	2020	Variation
Revenues						
Net premiums	3,332	3,248	84	9,811	8,116	1,695
Investment income	(41)	396	(437)	(1,861)	3,694	(5,555)
Other revenues	543	455	88	1,559	1,311	248
Total	3,834	4,099	(265)	9,509	13,121	(3,612)
Less: policy benefits and expenses	3,545	3,831	(286)	8,683	12,562	(3,879)
Income before income taxes	289	268	21	826	559	267
Less: income taxes	63	49	14	191	99	92
Net income	226	219	7	635	460	175
Less: net income attributed to participating policyholders	3	(4)	7	(3)	4	(7)
Net income attributed to shareholders	223	223	—	638	456	182
Less: dividends on preferred shares issued by a subsidiary	6	6	—	17	17	—
Net income attributed to common shareholders	217	217	—	621	439	182

## Revenues

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

Revenues by Line of Business							
(In millions of dollars)	Third quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	433	1,359	439	804	191	106	3,332
<i>Variation vs. 2020</i>	21	426	25	(364)	(39)	15	84
Investment income	(114)	(2)	31	(5)	6	43	(41)
<i>Variation vs. 2020</i>	(371)	30	(11)	(76)	(10)	1	(437)
Other revenues	31	458	21	29	119	(115)	543
<i>Variation vs. 2020</i>	4	88	(3)	3	58	(62)	88
Total	350	1,815	491	828	316	34	3,834
<i>Variation vs. 2020</i>	(346)	544	11	(437)	9	(46)	(265)

*Net premiums* – The \$84 million increase over the third quarter of 2020 is mainly explained by segregated fund premium growth in Individual Wealth Management.

The increase in net premiums was mitigated by:

- A decrease in Group Savings and Retirement given that a major insured annuities contract was signed in the same period last year.
- The fact that net premiums from US Operations for the third quarter of 2020 include premiums related to the IAS acquisition for the period from May 22, 2020 to June 30, 2020.

Other factors that can cause premiums to fluctuate from one quarter to another are generally as follows:

- The tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of the year.
- Stock market fluctuations and the signing of new agreements with large groups in the group business lines.

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

*Investment income* – The \$437 million decrease in investment income compared to third quarter 2020 is largely due to the decrease in the fair value of bond and derivative financial instrument investments supporting the Individual Insurance contract liabilities, mainly caused by variations in interest rates and currency exchange rates.

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

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

*Other revenues* – Other revenues generally represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company’s brokerage subsidiaries and assets managed for third parties. Other revenues were up \$88 million in the third quarter compared to the same period last year, essentially due to business growth in Individual Wealth Management.

#### Policy Benefits and Expenses

Policy benefits and expenses decreased by \$286 million in the third quarter compared to the same period last year. This decrease is explained by a variation in insurance contract liabilities in the Group Savings and Retirement sector and market value movements. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.

The decrease in policy benefits and expenses was mitigated by:

- A variation in net transfers to segregated funds in the Individual Wealth Management sector.
- A variation in net benefits and claims on contracts reflecting the normal course of business, mostly in the Individual Wealth Management sector. Net benefits and claims on contracts include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.

#### Income Taxes

For the third quarter of 2021, the Company recorded an income tax expense of \$63 million versus \$49 million in 2020. These amounts represent the Company’s tax expense net of adjustments for prior years, if applicable.

#### Net Income Attributed to Common Shareholders

Net income attributed to common shareholders totalled \$217 million for the third quarter of 2021 and for the same period last year.

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

Selected Financial Data									
(In millions of dollars, unless otherwise indicated)	2021			2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	3,834	5,344	331	4,518	4,099	6,684	2,338	2,544	3,715
Net income attributed to common shareholders	217	231	173	172	217	183	39	171	184
Earnings per common share (in dollars)									
Basic	\$2.01	\$2.16	\$1.61	\$1.61	\$2.03	\$1.71	\$0.37	\$1.60	\$1.73
Diluted	\$2.01	\$2.15	\$1.61	\$1.60	\$2.03	\$1.71	\$0.36	\$1.59	\$1.72

## Related Party Transactions

There are no material related party transactions outside the normal course of business to report for the third quarter of 2021.

## Liquidity

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

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

For more information on liquidity risk and how this risk is managed, refer to the “Risk Management” section of the Company’s 2020 Annual Report.

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

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

## Accounting Policies and Main Accounting Estimates

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

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

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

## INVESTMENTS

<b>Investment Mix</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Book value of investments	44,320	43,775	45,147	44,687
Allocation of investments by asset class				
Bonds	73.0%	72.7%	71.1%	72.2%
Stocks	8.4%	8.2%	7.3%	7.0%
Mortgages and other loans	6.5%	6.6%	6.2%	5.9%
Investment properties	4.2%	4.3%	4.2%	4.5%
Policy loans	2.3%	2.2%	2.0%	2.0%
Cash and short-term investments	3.3%	3.0%	4.3%	4.0%
Other	2.3%	3.0%	4.9%	4.4%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio was more than \$44 billion at September 30, 2021, up from June 30, 2021. The above table shows the main asset classes that make up the Company’s investment portfolio.

<b>Quality of Investments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Gross impaired investments	23	23	45	45
Provisions for impaired investments	6	6	14	8
Net impaired investments	17	17	31	37
Net impaired investments as a % of total investments	0.04%	0.04%	0.07%	0.08%
Bonds – Proportion rated BB or lower	1.03%	0.90%	0.99%	0.77%
Mortgages – Proportion of securitized and insured loans <sup>15</sup>	26.5%	27.1%	23.1%	24.1%
– Proportion of insured loans	45.9%	45.5%	50.1%	49.7%
– Delinquency rate	—	—	—	—
Investment properties – Occupancy rate	91.6%	93.4%	95.3%	95.7%
Car loans – Average credit loss rate (non-prime) <sup>16</sup>	2.4%	2.6%	3.6%	4.3%

The indicators in the above table confirm the quality of the investment portfolio. The decrease over twelve months in impaired investments is related to the disposal of an impaired private bond. For investment properties, the occupancy rate remained at an excellent level, above that of the Canadian office market. Note that in the current environment, there is still too much uncertainty regarding office space for trends to emerge. Lastly, the temporary low credit loss trend for car loans is attributed to continued client payment patterns arising in part from enhanced government support programs. In the coming quarters, the credit loss rate is expected to start increasing and eventually return to pre-pandemic levels.

<b>Derivative Financial Instruments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Total notional amount (\$B)	26	28	32	31
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	485	761	1,652	1,411
Negative fair value	808	610	569	778

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

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

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

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

<sup>15</sup> A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.

<sup>16</sup> Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.

**FINANCIAL POSITION**

<b>Capitalization</b>				
<b>(In millions of dollars)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Equity				
Common shares	1,705	1,695	1,674	1,673
Preferred shares issued by a subsidiary	525	525	525	525
Contributed surplus	17	18	20	19
Retained earnings	4,818	4,624	4,170	4,034
Accumulated other comprehensive income	4	8	83	106
Subtotal	7,069	6,870	6,472	6,357
Debentures	1,450	1,449	1,449	1,448
Participating policyholders' accounts	38	35	41	46
Total	8,557	8,354	7,962	7,851

The Company's capital amounted to nearly \$8.6 billion at September 30, 2021, up \$203 million from June 30, 2021. This increase is mainly due to the increase in retained earnings generated by the net earnings contribution. Note that the decrease in accumulated other comprehensive income since the beginning of the year is mainly caused by market-related variations.

<b>Solvency<sup>17</sup></b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Available capital				
Tier 1	3,125	3,049	2,767	2,717
Tier 2	1,838	1,822	1,601	1,603
Surplus allowance and eligible deposits	5,258	5,189	5,055	4,993
Total	10,221	10,060	9,423	9,313
Base solvency buffer	7,815	7,716	7,267	7,469
Solvency ratio	131%	130%	130%	125%

The Company ended the third quarter of 2021 with a solvency ratio of 131%. This result is above the Company's target range of 110% to 116%. The increase of 1 percentage point in the third quarter essentially stems from the contribution of organic capital generation as the impact of market-related variations was slightly negative. The acquisition of a majority stake in the online general insurance broker Surex announced on November 2, 2021 will reduce the Company's solvency ratio by about one percentage point (130% pro-forma as at September 30, 2021).

In the third quarter, the Company organically generated approximately \$150 million in additional capital, and, after nine months, the \$275 million to \$325 million target range for the year has already been exceeded.

<b>Financial Leverage</b>				
	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Debt ratio				
Debentures/capital	16.9%	17.3%	18.2%	18.4%
Debentures + preferred shares issued by a subsidiary/capital	23.1%	23.6%	24.8%	25.1%
Coverage ratio <sup>18</sup>	15.0x	14.8x	11.7x	12.0x

<sup>17</sup> This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

<sup>18</sup> Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, dividends on preferred shares issued by a subsidiary and redemption premiums on preferred shares issued by a subsidiary (if applicable).

The debt ratios decreased during the third quarter due to the increase in the Company's total capital, while the coverage ratio increased due to higher earnings. The increase over the past twelve months is explained by the pandemic's impact on 2020 earnings.

<b>Book Value per Common Share and Market Capitalization</b>				
	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Book value per common share	\$60.82	\$59.02	\$55.52	\$54.50
Number of common shares outstanding	107,630,477	107,462,727	107,063,827	107,028,827
Value per share at close	\$71.86	\$67.49	\$55.18	\$46.35
Market capitalization	\$7,734,326,077	\$7,252,659,445	\$5,907,781,974	\$4,960,786,131

Book value per common share was \$60.82 at September 30, 2021, up 3% from June 30, 2021, and up 12% over the last twelve months.

The number of common shares outstanding increased by 167,750 during the quarter. This change resulted entirely from the exercise of stock options under the stock option plan for senior managers. In accordance with regulators' instructions suspending common share redemptions due to the pandemic, the Company did not renew the Normal Course Issuer Bid that expired on November 11, 2020. Therefore, the Company did not redeem or cancel any outstanding common shares during the quarter.

The Company's market capitalization was nearly \$7.7 billion at September 30, 2021, up 7% during the third quarter and up 56% during the previous 12-month period, primarily due to the change in the Company's stock value, as the number of outstanding common shares increased only slightly.

#### **DECLARATION OF DIVIDEND**

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

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

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

<b>Declaration of Dividend</b>				
	<b>Amount</b>	<b>Payment date</b>	<b>Closing date</b>	
Common share – iA Financial Corporation	\$0.4850	December 15, 2021	November 19, 2021	
Class A Preferred Share – Series B – iA Insurance	\$0.2875	December 31, 2021	November 26, 2021	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	\$0.2360625	December 31, 2021	November 26, 2021	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	\$0.3000	December 31, 2021	November 26, 2021	Non-cumulative dividend

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

#### **Reinvestment of Dividends**

Registered shareholders wishing to enrol in the Company's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on December 15, 2021 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 12, 2021. Enrolment information is provided on iA Financial Group's website at [ia.ca](http://ia.ca) under *About iA*, in the *Investor Relations/Dividends* section. Common shares issued under the Company's DRIP will be purchased on the secondary market and no discount will apply.

**SENSITIVITY ANALYSIS**

<b>Sensitivity Analysis<sup>19</sup></b>				
	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
S&P/TSX closing value	20,070 points	20,166 points	17,433 points	16,121 points
Solvency ratio	131%	130%	130%	125%
<b>Impact of a drop in the stock markets (S&amp;P/TSX Index)<sup>20</sup></b>				
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(27%)	(28%)	(27%)	(21%)
Index trigger threshold	14,700 points	14,500 points	12,800 points	12,700 points
Net income impact for each additional 1% S&P/TSX decrease below this level	(\$23M)	(\$22M)	(\$24M)	(\$21M)
Decrease in index that reduces the solvency ratio to 110%	(96%)	(98%)	(83%)	(66%)
Index trigger threshold	800 points	400 points	2,900 points	5,400 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	(\$40M)	(\$39M)	(\$34M)	(\$31M)
<b>Impact on net income attributed to common shareholders of a hypothetical 10 bp decrease in interest rates</b>				
Drop in initial reinvestment rate (IRR)	\$1M	\$4M	\$4M	\$0M
Drop in ultimate reinvestment rate (URR)	(\$64M)	(\$66M)	(\$68M)	(\$68M)

**Caution related to sensitivities**

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

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

**NOTICE AND GENERAL INFORMATION****Internal Control Over Financial Reporting**

No changes were made to the Company's internal control over financial reporting during the interim period ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Non-IFRS Financial Information**

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

<sup>19</sup> The sensitivity analysis is based on non-IFRS measures.

<sup>20</sup> The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.



strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure.

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

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

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

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

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

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

## Forward-Looking Statements

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

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

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

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

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

## Documents Related to the Financial Results

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

## Conference Call

Management will hold a conference call to present iA Financial Group's third quarter results on Wednesday, November 3, 2021 at 2:00 p.m. (ET). The dial-in number is 416-981-9033 or 1-800-750-5857 (toll-free within North America). A replay of the conference call will be available for a one-week period, starting at 4:30 p.m. on Wednesday, November 3, 2021. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21997782. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at [ia.ca](http://ia.ca).

## About iA Financial Group

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

**CONSOLIDATED INCOME STATEMENTS**

(unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
<b>Revenues</b>				
<b>Premiums</b>				
Gross premiums	\$ 3,599	\$ 3,492	\$ 10,578	\$8,761
Premiums ceded	(267)	(244)	(767)	(645)
Net premiums	3,332	3,248	9,811	8,116
<b>Investment income</b>				
Interest and other investment income	432	356	1,113	1,107
Change in fair value of investments	(473)	40	(2,974)	2,587
	(41)	396	(1,861)	3,694
Other revenues	543	455	1,559	1,311
	3,834	4,099	9,509	13,121
<b>Policy benefits and expenses</b>				
Gross benefits and claims on contracts	1,604	1,468	5,861	4,301
Ceded benefits and claims on contracts	(172)	(137)	(512)	(408)
Net transfer to segregated funds	1,018	622	2,274	1,834
Increase (decrease) in insurance contract liabilities	96	950	(1,935)	4,266
Increase (decrease) in investment contract liabilities	1	3	(6)	25
Decrease (increase) in reinsurance assets	(39)	(18)	(57)	(112)
	2,508	2,888	5,625	9,906
Commissions	540	468	1,586	1,304
General expenses	441	422	1,309	1,203
Premium and other taxes	35	34	105	94
Financing charges	21	19	58	55
	3,545	3,831	8,683	12,562
<b>Income before income taxes</b>				
	289	268	826	559
Income taxes	63	49	191	99
<b>Net income</b>	\$ 226	\$ 219	\$ 635	\$ 460
Net income attributed to participating policyholders	3	(4)	(3)	4
<b>Net income attributed to shareholders</b>	\$ 223	\$ 223	\$ 638	\$ 456
Dividends attributed to preferred shares issued by a subsidiary	6	6	17	17
<b>Net income attributed to common shareholders</b>	\$ 217	\$ 217	\$ 621	\$ 439
<b>Earnings per common share (in dollars)</b>				
Basic	\$ 2.01	\$ 2.03	\$5.78	\$4.11
Diluted	2.01	2.03	5.76	4.10
<b>Weighted average number of shares outstanding (in millions of units)</b>				
Basic	108	107	107	107
Diluted	108	107	108	107
<b>Dividends per common share (in dollars)</b>	0.49	0.49	1.46	1.46

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As at September 30 2021	As at December 31 2020
(in millions of dollars)	(unaudited)	
<b>Assets</b>		
<b>Investments</b>		
Cash and short-term investments	\$ 1,445	\$ 1,949
Bonds	32,333	32,099
Stocks	3,725	3,286
Mortgages and other loans	2,897	2,801
Derivative financial instruments	485	1,652
Policy loans	1,015	881
Other invested assets	545	563
Investment properties	1,875	1,916
	44,320	45,147
Other assets	4,407	3,261
Reinsurance assets	2,223	1,981
Fixed assets	369	390
Deferred income tax assets	34	38
Intangible assets	1,666	1,621
Goodwill	1,207	1,224
General fund assets	54,226	53,662
Segregated funds net assets	36,886	32,804
<b>Total assets</b>	<b>\$ 91,112</b>	<b>\$ 86,466</b>
<b>Liabilities</b>		
Insurance contract liabilities	\$ 34,636	\$ 36,527
Investment contract liabilities	566	575
Derivative financial instruments	808	569
Other liabilities	9,222	7,647
Deferred income tax liabilities	437	382
Debentures	1,450	1,449
General fund liabilities	47,119	47,149
Liabilities related to segregated funds net assets	36,886	32,804
<b>Total liabilities</b>	<b>\$ 84,005</b>	<b>\$ 79,953</b>
<b>Equity</b>		
Share capital and contributed surplus	\$ 1,722	\$ 1,694
Preferred shares issued by a subsidiary	525	525
Retained earnings and accumulated other comprehensive income	4,822	4,253
Participating policyholders' accounts	38	41
	7,107	6,513
<b>Total liabilities and equity</b>	<b>\$ 91,112</b>	<b>\$ 86,466</b>

## SEGMENTED INFORMATION

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

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

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

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

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

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

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

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

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

### Segmented Income Statements

(in millions of Canadian dollars)	Quarter ended September 30, 2021							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
<b>Revenues</b>								
Net premiums	\$ 433	\$ 1,359	\$ 439	\$ 804	\$ 191	\$ 106	\$ 3,332	
Investment income	(114)	(2)	31	(5)	6	43	(41)	
Other revenues	31	458	21	29	119	(115)	543	
	350	1,815	491	828	316	34	3,834	
<b>Operating expenses</b>								
Gross benefits and claims on contracts	219	553	295	361	161	15	1,604	
Ceded benefits and claims on contracts	(77)	—	(14)	(6)	(103)	28	(172)	
Net transfer to segregated funds	—	842	—	176	—	—	1,018	
Increase (decrease) in insurance contract liabilities	(108)	(66)	15	258	(3)	—	96	
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1	
Decrease (increase) in reinsurance assets	(46)	—	(1)	1	7	—	(39)	
Commissions, general and other expenses	251	404	154	33	228	(54)	1,016	
Financing charges	4	1	8	—	—	8	21	
	243	1,734	458	823	290	(3)	3,545	
Income before income taxes and allocation of other activities	107	81	33	5	26	37	289	
Allocation of other activities	30	8	2	3	(6)	(37)	—	
Income before income taxes	137	89	35	8	20	—	289	
Income taxes	23	26	9	2	3	—	63	
<b>Net income</b>	114	63	26	6	17	—	226	
Net income attributed to participating policyholders	3	—	—	—	—	—	3	
<b>Net income attributed to shareholders</b>	\$ 111	\$ 63	\$ 26	\$ 6	\$ 17	\$ —	\$ 223	

(in millions of Canadian dollars)	Quarter ended September 30, 2020							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
<b>Revenues</b>								
Net premiums	\$ 412	\$ 933	\$ 414	\$ 1,168	\$ 230	\$ 91	\$ 3,248	
Investment income	257	(32)	42	71	16	42	396	
Other revenues	27	370	24	26	61	(53)	455	
	696	1,271	480	1,265	307	80	4,099	
<b>Operating expenses</b>								
Gross benefits and claims on contracts	178	480	289	341	171	9	1,468	
Ceded benefits and claims on contracts	(51)	—	(17)	(7)	(94)	32	(137)	
Net transfer to segregated funds	—	381	—	241	—	—	622	
Increase (decrease) in insurance contract liabilities	269	15	17	652	1	(4)	950	
Increase (decrease) in investment contract liabilities	—	—	3	—	—	—	3	
Decrease (increase) in reinsurance assets	(37)	—	3	1	11	4	(18)	
Commissions, general and other expenses	221	325	149	28	187	14	924	
Financing charges	3	1	8	—	1	6	19	
	583	1,202	452	1,256	277	61	3,831	
Income before income taxes and allocation of other activities	113	69	28	9	30	19	268	
Allocation of other activities	17	5	1	1	(5)	(19)	—	
Income before income taxes	130	74	29	10	25	—	268	
Income taxes	24	1	14	6	4	—	49	
<b>Net income</b>	106	73	15	4	21	—	219	
Net income attributed to participating policyholders	(4)	—	—	—	—	—	(4)	
<b>Net income attributed to shareholders</b>	\$ 110	\$ 73	\$ 15	\$ 4	\$ 21	\$ —	\$ 223	

## Nine months ended September 30, 2021

(in millions of Canadian dollars)	Individual		Group				Other	Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations			
<b>Revenues</b>								
Net premiums	\$ 1,297	\$ 4,231	\$ 1,267	\$ 2,132	\$ 585	\$ 299	\$ 9,811	
Investment income	(1,757)	(157)	69	(102)	(33)	119	(1,861)	
Other revenues	93	1,306	57	86	245	(228)	1,559	
	(367)	5,380	1,393	2,116	797	190	9,509	
<b>Operating expenses</b>								
Gross benefits and claims on contracts	669	1,774	897	2,016	466	39	5,861	
Ceded benefits and claims on contracts	(236)	—	(38)	(18)	(302)	82	(512)	
Net transfer to segregated funds	—	2,489	—	(215)	—	—	2,274	
Increase (decrease) in insurance contract liabilities	(1,732)	(292)	(19)	209	(102)	1	(1,935)	
Increase (decrease) in investment contract liabilities	—	—	(6)	—	—	—	(6)	
Decrease (increase) in reinsurance assets	(119)	—	—	4	59	(1)	(57)	
Commissions, general and other expenses	737	1,184	445	100	583	(49)	3,000	
Financing charges	7	2	25	—	1	23	58	
	(674)	5,157	1,304	2,096	705	95	8,683	
Income before income taxes and allocation of other activities	307	223	89	20	92	95	826	
Allocation of other activities	78	19	4	8	(14)	(95)	—	
Income before income taxes	385	242	93	28	78	—	826	
Income taxes	77	66	27	7	14	—	191	
<b>Net income</b>	<b>308</b>	<b>176</b>	<b>66</b>	<b>21</b>	<b>64</b>	<b>—</b>	<b>635</b>	
Net income attributed to participating policyholders	(3)	—	—	—	—	—	(3)	
<b>Net income attributed to shareholders</b>	<b>\$ 311</b>	<b>\$ 176</b>	<b>\$ 66</b>	<b>\$ 21</b>	<b>\$ 64</b>	<b>\$ —</b>	<b>\$ 638</b>	

Nine months ended September 30, 2020							
(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 1,203	\$ 2,785	\$ 1,204	\$ 2,155	\$ 518	\$ 251	\$ 8,116
Investment income	2,738	223	149	300	162	122	3,694
Other revenues	84	1,116	54	78	128	(149)	1,311
	4,025	4,124	1,407	2,533	808	224	13,121
<b>Operating expenses</b>							
Gross benefits and claims on contracts	605	1,376	863	999	428	30	4,301
Ceded benefits and claims on contracts	(178)	—	(48)	(20)	(245)	83	(408)
Net transfer to segregated funds	—	1,229	—	605	—	—	1,834
Increase (decrease) in insurance contract liabilities	2,766	419	49	838	197	(3)	4,266
Increase (decrease) in investment contract liabilities	—	—	25	—	—	—	25
Decrease (increase) in reinsurance assets	(76)	—	7	3	(49)	3	(112)
Commissions, general and other expenses	669	996	421	82	429	4	2,601
Financing charges	11	2	24	—	1	17	55
	3,797	4,022	1,341	2,507	761	134	12,562
Income before income taxes and allocation of other activities	228	102	66	26	47	90	559
Allocation of other activities	69	11	2	3	5	(90)	—
Income before income taxes	297	113	68	29	52	—	559
Income taxes	43	26	15	5	10	—	99
<b>Net income</b>	254	87	53	24	42	—	460
Net income attributed to participating policyholders	4	—	—	—	—	—	4
<b>Net income attributed to shareholders</b>	\$ 250	\$ 87	\$ 53	\$ 24	\$ 42	\$ —	\$ 456

**Segmented Premiums**

Quarter ended September 30, 2021							
(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 547	\$ 213	\$ 469	\$ 332	\$ 388	\$ 26	\$ 1,975
Invested in segregated funds	—	1,146	—	478	—	—	1,624
	547	1,359	469	810	388	26	3,599
<b>Premiums ceded</b>							
Invested in general fund	(114)	—	(30)	(6)	(197)	80	(267)
<b>Net premiums</b>	\$ 433	\$ 1,359	\$ 439	\$ 804	\$ 191	\$ 106	\$ 3,332



## Quarter ended September 30, 2020

(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 514	\$ 209	\$ 447	\$ 666	\$ 396	\$ 28	\$ 2,260
Invested in segregated funds	—	724	—	508	—	—	1,232
	514	933	447	1,174	396	28	3,492
<b>Premiums ceded</b>							
Invested in general fund	(102)	—	(33)	(6)	(166)	63	(244)
<b>Net premiums</b>	\$ 412	\$ 933	\$ 414	\$ 1,168	\$ 230	\$ 91	\$ 3,248

## Nine months ended September 30, 2021

(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 1,618	\$ 662	\$ 1,352	\$ 583	\$ 1,124	\$ 102	\$ 5,441
Invested in segregated funds	—	3,569	—	1,568	—	—	5,137
	1,618	4,231	1,352	2,151	1,124	102	10,578
<b>Premiums ceded</b>							
Invested in general fund	(321)	—	(85)	(19)	(539)	197	(767)
<b>Net premiums</b>	\$ 1,297	\$ 4,231	\$ 1,267	\$ 2,132	\$ 585	\$ 299	\$ 9,811

## Nine months ended September 30, 2020

(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 1,494	\$ 589	\$ 1,303	\$ 786	\$ 933	\$ 71	\$ 5,176
Invested in segregated funds	—	2,196	—	1,389	—	—	3,585
	1,494	2,785	1,303	2,175	933	71	8,761
<b>Premiums ceded</b>							
Invested in general fund	(291)	—	(99)	(20)	(415)	180	(645)
<b>Net premiums</b>	\$ 1,203	\$ 2,785	\$ 1,204	\$ 2,155	\$ 518	\$ 251	\$ 8,116

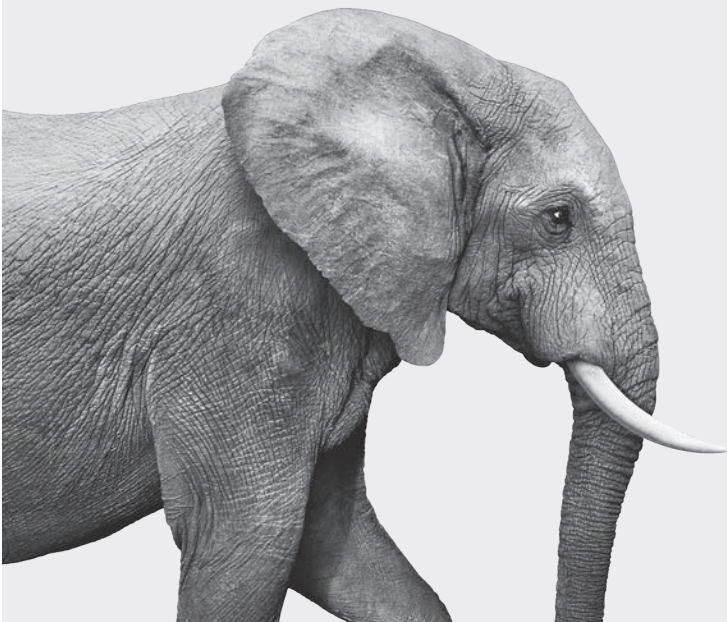
## Segmented Assets and Liabilities

(in millions of Canadian dollars)	As at September 30, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Assets</b>							
Invested assets	\$ 25,037	\$ 1,928	\$ 1,986	\$ 5,137	\$ 1,443	\$ 8,789	\$ 44,320
Segregated funds net assets	—	22,862	—	14,024	—	—	36,886
Reinsurance assets	85	—	225	127	1,994	(208)	2,223
Other	110	1,135	—	—	107	6,331	7,683
<b>Total assets</b>	<b>\$ 25,232</b>	<b>\$ 25,925</b>	<b>\$ 2,211</b>	<b>\$ 19,288</b>	<b>\$ 3,544</b>	<b>\$ 14,912</b>	<b>\$ 91,112</b>
<b>Liabilities</b>							
Insurance contract liabilities and investment contract liabilities	\$ 23,956	\$ 1,964	\$ 2,261	\$ 5,240	\$ 1,892	\$ (111)	\$ 35,202
Liabilities related to segregated funds net assets	—	22,862	—	14,024	—	—	36,886
Other	680	51	3	14	—	11,169	11,917
<b>Total liabilities</b>	<b>\$ 24,636</b>	<b>\$ 24,877</b>	<b>\$ 2,264</b>	<b>\$ 19,278</b>	<b>\$ 1,892</b>	<b>\$ 11,058</b>	<b>\$ 84,005</b>

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

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